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## **DONGJIANG ENVIRONMENTAL COMPANY LIMITED\***

### **東江環保股份有限公司**

*(a joint stock limited company incorporated in the People's Republic of China)*

**(Stock code: 00895)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

### **ANNUAL RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of Dongjiang Environmental Company Limited\* (the “**Company**”) is pleased to announce that the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2020 (the “**Reporting Period**”), together with the comparative figures of the year ended 31 December 2019 are as follows:

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

# **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the year ended 31 December 2020*

	Notes	2020 RMB'000	2019 RMB'000 (Unaudited)
<b>Revenue</b>	4	<b>3,315,021</b>	3,458,591
Cost of sales and services		<u>(2,183,947)</u>	<u>(2,210,633)</u>
<b>Gross profit</b>		<b>1,131,074</b>	1,247,958
Other income	6	<b>153,439</b>	210,612
Selling expenses		<b>(100,869)</b>	(122,308)
Administrative expenses		<b>(361,726)</b>	(365,569)
Other operating expenses		<b>(233,336)</b>	(181,840)
Net provision for loss allowance on trade and other receivables		<b>(45,095)</b>	(75,870)
Impairment loss on goodwill		<b>(34,535)</b>	(38,996)
Finance costs		<b>(127,066)</b>	(155,506)
Share of results of associates		<b>547</b>	(933)
Share of results of joint venture		<b>19,287</b>	6,857
<b>Profit before taxation</b>	5	<b>401,720</b>	524,405
Income tax expenses	7	<b>(68,225)</b>	(57,687)
<b>Profit for the year</b>		<b>333,495</b>	466,718
<b>Other comprehensive income</b>			
<i>Items that are reclassified or may be reclassified subsequently to profit or loss</i>			
Exchange difference on translation of foreign operations		<b>408</b>	74
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation on transfer of property, plant and equipment to investment properties, net of tax		<b>393</b>	—
<b>Other comprehensive income for the year, net of tax</b>		<b>801</b>	74
<b>Total comprehensive income for the year</b>		<b>334,296</b>	466,792
<b>Profit for the year attributable to:</b>			
Equity holders of the Company		<b>303,162</b>	423,930
Non-controlling interests		<b>30,333</b>	42,788
<b>Profit for the year</b>		<b>333,495</b>	466,718
<b>Total comprehensive income for the year attributable to:</b>			
Equity holders of the Company		<b>303,791</b>	424,004
Non-controlling interests		<b>30,505</b>	42,788
<b>Total comprehensive income for the year</b>		<b>334,296</b>	466,792
		<b>RMB cents</b>	<b>RMB cents</b>
<b>Earnings per share</b>			
Basic and diluted	8	<b>34</b>	48

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 31 December 2020

		As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)	As at 1 January 2019 RMB'000 (Unaudited)
	Notes			
<b>Non-current assets</b>				
Investment properties		449,741	433,545	423,599
Property, plant and equipment		3,231,707	2,853,281	2,296,647
Construction in progress		1,088,214	1,242,122	1,253,655
Right-of-use assets		764,065	612,950	364,820
Intangible assets		675,323	524,996	549,016
Goodwill		1,229,438	1,287,973	1,213,138
Interests in associates		196,978	166,881	216,950
Interests in joint venture		95,156	85,869	86,511
Trade receivables and contract assets	11	9,058	8,962	48,736
Other non-current assets		76,786	114,757	196,753
Deferred tax assets		53,042	38,424	26,002
		<u>7,869,508</u>	<u>7,369,760</u>	<u>6,675,827</u>
<b>Current assets</b>				
Inventories		267,105	299,713	299,706
Loans receivables	10	125,724	160,230	372,628
Financial assets at fair value through profits and loss		–	–	24,935
Trade receivables and contract assets	11	1,145,209	1,085,211	851,585
Prepayment, deposits and other receivables	12	351,176	372,923	481,676
Prepaid income tax		3,775	2,834	3,458
Cash and cash equivalents		661,657	1,104,761	1,054,069
		<u>2,554,646</u>	<u>3,025,672</u>	<u>3,088,057</u>
<b>Current liabilities</b>				
Trade payables	13	729,967	786,251	708,358
Contract liabilities		131,915	169,267	151,968
Lease liabilities		8,461	5,858	3,928
Current portion of interest-bearing borrowings		1,971,310	1,823,658	1,915,497
Bond payables		12,800	863,584	358,922
Due to related parties		430,637	436,745	–
Income tax payables		33,068	33,068	38,787
Other payables	14	257,980	278,596	341,795
		<u>3,576,138</u>	<u>4,397,027</u>	<u>3,519,255</u>
<b>Net current liabilities</b>		<u>(1,021,492)</u>	<u>(1,371,355)</u>	<u>(431,198)</u>

		As at 31 December 2020 <i>RMB'000</i>	As at 31 December 2019 <i>RMB'000</i> (Unaudited)	As at 1 January 2019 <i>RMB'000</i> (Unaudited)
<i>Notes</i>				
<b>Total assets less current liabilities</b>		<b>6,848,016</b>	5,998,405	6,244,629
<b>Non-current liabilities</b>				
Lease liabilities		3,571	10,653	16,393
Interest-bearing borrowings		661,588	769,659	435,799
Bond payables		599,438	–	902,808
Provisions		27,734	–	–
Deferred income		161,769	164,928	184,675
Deferred tax liabilities		19,939	15,364	14,359
Other payables	14	337	2,958	4,435
		<b>1,474,376</b>	963,562	1,558,469
<b>NET ASSETS</b>		<b>5,373,640</b>	5,034,843	4,686,160
<b>Capital and reserves</b>				
Share capital		879,267	879,267	887,100
Reserves		3,660,297	3,465,364	3,154,831
Equity attributable to equity holders of the Company		4,539,564	4,344,631	4,041,931
Non-controlling interests		834,076	690,212	644,229
<b>TOTAL EQUITY</b>		<b>5,373,640</b>	5,034,843	4,686,160

## 1. CORPORATE INFORMATION

The Company was incorporated as a joint stock limited company in the People's Republic of China (the "PRC") in accordance with the Company Law of the PRC (the "Company Law") on 18 July 2002. The registered address and the principal place of business of the Company is 1st Floor, 3rd Floor, North of 8th Floor, 9th-12th Floor, Dongjiang Environmental Building, No. 9 Langshan Road, North Zone of Hitech Industrial Park, Nanshan District, Shenzhen, the PRC.

The Company's shares are listed on both the Shenzhen Stock Exchange (the "Shenzhen Stock Exchange") ("A shares") and the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") ("H shares"). As at 31 December 2020, the Company had 679,129,602 A shares and 200,137,500 H shares.

In the opinion of the directors, the ultimate controlling party of the Company is Guangdong Rising Holdings Group Co., Ltd. ("Guangdong Rising Group") which is incorporated in the PRC.

The principal activities of the Company are processing and sales of recycled products, provision of waste treatment services, provision of environmental protection systems and services, and trading of chemical products. The Company and its subsidiaries are herein collectively referred to as the "Group".

## 2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) (the "HKCO") and the applicable disclosure requirements under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

### Transition from ASBE to IFRSs

The consolidated financial statements of the Group for the year ended 31 December 2019 were prepared in accordance with the Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance of the People's Republic of China. These consolidated financial statements for the financial year ended 31 December 2020 are the first set of consolidated financial statements of the Group that have been prepared in accordance with IFRSs.

The adoption of IFRSs does not have any significant impact on the amounts recognised and no adjustment, except for reclassifications, has been made for the transition from ASBE to IFRSs.

The Company adopted ASBE and IFRSs to prepare its consolidated financial statements, starting from the fiscal period commencing on 1 January 2020 and onward, for A shares and H shares respectively.

### Further changes in IFRSs

At the date of this announcement, the IASB has issued the new/revised IFRSs that are not yet effective for the current year, which the Group has not early adopted. The directors are in the process of assessing the possible impact on the future adoption of the new/revised IFRSs, but are not yet in a position to reasonably estimate their impact on the consolidated financial results.

### Going concern

The consolidated financial statements have been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon continued availability of adequate finance or attaining profitable operations in the future in view of the excess of current liabilities over current assets. At the end of the reporting period, the Group's current liabilities exceeded its current assets by approximately RMB1,021,492,000.

The directors have evaluated all the relevant facts available to them and are of the opinion that there are no significant adverse conditions precluding the Group from obtaining sufficient available funding. The Group maintained cash and time deposits at banks and other financial institution of approximately RMB653,579,000 as at 31 December 2020.

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis on the assumption that the Group is able to operate as a going concern for the foreseeable future. In the opinion of the directors of the Company, the Group can meet its financial obligations as and when they fall due within the next twelve months, after taking into consideration of the measures and arrangements made by the Group.

### 3. SEGMENT INFORMATION

The reportable segments are determined based on the internal organisation structure, management requirements and reporting system. The key management of the Group, who are the chief operating decision makers, reviews the operating results of these reportable segments regularly to decide on resources allocation and evaluate their performance. Major products and services provided by each reportable segment of the Group includes industrial waste recycling, industrial waste treatment and disposal, municipal waste treatment and disposal, renewable energy utilisation, environmental engineering and services, trading and others, as well as household appliances dismantling.

For the purposes of assessing the performance of operating segments and allocating resources between segments, the executive directors assess the performance of reportable segments based on profit for the year and profit before taxation, share of results of associates and joint venture.

Segment assets include all assets with the exception of interest in associates and joint venture. Segment liabilities include all liabilities.

Inter-segment sales are priced at cost plus profit margin.

Analysis of the Group's segmental information by business and geographical segments during the year is set out below.

#### Year ended 31 December 2020

	Industrial waste recycling RMB'000	Industrial waste treatment and disposal RMB'000	Municipal waste treatment and disposal RMB'000	Renewable energy utilisation RMB'000	Environmental engineering and services RMB'000	Trading and others RMB'000	Household appliance dismantling RMB'000	Unallocated amounts RMB'000	Elimination RMB'000	Total RMB'000
<b>Segment revenue</b>	1,054,328	1,635,345	180,770	92,752	208,563	40,840	161,859	67,768	(127,204)	3,315,021
Inter-segment revenue	–	(35,836)	–	–	(23,600)	–	–	(67,768)	127,204	–
Revenue from external customers	1,054,328	1,599,509	180,770	92,752	184,963	40,840	161,859	–	–	3,315,021
Cost of sales	(843,407)	(814,550)	(191,090)	(66,179)	(143,105)	(11,995)	(113,621)	–	–	(2,183,947)
Segment operating (cost)/income	210,921 (65,520)	784,959 (480,155)	(10,320) (1,199)	26,573 (538)	41,858 (5,227)	28,845 (15,263)	48,238 (18,857)	– 135,506	– (297,935)	1,131,074 (749,188)
Segment profit before tax	145,401	304,804	(11,519)	26,035	36,631	13,582	29,381	135,506	(297,935)	381,886
Share of results of associates										547
Share of results of joint venture										19,287
Income tax expense										(68,225)
Profit for the year										<u>333,495</u>
<b>Segment assets</b>										
Segment assets	2,709,835	3,486,426	531,810	262,489	578,396	881,130	592,906	4,940,836	(3,851,808)	10,132,020
Interest in associates	–	–	–	–	–	–	–	196,978	–	196,978
Interest in joint venture	–	–	–	–	–	–	–	95,156	–	95,156
Total assets										<u>10,424,154</u>
<b>Segment liabilities</b>										
Segment liabilities	306,991	2,091,752	160,275	35,446	297,453	82,190	297,184	2,330,018	(550,795)	<u>5,050,514</u>

**Year ended 31 December 2019 (Unaudited)**

	Industrial waste recycling RMB'000	Industrial waste treatment and disposal RMB'000	Municipal waste treatment and disposal RMB'000	Renewable energy utilisation RMB'000	Environmental engineering and services RMB'000	Trading and others RMB'000	Household appliance dismantling RMB'000	Unallocated amounts RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue	1,075,315	1,692,402	230,026	91,394	213,928	74,513	159,381	60,410	(138,778)	3,458,591
Inter-segment revenue	–	(25,370)	–	–	(37,498)	(15,500)	–	(60,410)	138,778	–
Revenue from external customers	1,075,315	1,667,032	230,026	91,394	176,430	59,013	159,381	–	–	3,458,591
Cost of sales	(826,061)	(827,643)	(218,488)	(62,165)	(152,354)	(13,831)	(110,091)	–	–	(2,210,633)
Segment operating (cost)/ income	249,254	839,389	11,538	29,229	24,076	45,182	49,290	–	–	1,247,958
	(96,178)	(476,224)	(8,291)	5,488	14,054	(3,783)	(26,433)	97,670	(235,780)	(729,477)
Segment profit before tax	153,076	363,165	3,247	34,717	38,130	41,399	22,857	97,670	(235,780)	518,481
Share of results of associates										(933)
Share of results of joint venture										6,857
Income tax expense										(57,687)
Profit for the year										466,718
Segment assets	2,900,179	3,110,340	499,654	254,104	554,480	864,887	578,070	4,267,148	(2,886,180)	10,142,682
Interest in associates										166,881
Interest in joint venture										85,869
Total assets										10,395,432
Segment liabilities	318,385	1,914,067	441,951	31,551	279,417	79,818	307,873	2,282,021	(294,494)	5,360,589

**4. REVENUE**

Revenue represents the consideration expected to be received in respect of the transfer of goods and services in accordance with IFRS 15, rental income from leasing service and interest income from loans receivables on money lending business. The amount of each significant category of revenue recognised during the year is as follows:

	2020 RMB'000	2019 RMB'000 (Unaudited)
<u>Revenue from contracts with customers within IFRS 15</u>		
Recognised at point in time	1,328,887	1,342,290
Recognised over time	1,965,242	2,073,488
	3,294,129	3,415,778
<u>Revenue from other sources</u>		
Rental income	12,279	18,060
Interest income from loans receivables	8,613	24,753
	20,892	42,813
	3,315,021	3,458,591

## 5. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i> (Unaudited)
<b>Staff costs (including directors' emoluments)</b>		
Salaries, bonus and other emoluments	547,226	554,147
Contribution to defined contribution retirement schemes**	47,372	71,922
	<u>594,598</u>	<u>626,069</u>
Total staff costs		
<b>Other items</b>		
Auditor's remuneration		
– Audit services	2,160	2,117
– Other services	483	1,143
Cost of sales	1,035,202	1,012,148
Cost of services	1,148,745	1,198,485
Depreciation and amortisation		
– Property, plant and equipment*	391,792	328,853
– Intangible assets*	68,043	62,537
– Right-of-use assets*	26,387	16,515
Exchange loss, net	1,884	520
Research and development expenses	126,314	127,360
(Reversal of) Provision for loss allowance on		
– Trade receivables and contract assets	5,705	(1,317)
– Other receivables	39,084	76,389
– Loan receivables	306	798
Impairment loss on goodwill	34,535	38,996
Impairment loss on inventories, net	121	1,784
Reversal of impairment loss on property, plant and equipment	(54)	–
Reversal of impairment loss on intangible assets	(22)	–
Gain on disposal of property, plant and equipment	(19,338)	(661)
Loss on disposal of intangible assets	–	112
Written off of other non-current assets	24,500	–
Direct operating expenses arising from investment properties that generated rental income	1,709	2,800
	<u>1,709</u>	<u>2,800</u>

\* These items are included in both cost of sales, cost of services and administrative expenses in the consolidated statement of comprehensive income.

\*\* During the year ended 31 December 2020, the Group received PRC government subsidy related to COVID-19 in the form of reduction in social securities contribution, which was recognised as reduction to the related expenses when it was granted.



## 6. OTHER INCOME

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i> (Unaudited)
Interest revenue calculated using the effective interest method		
from banks and other financial institutions	11,394	16,392
Gain on change in fair value of investment properties	13,547	8,894
Gain on disposal of property, plant and equipment	19,338	661
Gain on disposal of subsidiaries	–	141
Gain from remeasurement of equity interest at fair value		
upon acquisition of control	–	7,245
Net fair value gain of financial assets mandatorily measured at FVPL	–	65
Amortisation of deferred government grants ( <i>Note</i> )	15,009	36,421
Government subsidies	35,702	23,493
Valued added tax refunds	52,256	104,323
Sundry income	6,193	12,977
	<u>153,439</u>	<u>210,612</u>

*Note:* The amount mainly represents the amortisation of government grants received from the environmental protection projects fund, energy saving emission reduction subsidies and resources recycling subsidies etc. The government grants are recognised as deferred income and credited to profit and loss in the period over the expected useful life of the relevant assets.

## 7. TAXATION

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i> (Unaudited)
<b>Current tax</b>		
Enterprise Income Tax of the PRC		
Current year	79,057	78,981
Overprovision in prior year	(658)	(14,047)
	<u>78,399</u>	<u>64,934</u>
Deferred tax credit	(10,174)	(7,247)
Total tax expenses for the year	<u>68,225</u>	<u>57,687</u>

The applicable tax rate is the weighted average of rates prevailing in the territories in which the group entities operate.

The income tax provision in respect of operations in the PRC is calculated at statutory rate of 25% of the estimated assessable profits of the PRC subsidiaries of the Group as determined in accordance with existing legislation, interpretations and practices of the PRC, except for certain PRC subsidiaries.

## 8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the profit attributable to the ordinary equity shareholders of the Company of approximately RMB303,162,000 (2019 (Unaudited): RMB423,930,000) and the weighted average number of 879,267,102 (2019 (Unaudited): 881,059,752) shares in issue during the year.

The Group has no dilutive potential ordinary shares in issue during the current and prior years and, therefore, the diluted earnings per share is the same as basic earnings per share for the years presented.

## 9. DIVIDEND

	Note	2020 RMB'000	2019 RMB'000 (Unaudited)
Dividend approved and paid during the year			
Final dividend in respect of 2019 of RMB0.15 (2018: RMB0.14) per ordinary share	9(a)	<u>131,890</u>	<u>123,097</u>
Dividend proposed after the reporting period			
Final dividend in respect of 2020 of RMB0.11 (2019: RMB0.15) per ordinary share	9(b)	<u>96,719</u>	<u>131,890</u>

- (a) Pursuant to the resolution passed at the Board meeting on 28 March 2019 and the shareholders' resolution passed at the 2018 Annual General Meeting on 11 June 2019, the payment of final dividend in respect of 2018 totaling to RMB123,097,000 was approved. In addition, the reversal of dividends of the restricted shares not yet unlocked that were held by former incentive participants who resigned in 2019 of RMB321,000 and the reversal of dividends of the restricted shares granted but not unlocked that were held by the participants and repurchased in 2019 of RMB1,534,000 were setoff with the appropriation of accumulated profits in the year ended 31 December 2019.
- (b) The final dividend in respect of 2020 of RMB0.11 per ordinary share amounting to RMB96,719,000 is proposed by the board of directors after the reporting period. The proposed dividend will be accounted for as an appropriation of accumulated profits in the year ending 31 December 2021 if it is approved at the forthcoming annual general meeting.

# **10. LOANS RECEIVABLES**

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)	As at 1 January 2019 RMB'000 (Unaudited)
Loans receivables from money lending business	128,290	162,490	374,090
Less: Loss allowance	(2,566)	(2,260)	(1,462)
	<u>125,724</u>	<u>160,230</u>	<u>372,628</u>

The ageing analysis of loans receivables by invoice date is summarized as follows:

	2020 RMB'000	2019 RMB'000 (Unaudited)
Within 1 year	–	3,600
1 to 2 years	2,600	72,800
2 to 3 years	72,200	49,490
Over 3 years	53,490	36,600
	<u>128,290</u>	<u>162,490</u>

# 11. TRADE RECEIVABLES AND CONTRACT ASSETS

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)	As at 1 January 2019 RMB'000 (Unaudited)
<b>Trade receivables</b>			
From third parties	423,513	319,846	334,160
From government	486,203	535,474	345,060
From joint venture	43,294	28,911	10,992
From associates	6,929	27,701	69,240
From related parties	4,134	940	2,304
	<u>964,073</u>	<u>912,872</u>	<u>761,756</u>
Less: Loss allowance	<u>(25,250)</u>	<u>(18,936)</u>	<u>(19,248)</u>
	<u>938,823</u>	<u>893,936</u>	<u>742,508</u>
Less: Non-current portion of trade receivables	<u>(9,058)</u>	<u>(8,962)</u>	<u>(48,736)</u>
	<u>929,765</u>	<u>884,974</u>	<u>693,772</u>
<b>Bills receivables</b>	<u>117,691</u>	<u>82,321</u>	<u>62,109</u>
<b>Contract assets</b>			
Government construction projects	97,753	99,246	70,574
Water treatment projects	–	19,346	26,822
	<u>97,753</u>	<u>118,592</u>	<u>97,396</u>
Less: Loss allowance	<u>–</u>	<u>(676)</u>	<u>(1,692)</u>
	<u>97,753</u>	<u>117,916</u>	<u>95,704</u>
	<u><b>1,145,209</b></u>	<u><b>1,085,211</b></u>	<u><b>851,585</b></u>

The ageing analysis of trade receivables by invoice date is summarized as follows:

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)
Within 90 days	337,524	354,129
91 to 180 days	111,416	49,689
181 to 365 days	119,591	144,279
1 to 2 years	183,069	145,247
2 to 3 years	106,875	55,334
Over 3 years	105,598	164,194
	<u>964,073</u>	<u>912,872</u>

## 12. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)	As at 1 January 2019 RMB'000 (Unaudited)
Considerations receivables	138,468	138,468	137,218
Prepayments, deposits and other receivables			
From third parties	188,623	209,236	226,764
From government	58,858	50,277	85,899
From related parties	780	10,934	8,339
Other taxes receivables	160,331	120,934	103,867
	<u>547,060</u>	<u>529,849</u>	<u>562,087</u>
Less: Loss allowance	<u>(195,884)</u>	<u>(156,926)</u>	<u>(80,411)</u>
	<u><u>351,176</u></u>	<u><u>372,923</u></u>	<u><u>481,676</u></u>

## 13. TRADE PAYABLES

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)	As at 1 January 2019 RMB'000 (Unaudited)
<b>Trade payables</b>			
To third parties	715,651	677,027	557,985
To associates	10,948	4,962	–
To joint venture	2,696	3,683	373
To related parties	672	219	–
	<u>729,967</u>	<u>685,891</u>	<u>558,358</u>
<b>Bills payables</b>	<u>–</u>	<u>100,360</u>	<u>150,000</u>
	<u><u>729,967</u></u>	<u><u>786,251</u></u>	<u><u>708,358</u></u>

The ageing analysis of trade payables by invoice date is summarised as follows:

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)
Within 90 days	542,471	443,765
91 to 180 days	17,763	78,561
181 to 365 days	79,637	80,189
1 to 2 years	58,979	58,227
2 to 3 years	11,884	19,293
Over 3 years	19,233	5,856
	<u><u>729,967</u></u>	<u><u>685,891</u></u>

# **14. OTHER PAYABLES**

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000 (Unaudited)	As at 1 January 2019 RMB'000 (Unaudited)
Deposits received	27,122	28,133	21,790
Consideration payables for acquisition of subsidiaries	6,266	47,696	30,362
Accrued charges and other payables	136,985	98,606	168,769
Employee benefits payables	59,769	80,092	82,754
Value-added tax payables	19,171	18,069	30,744
Other taxes payables	9,004	8,958	11,711
	<hr/>	<hr/>	<hr/>
	258,317	281,554	346,130
Less: Non-current portion	(337)	(2,958)	(4,335)
	<hr/>	<hr/>	<hr/>
	257,980	278,596	341,795
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## OPERATION DISCUSSION AND ANALYSIS

The year 2020 was the concluding year of the “13th Five-Year” plan, which was critical for the Company to deepen reform, enhance quality and efficiency and facilitate high-quality development. Affected by the pandemic, the global economy shrank led to decrease in total demand in the hazardous waste market. In response, the Company faced up to the challenges and difficulties and united all staff to resist the pandemic with concerted efforts, continuously deepen reform, make active response to market changes, vigorously implement refined and standardized management, and carry out production and operation in an orderly manner, thereby maintaining a stable overall operation.

During the Reporting Period, the Company achieved an operating revenue of RMB3,315,021,000 for the year, representing a decrease of 4.15% as compared to the same period of last year. The net profit attributable to the equity holders of the Company was approximately RMB303,162,000, representing a decrease of 28.49% as compared to the same period of last year. The Company maintained a stable financial position with total assets of RMB10,424,154,000 as at 31 December 2020, representing an increase of 0.28% as comparing the beginning of the Reporting Period. The equity attributable to the equity owners of the Company was RMB4,539,564,000, representing an increase of approximately 4.49% as compared to the beginning of the Reporting Period. During the Reporting Period, in view of the adverse impact of the pandemic on the Company’s industry and the changes in operating environment and considering the impact of certain receivables and legal cases, the Company took a prudent approach to make reasonable provision for impairment on goodwill and provision of loss allowance on receivables, which constituted certain impact on the annual financial result of the Company. The information of operational management and the key tasks completed by the Company are as follows:

### **(I) Assuming the responsibilities as a state-own enterprise to resist the pandemic**

During the period of pandemic, the Company actively responded to the government summon and improve the awareness of all staff to actively participate in the frontline of pandemic prevention and engaged in medical waste treatment and disposal business through the disposal facilities in over ten provinces in China. The Company properly disposed of over 9,000 tons of medical waste on the premise to ensure “zero infection” among over 4,900 employees of the Company, including 373 employees of eight subsidiaries in Hubei Province in the period of pandemic, thereby contributing to the pandemic prevention and production resumption in various regions with the strength of the Company. As the local entities for emergency disposal of medical waste, Hubei Tianyin, Xiamen Dongjiang, Nantong Dongjiang, Shaoxing Huaxin, Jiangxi Dongjiang, Xinjiang Wosen and other subsidiaries actively responded to the government’s emergency call, and successfully completed the disposal of medical waste during the pandemic, which were highly approbated by relevant authorities.

## **(II) Facilitating the development plan of the Company through project construction**

With the Company's efforts in accelerating project construction and application for quality verification, totally six projects completed construction and obtained the hazardous waste disposal business license, including Shaoguan Green land fill project with a capacity of 34,500 tons per year, the Fujian Oasis project with a capacity of 20,000 tons for incineration and 45,000 tons for landfill per year, the Shaoxing Huaxin incineration project with a capacity of 20,000 tons per year, the Nantong Dongjiang physical and chemical treatment project with a capacity of 14,900 tons per year, and the Tangshan Wandesi project with a capacity of 19,700 tons for incineration, 17,000 tons for physical and chemical treatment and 21,200 tons for landfill per year, contributing hazardous waste disposal capacity of 192,300 tons per year in aggregate. Meanwhile, in response to the changes in industry and market conditions, the Company optimized the qualification structure through technical modification and amendment on inefficiency of disposal capacity. As of the date of this announcement, the Company has a total capacity of over 2 million tons per year for hazardous waste treatment and disposal, including 750,000 tons per year for comprehensive utilization, 360,000 tons per year for incineration, 280,000 tons per year for landfill and 630,000 tons per year for physical and chemical treatment.

The Company has abundant project reserves with eight projects under construction, including the Fujian Oasis Physical and Chemical Treatment Project, the Fulong Environmental Incineration Project, the Mianyang Dongjiang Phase I Project, the Xiamen Dongjiang Incineration Project, the Jiangsu Dongjiang Landfill Project, the Zhuhai Dongjiang Project and the Jieyang Dongjiang Dananhai Project, which have a total designed capacity of over 400,000 tons per year for hazardous waste treatment and disposal. Meanwhile, the Company is actively facilitating project acquisition in order to expand the precious metal recycling segment, improve strategic layout, strengthen industry collaboration, enhance the standard of recycling and comprehensive utilization of solid waste and hazardous waste, and create new profit growth drivers, thereby providing strong support to the high-quality development of the Company.

## **(III) Making steady progress in market expansion**

During the Reporting Period, the impact of the pandemic reduced the collection of raw materials at the front end of the market and led to increase in costs. In the face of economic environment changes and intensive market competition, the Company further optimized and adjusted its market management model, fully authorized its business divisions, and established a flexible pricing mechanism in order to enhance operation efficiency, accelerate business expansion, rapidly respond to changes of market conditions and effectively secure the Company's market share.



For industrial waste treatment and disposal, the Company set offensive and defensive targets according to local conditions by establishing a flexible market pricing system, put great efforts in developing the markets in Guangdong Province and Jiangsu Province, vigorously developed new customers and actively maintained existing customers, and secured various VIP customers including several well-known electronic and electrical appliance manufacturers during the year, which ensured the steady increase of business volume in key areas. For sales of recycling products, the Company closely followed the changes in market demand and achieved rapid sales of products with the production and sales rate of its recycling products exceeding 100% during the Reporting Period. It also further strengthened the cooperation relationship with major customers with sales to major customers accounting for approximately 20% of the total sales volume of cuprate products, and increased more efforts in market expansion for products with higher gross margin. In particular, the sales volume of copper (II) chloride dihydrate recorded year-on-year increase of over 60%, and the sales volume of copper sulphate for electroplating recorded year-on-year increase by over 25%. For business model innovation, Nantong Dongjiang took the lead to explore the “Environmental Butler” business model, which provides entrusted operation services for incineration facilities in addition to the waste treatment and disposal services, thereby further enhancing serving quality and customer stickiness.

As of the end of the Reporting Period, the Company’s capacity utilization rate was 42.63% for recycling, 60.16% for incineration, 67.50% for landfill, and 18.27% for physical and chemical treatment, resulting in an overall capacity utilization rate of 40.53%. The year-on-year decrease in overall utilization rate was mainly due to the acquisition of the Company’s new capacity in the fourth quarter of 2020 and the newly constructed projects were at the stage of market expansion and capacity development. Generally, despite the impact of the pandemic and intensive market competition, the Company still managed to increase the total volume of hazardous waste treatment for the year and continuously improve its business expansion capability.

#### **(IV) Continuously deepening refined management**

The “Hazardous Waste Operational Management Information Platform” independently developed by the Company has been applied in seven subsidiaries. Through platform-based management, the Company strengthened the compliance supervision of the whole process of hazardous waste disposal, and further enhanced the level of informatization and standardization of environmental protection management of the Company. The Company further standardized the operating procedures and formulated the Standardized Operation Manual for Incineration and Disposal and the Standardized Operation Manual for Physical and Chemical Treatment in order to standardize the whole operation process from collection and transportation to disposal of hazardous waste and reduce production cost. We facilitated technical transformation based on market demand, and the Jiangmen Dongjiang Ammonia Recovery System, the Huizhou Dongjiang Catalytic Wet Air Oxidation Process and other technical modification projects have contributed significant economic benefits. In order to carry out the “dual reduction” task and strengthen capital management, the Company adopted various measures such as issuance of medium-term notes and the replacement of liabilities with high interest rates, and reduced the finance costs by RMB28.44 million year-on-year, effectively reducing the operating costs of the Company. The Company also improved system construction by introducing the Implementation Rules for Risk Management Ledger and the Implementation Rules for Special Risk Assessment of Material Matters, which further improved the risk control systems.

The Company carried out the construction of a dual prevention system for safety production risks and hazards, and facilitated the business divisions to establish a comprehensive safety production risk classification, management and control system and system for identification and management of hazards. Firstly, based on the actual situation of the safety and environmental protection works, the Company conducted 25 special activities including solid waste and hazardous waste inspection and special rectification for safety production, which provided training to 3,867 people and carried out 305 emergency drills and 923 safety training sessions. Secondly, the Company fully promoted the application of its “Safe Dongjiang” safety and environmental protection management information platform, delivered safety and environmental protection management information in a timely manner, continuously facilitated the iteration and upgrade of the platform, and effectively improved the practicality and efficiency of the safety and environmental protection management information platform to ensure that safety and environmental protection management is carried out in a forward-looking manner with precise supervision, source management and scientific prevention. During the Reporting Period, the safety and environmental protection situation remained stable and controllable with the accident rate decreasing by 62.5% year-on-year and no major safety accident throughout the year.

**(V) Continuously improving talent management**

The Company further promoted the pilot program of comprehensive reform under the theme of “incentive, constraint and fault tolerance”, and established and improved the talent assessment, appraisal and remuneration system with market competitiveness by amending the “Remuneration Standard Plan”, publishing the “Staff Promotion Management Measures”, optimizing the assessment and incentive mechanism, launching the corporate annuity scheme and increasing the contribution ratio of provident funds during the Reporting Period, which effectively aligned the employees’ remuneration with the Company’s development, implemented the human resource development concept of caring for the employees, improving remuneration package and achieving mutual development, thereby fully incentivizing the staff to strive for business success.

**(VI) Achieving fruitful results in technological innovation**

Upholding the idea of innovation-driven development, the Company put effort in carrying out technological innovation based on research institutes. During the Reporting Period, the Company had a total of 18 high technology enterprises, including Dongguan Hengjian and Huateng Environmental which were newly recognized as high technology enterprises. The Company participated in the formulation of two national standards, being “GB/T 39198-2020 Classification and Code for General Solid Waste” and “GB/T 39197-2020 Principle and Requirement for Material Flow Data Collection of General Solid Waste”. The Company completed a total of 13 research and development projects and achieved commercialization for four projects, including the technology for quality improvement of copper sponge which enlarged the effectiveness of the copper grade, stability of the Company’s products and strengthened the market competitiveness. It also made 63 new patent applications and obtained 81 new patents. Two project achievements were assessed as globally leading, including the process of production of basic copper carbonate by carbonization in the field of recycling of copper-containing hazardous waste which has applied for international patent. The Company conducted research on traction battery recycling technology to closely follow the future development trend of the industry and cultivate new business capabilities. The Company and Tsinghua University jointly applied for the project of harmless treatment and recycling of high-concentration hazardous waste in typical industries, a key special project for “solid waste recycling” under the national key research and development program which will provide new materials, new methods and new processes for recycling and harmless treatment of high-concentration hazardous waste with practical and engineered technologies, representing a new breakthrough for the Company in research and development of national key projects.

## **Financial Budget for Year 2021**

### **I. Explanation for preparation of budget**

This budget is prepared based on the principle of prudence, together with market and business expansion plan according to the preparation of the consolidated statements and based on the Company's budget and the business development plan of each business segment, waste treatment and disposal plan, production and sales plan of recycled products for Year 2021. This budget is prepared based on the assumption that the operation plans of the Company are completed on time and in volume as specified in the plans.

The budget is summarized the operation condition in 2020 and analysis of the circumstances of the operation in 2021, as well as the Company's corporate development strategy. Moreover, this budget has taken into consideration the impacts of factors, including market environment, business expansion and sales prices. This budget includes the parent company, its controlling subsidiaries and branches.

### **II. Basic assumptions**

1. No material changes in the applicable current national and local laws, regulations and rules with which the Company comply with.
2. No material changes in social and economic environment of the place of principal operations and relevant regions of business of the Company.
3. No adverse impacts will arise from material changes in objective factors including transportation, telecommunication, severe shortage in water and electricity and raw materials which will affect production and operation of the Company in 2021.
4. Fluctuation of the credit interest rate, taxation policy regarding production and operation of the Company are within normal scope.
5. No material changes in the existing production organization structure of the Company, completion and commencement for production of the planned investment projects will take place on schedule.
6. No material adverse impacts on the Company due to other force majeure and unpredictable factors.

### **III. Key indicators of the budget of 2021**

The revenue is expected to record a year-on-year increase of no less than 20% in 2021.

The net profit attributable to shareholders of the parent company is expected to record a year-on-year increase of no less than 10% in 2021.

### **IV. Measures to ensure the performance of financial budget**

1. To maintain stable production and operation, improve management standards, promote standardized operation of production processes, management, control of costs and expense to achieve cost reduction and efficiency enhancement.
2. To accelerate the construction of key projects, focus on project quality, reduce construction costs, further expand the scale of the Company's hazardous waste operations, continue to promote market reform and increase market share.
3. To optimize the strategic layout and industry collaboration, invest in and acquire high-quality assets, expand the scale of revenue and gradually optimize and adjust the business structure of the Company.
4. Further strengthen financial management, improve overall budget management, strengthen the supervision of costs and expenses, meanwhile increasing the proportion of direct financing, optimizing the financing structure, reducing financial costs, preventing financial risks and ensuring the achievement of various financial targets.

**Special notice: The budget is a control indicator for internal management for the Company's business plan in 2021 and is set out for the information of the shareholders of the Company and potential investors, and is not representative of the Company's profit forecast in 2021. Whether the budget could be realized depends on a number of factors including changes in market conditions and the efforts of the operation team, and is subject to a high degree of uncertainties and other factors beyond the Company's control and investors should pay attention to investment risks. The Company's shareholders and potential investors are advised not to place undue reliance on the budget and to exercise caution in dealing in securities in the Company. The Company undertakes no obligation to publicly update or revise and budget or any forward-looking statements, whether as a result of new information, future events or otherwise.**

## **FINANCIAL REVIEW**

### **Total operating revenue**

For the year ended 31 December 2020, the Group's total operating revenue decreased by 4.15% as compared with 2019 to approximately RMB3,315,021,000 (2019: approximately RMB3,458,591,000). The decrease in total operating revenue was mainly due to the decrease in production of industrial enterprise in upstream and downstream from the effect of pandemic, which led to decrease in volume of hazardous waste treatment and disposal. Because of the new production capacity in the industry commenced operation, the industry became increasingly competitive, the cost of recycling business increased, and the market prices for collection and transportation of non-hazardous waste decreased. In particular, the operating revenue of industrial waste treatment and disposal decreased by approximately 4.05% as compared with the same period of last year to approximately RMB1,599,509,000 (2019: approximately RMB1,667,032,000). The operating revenue of industrial waste recycling products decreased by approximately 1.95% as compared with the same period of last year to approximately RMB1,054,328,000 (2019: approximately RMB1,075,315,000). The operating revenue of municipal waste treatment and disposal decreased by approximately 21.41% as compared with the same period of last year to approximately RMB180,770,000 (2019: approximately RMB230,026,000).

### **Profit**

For the year ended 31 December 2020, the Group's integrated gross profit margin was 34.12% (2019: 36.08%). The integrated gross profit margin decreased by approximately 1.96% points as comparing to last year, which was mainly because of the commencement of operation on new production capacity in the industry, the industry became increasingly competitive, the cost of recycling business increased, and the market prices for collection and transportation of non-hazardous waste decreased, which led to the decrease in profit margin of the Company.

For the year ended 31 December 2020, net profit attributable to equity holders of the Company was approximately RMB303,162,000 (2019: approximately RMB423,930,000), which decreased by approximately 28.49% compared with 2019. This was mainly because of the adverse effect of the COVID-19 pandemic on the Company's engaged industry and the change in operating environment, and considering the impact of certain receivables and legal proceedings, the Company took into consideration to make reasonable assessment of provision on impairment for goodwill and provision on loss allowance on receivables, which constituted certain impact on the annual financial result of the Company.

### **Selling expenses**

For the year ended 31 December 2020, the Group's selling expenses were approximately RMB100,869,000 (2019: approximately RMB122,308,000), accounting for 3.04% of the total operating revenue (2019: 3.54%). The decrease in sales expense was mainly because the business operation was affected by the COVID-19 pandemic, which led to decrease in operating scale and thus the decrease in selling expenses.

### **Administrative expenses**

For the year ended 31 December 2020, the Group's administrative expenses were approximately RMB361,726,000 (2019: approximately RMB365,569,000), accounting for 10.91% of the total operating revenue (2019: 10.57%). The decrease of the amount in administrative expenses was due to the Company's effective management and control during the Reporting Period.

### **Finance costs**

For the year ended 31 December 2020, the Group's finance costs were approximately RMB127,066,000 (2019: approximately RMB155,506,000), accounting for 3.83% of the total operating revenue (2019: 4.50%). The decrease in finance costs was mainly because the Company optimized its debt structure by issuing medium-term notes to replace the financing with high cost during the Reporting Period.

### **Income tax expenses**

For the year ended 31 December 2020, the Group's income tax expenses were approximately RMB68,225,000 (2019: approximately RMB57,687,000), accounting for 16.98% of total profit (2019: 11.00%). The increase in income tax expenses was mainly due to the expiry of preferential tax treatment period of the three-year EIT exemption and reduction previously enjoyed by certain subsidiaries during the period.

## **FINANCIAL POSITION AND LIQUIDITY**

As of 31 December 2020, net current assets of the Group amounted to approximately RMB-1,021,492,000 (2019: approximately RMB-1,371,355,000), including cash and time deposits at banks and other financial institution of approximately RMB653,579,000 in total (2019: approximately RMB1,096,744,000).

As of 31 December 2020, total liabilities of the Group amounted to approximately RMB5,050,514,000 (2019: approximately RMB5,360,589,000). The Group's gearing ratio was 48.45% (2019: 51.57%) in terms of the Group's total liabilities and total assets. The Group's current liabilities amounted to approximately RMB3,576,138,000 (2019: approximately RMB4,397,027,000). As of 31 December 2020, the Group's outstanding bank and other loans reached approximately RMB2,632,898,000 (2019: approximately RMB2,593,317,000). In the opinion of the directors of the Company, the Group can meet its financial obligations through the unused banking facilities readily available to the Group.

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

## **SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES**

In January and February 2020, the Company made investment of RMB18,550,000 in Ousheng Green Fuel (Jieyang) Co., Ltd.\* (歐晟綠色燃料(揭陽)有限公司), an associate owned as to 37.10% by the Company.

In March 2020, the Company made investment of RMB35,000,000 in Shenzhen Qianhai Dongjiang Environment Technology Service Co., Ltd. (深圳市前海東江環保科技服務有限公司), a wholly owned subsidiary of the Company.

In March 2020, the Company made investment of RMB63,750,000 in Jieyang Dongjiang Guoye Environmental Protection Technology Co., Ltd. (揭陽東江國業環保科技有限公司), a subsidiary owned as to 85% by the Company.

In April 2020, the Company made investment of RMB50,000,000 in Jiangsu Dongjiang Environmental Services Co., Ltd. (江蘇東江環境服務有限公司), a wholly owned subsidiary of the Company.

In April and May 2020, the Company made investment of RMB53,550,000 in Mianyang Dongjiang Environmental Technology Co., Ltd. (綿陽東江環保科技有限公司), a subsidiary owned as to 51% by the Company.

In June 2020, the Company made investment of RMB100,000,000 in Zhuhai Dongjiang Environment Technology Co., Ltd. (珠海市東江環保科技有限公司, “**Zhuhai Dongjiang**”), a wholly owned subsidiary of the Company. As at 31 December 2020, the Company has 74.31% of the equity interest in Zhuhai Dongjiang.

In August 2020, the Company made investment of RMB11,000,000 in Dongguan Fengye Solid Waste Treatment Co., Ltd. (東莞市豐業固體廢物處理有限公司), an associate owned as to 20% by the Company.

In December 2020, the Company made investment of RMB80,000,000 in Xiantao Dongjiang Environmental Protection Science and Technology Co., Ltd. (仙桃東江環保科技有限公司), a wholly owned subsidiary of the Company.

Save as disclosed in this announcement, during the Reporting Period, the Group has no other significant investment, acquisition and disposal of subsidiaries and associates.

## **DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Saved as disclosed in this announcement, the Group does not have other future plans for material investments or capital assets, except for the capital commitment of RMB368,665,000.



## INTEREST RATE AND FOREIGN EXCHANGE RISKS

### Interest rate risk

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

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

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

### Foreign exchange risk

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

### Contingent liabilities

On 9 December 2019, Jiangsu Guangxing Group Co., Ltd. sued to the court on the ground that Dongheng Environmental failed to pay the project payment and investment return of RMB48.3 million as stipulated in the contract and made a legal claim to Dongheng Environmental for the project payment, investment return, loss on the project suspension, loss on the downtime and any overdue interests. Both parties disagreed on the above-mentioned claim amounts and they are engaged in a legal proceeding.

The legal proceeding was sent twice to the court and the appraisal was still in process due to the complexity of the case. Up to the date of authorisation of these consolidated financial statements, the possible outcome for the potential compensation was unable to reliably estimated.

Save as disclosed above, the Group had no other significant contingent liabilities for the year ended 31 December 2020.

### Capital commitment

As at 31 December 2020, the capital commitment of the Group was as follows:

Item	2020 RMB'000	2019 RMB'000
External investment commitments	–	21,160
Significant outsourcing contracts	338,433	144,557
Commitment to acquisition of long-term assets	30,232	42,427
Total	368,665	208,144

## FUTURE PROSPECTS

### (I) Industry landscape and development trend

The 14th Five-Year Plan and the Long-Range Objectives Through the Year 2035 clearly stated that China shall adhere to the concept that lucid waters and lush mountains are invaluable assets, enhance the quality and stability of the ecosystem, improve the coordination mechanism of ecological civilization, continuously improve the quality of the environment, and promote the comprehensive green transformation of economic and social development, thereby building a beautiful China. During the “14th Five-Year” plan, the environmental protection industry in China will continue to enjoy strategic development opportunities with favourable conditions in technological innovation, industry transformation, rural revitalization, green development and regional cooperation and upgrade. As such, environmental protection investment may continue to record explosive growth with broad market prospects. At present, China’s environmental protection industry has formed a market landscape of full-scale competition, showing the following characteristics in industry development:

**Firstly, the task of pollution prevention and control has entered the “deepening” stage.** The “14th Five-Year” plan proposed that China shall effectively implement various tasks to peak carbon emission and achieve carbon neutrality, optimize the industrial structure and energy structure, persist in prevention and control at source with comprehensive measures, strengthen the coordinated control of multiple pollutants and collaborative regional management, establish centralized hazardous waste utilization and disposal facilities with a focus on major industrial bases, and comprehensively improve the standard of environmental infrastructure. The Ministry of Ecology and Environment proposed that China shall focus on forming the work pattern of environmental protection through source management, system management and overall management, pay more attention to source prevention and source management with more emphasis on carrying out pollution prevention and control in a precise, scientific and legal manner.

**Secondly, the industry has become fiercely competitive.** According to the statistics in the 2020 Annual Report on the Prevention and Control of Solid Waste Pollution in Large and Medium-sized Cities in China, as of the end of 2019, the approved collection, utilization and disposal capacity of the entities with hazardous waste business license in China reached 129 million tons per year, representing a year-on-year increase of 26%, the actual amount of collection, utilization and disposal was 35.58 million tons, representing a year-on-year increase of 32%, with an actual capacity utilization rate of only 27.5%. In particular, the actual amount of collection, utilization and disposal was 24.68 million tons for recycling, representing a year-on-year increase of 29%; 2.13 million tons for landfill, representing a year-on-year increase of 36%; 2.47 million tons for incineration, representing an increase of 36%; and 1.79 million tons for collaborative disposal with cement kiln, representing a year-on-year increase of 77%. This fully reflects the overall situation of overcapacity and prevalence of capacity mismatch in hazardous waste industry, which led to price-cut competition and consequently the decrease in overall profit margin of the industry.

**Thirdly, the comprehensive environmental service model has become a pressing need with increasing demand for source management.** With the continuous implementation of green and low-carbon circle development, “waste-free city” and other macro development strategies, China will focus on building an environmental infrastructure system that integrates sewage, garbage, solid waste, hazardous waste and medical waste treatment and disposal facilities as well as monitoring and supervision capabilities. It will also implement models such as “reverse recycling” for production enterprises to establish an effective recycling system that integrates online and offline operation and enables a controlled flow of resources. In particular, the mainstream demand for source management will promote structural changes in the industry, solid waste and hazardous waste enterprises and waste producers will continue to strengthen the efforts and increase the investment and resources for reduction and recycling of waste at source.

**Fourthly, technology-driven innovation and project operation capability have become key competitive strengths.** The environmental protection industry is now in a period of in-depth transformation. With tighter regulation, higher industry standards and a large number of projects being put into operation, the competitive landscape of the industry will be reshaped, and the shift from investment and construction stage to operation stage and the increased competition will become inevitable in the development of the environmental protection industry, bringing multiple challenges to the entire environmental protection industry. In response, environmental protection enterprises will gradually shift from investment-based business to technology and operation-based business, and technology-driven capability and project operation capability will become more important and prominent. As such, insisting on technological innovation is a strategic key initiative for the future development of environmental protection enterprises.

## **(II) Key tasks of the Company**

In the new era of the “14th Five-Year” plan, the Company will adhere to President Xi Jinping’s thought on ecological civilization and the ideas of the annual sessions of the National People’s Congress and the National Committee of the Chinese People’s Political Consultative Conference, promote the priority of ecosystem protection, implement the major decisions and strategies on peaking carbon emission and achieving carbon neutrality, continue to carry out the critical task of pollution prevention and control, take up the mission and responsibility as an environmental protection enterprise in the new era, strive for new breakthroughs and development amid changes in the industry, specify the development target and path, assume the corporate responsibility of “developing ecological civilization to build a better China”, strive to achieve the goal of “becoming stronger, better and bigger”, and become the pioneer of comprehensive environmental services in China.

**1. *Improving management level and accelerating industry expansion***

We will strictly maintain sound production and operation to achieve operation targets and facilitate the stable development of the Company with focus on “reversing the loss position” as the key task by reducing the number of loss-making enterprises on a case-by-case basis with collective efforts and multiple measures. Based on customers’ demand, we will facilitate joint operation and implement the business model of entrusted operation to ensure the business growth of the Company. We will also accelerate the acquisition of Xiongfeng Environmental and integrate relevant enterprises, accelerate strategic deployment and industry collaboration, increase our revenue base and gradually optimize and adjust the business structure of the Company in order to further enhance the Company’s profitability.

We will further implement refined management to enhance the management efficiency and benefits. Firstly, we will fully promote standardized operating procedures of production process and standardized cost management and control in order to reduce cost and enhance efficiency. Secondly, we will accelerate the construction and promotion of “intelligent environmental protection platform” to effectively enhance the level of management and intelligent operation of the Company. Thirdly, we will strengthen capital operation and improve our financing capability by facilitating direct financing through the listing platform to provide strong financial support for the rapid development of the Company.

**2. *Ensuring production safety and environmental operation with focus on both projects and services***

We will fully promote the construction of Jiangsu Dongjiang, Zhuhai Dongjiang, Mianyang Dongjiang, Jieyang Dananhai and other key projects, pay attention to project quality and reduce the construction cost, thereby further increasing the hazardous waste operation capacity of the Company and achieving steady revenue growth. We will also continuously facilitate market reform and increase our market shares. The Company will continue to provide a wide range of integrated environmental services to our clients, develop customized and integrated service solutions for key clients and provide differentiated services to fully exploit the market potential and increase customer stickiness. We will also actively establish partnership with large enterprises in different industries to maximize the market potential. In addition, we will further expand our sales channels and actively develop the international markets and increase our market shares.

We will assume the responsibility for safety and environmental protection and fire safety, improve the list of safety and environmental protection responsibility, further facilitate the construction of a dual prevention mechanism for safety risk control and hidden danger inspection, strengthen our efforts in identification and management of hidden danger, emergency management training and occupational health protection to achieve normalized management of safety and environmental protection. We will actively apply new technologies, processes and procedures, speed up the promotion of the “Safe Dongjiang” safety and environmental information management system, vigorously promote technology-driven safe operation, enhance the standard of safety equipment of enterprises, and strengthen inspection and supervision in great details in order to promote the improvement of safety and environmental protection awareness among all staff, thereby ensuring safe production and operation of the Company.

### **3. *Persisting in technological innovation to develop core growth drivers***

We will continuously establish and improve the incentive, assessment and result transformation mechanisms for technological innovation and constantly improve the technological innovation management system in order to enhance the innovation efficiency of the Company. Based on the research institutes of the Company, we will accelerate the construction of key laboratories at national and provincial level, and strive to build a high-quality technological innovation platform. We will also strengthen our efforts in recruiting high-caliber talents, adopt innovative approach for talent cultivation, and stimulate the creativity of talents, thereby improving the overall capability of our research and development team. With focus on core technologies, we will increase the efforts in transformation of technological achievements, and strengthen the cooperation with reputable universities and research institutes in China and abroad, in order to provide strong technological support for the Company’s development. We will also actively develop technologies for the comprehensive utilization of hazardous waste and strengthen the development of high-quality recycled products with high profit margin to maintain the Company’s leading position from a technological perspective.

### **4. *Building a talent team through various measures***

We will form a long-term development mechanism to introduce, cultivate, utilize and retain the talents. To this end, we will further improve the recruitment and employment mechanism, expand the recruitment and employment channels for candidates, strengthen the efforts in introduction of talents with doctoral and master’s degree from key universities and recruitment of fresh graduates and management trainees to enrich the talent pool. We will further optimize the training system, cultivate interdisciplinary management talent and technical talent reserve with development potential and competency. We will accelerate the construction of various mechanisms for backbone staff to receive training through job rotation and exchange, and actively select management and technological talents with excellent business skills to serve in critical positions, thereby fully utilizing the talent resources. We will strengthen the function of appraisal and motivation, establish and improve the talent assessment, appraisal and remuneration system with market competitiveness, and actively explore and implement long-term incentive plan, thereby laying a solid foundation of talent resources for high-quality development of the Company.

### **(III) Potential risks and countermeasures**

#### **1. *Risk related to industry development and reform***

The environmental protection industry experienced rapid expansion in recent years and formed a market landscape of full-scale competition with certain level of capacity mismatch. Environmental protection industry has shifted from an investment-based industry to a technology-driven and operation-based industry. In view of this, the Company will continuously accelerate project construction, optimize the professional modular management system, improve the level of operation management, ensure that business licenses are obtained and major projects are put into production and operation, and strengthen the development of technology-driven capability and project operation capability

Meanwhile, with the continuous implementation of green and low-carbon circle development, “waste-free city” and other macro development strategies, the focus of environmental protection in the future will shift from terminal treatment to comprehensive linear management covering pollution source and affected river basins and regions. In the fields of industrial environmental services, urban domestic waste and water treatment, a comprehensive environmental service model will be formed, and the mainstream demand for source management will promote structural changes in the industry. In view of this, the Company will continuously enhance the proportion of and increase the investment in the business of reduction and recycling of waste at source, strengthen project and market expansion, increase its efforts in investment and financing and capital operation, actively carry out market expansion and deepen the cooperation with the local governments of different cities. In addition to continuously consolidating the core business of solid and hazardous waste treatment, the Company will actively develop the comprehensive environmental service model.

#### **2. *Risk of shortage of professionals***

The booming development of the environmental protection industry has attracted a large amount of capital and enterprises, resulting in a huge gap between demand and supply of professionals engaged in environmental protection industry and leading to increasingly intensive competition for environmental protection professionals. Facing the intensifying competition in the industry, the Company will continuously form a long-term development mechanism to introduce, cultivate, utilize and retain the talents, develop a high-quality workforce, actively explore long-term incentive methods such as equity incentive and employee stock ownership scheme to enhance the sense of belonging among the staff and maximize their vitality and creativity.

### **3. *Risk related to production safety and environmental protection***

The continuous improvement of environmental protection laws and regulations and gradual development of the environmental protection regular inspection and supervision mechanism have posed higher requirements for enterprises in respect of production safety and environmental protection in recent years. In response, the Company always considers production safety and environmental protection as the fundamental prerequisite of development, continuously improves the safety responsibility system and facilitates the construction of standardized procedures and systems. However, the industry characteristics of high risk and difficult management of the Company's principal business of hazardous waste treatment, coupled with the diversification of the product and extensive scope of operation of the Company, have caused great pressure on the Company in management of production safety and environmental protection. In response, the Company will continuously strengthen the management of pollutant treatment facilities, improve the awareness of compliance operation among all staff and fully enhance the safety and security capability in order to minimize the risk related to production safety and environmental protection.

### **DIVIDENDS**

The Board recommends the payment of a final dividend of RMB0.11 per share of the Company (inclusive of tax) (2019: RMB0.15) to all shareholders of the Company based on the total number of issued shares of 879,267,102 shares of the Company upon obtaining the approval from the shareholders of the Company at the 2020 annual general meeting (“AGM”). Accordingly, the total amount of dividend to be paid is approximately RMB96,719,000, which is expected to be paid to the shareholders of the Company on or before 22 August 2021. No bonus shares will be awarded and no capital reserves will be converted into shares. The above said proposal is subject to, among other things, approval by the shareholders of the Company at the AGM to be convened and held. The Company will make further announcement in accordance with the Listing Rules upon the record date to ascertain holders of H shares and holder of A shares entitled to the final dividends is determined.

A circular containing details of distribution of dividend together with the notice of the annual general meeting will be dispatch to the shareholders in due course.

## MATTERS DURING THE REPORTING PERIOD

### Relevant Issues relating to the Confirmation on Equity Transfer Agreement

On 22 January 2020, the Company and Sound Sustainable Resources Holding Co., Ltd\* (桑德再生資源控股有限公司) (now known as Qidi Sustainable Resources Technology Development Co., Ltd\* (啟迪再生資源科技發展有限公司), “**Qidi**”) entered into a confirmation, pursuant to which the parties agreed to accelerate and facilitate the resolution of issues relating to the restoration of the vetting of dissembled abandoned electrical appliances and electronic products. The parties also agreed that the obligations arising between the Company and Sound Company from the actual loss in relation to Qingyuan Dongjiang Environmental Technology Company Limited\* (清遠市東江環保技術有限公司) shall be negotiated and confirmed in accordance with the equity transfer agreement dated 12 April 2016 (the “**Equity Transfer Agreement**”)

As disclosed in the announcement of the Company dated 4 December 2020, Qidi had filed an application of arbitration with the Shanghai Arbitration Commission in relation to the disputes with the Company on the Equity Transfer Agreement, and the Shanghai Arbitration Commission has accepted such application (the “**Arbitration**”). Qidi sought damages after setting off debts of approximately RMB28,973,000 and interest of approximately RMB7,243,000, interests on the loss resulting from the delayed payment of fund subsidies for 2014 of approximately RMB1,633,000, legal fees of RMB700,000 and costs of the Arbitration. The Arbitration has not yet been heard, and the relevant matters may have certain effect on the profit of the Company, subject to the final decision of the Arbitration.

For details, please refer to the announcements of the Company dated 23 January 2020 and 4 December 2020.



### **Early Termination of the “Guangfa Hengjin-Guangsheng Dongjiang Environmental Humen Lvyuan PPP Project Asset Support Special Plan”**

In order to optimise the Company’s debt structure and reduce financing costs, after careful consideration, the Company decided to terminate the “Guangfa Hengjin-Guangsheng Dongjiang Environmental Humen Lvyuan PPP Project Asset Support Special Plan\* (廣發恒進－廣晟東江環保虎門綠源PPP項目資產支持專項計劃)”.

For details, please refer to the announcement of the Company dated 5 February 2020.

### **Amendments to Articles of Association**

On 9 December 2019, the Board passed the “Resolution on the Proposed Amendments to the Articles of Association”. According to the relevant requirements of the laws such as the “Reply on the Adjustment of the Notice Period Requirements of General Meetings and Other Matters Applicable to the Overseas Listed Companies” (Guo Han [2019] No.97) issued by the State Council, and taking into account the operation, the Company proposed to make certain amendments to the Articles of Association. The resolution on amendment of Articles of Association was approved by the shareholders of the Company at the 2020 first extraordinary general meeting of the Company on 11 February 2020.

For details, please refer to the circular of the Company dated 21 January 2020 and the poll results announcement of the Company dated 11 February 2020.

### **Registration and Issue of Mid-term Notes**

The Company proposed to apply for registration at the National Association of Financial Market Institutional Investors (the “NAMFII”) and the issue of mid-term notes with issue size not exceeding RMB1.5 billion (inclusive) on the inter-bank bond market. The resolution relating to the proposed registration and issue of mid-term notes was considered and approved at the first extraordinary general meeting in 2020 of the Company, and on 16 April 2020, the Company has received a “Notice of Acceptance of Registration” (Zhongshi Xiezhuzhu [2020] MTN No. 388) issued by the NAMFII, pursuant to which the NAMFII has decided to accept the registration of the mid-term notes of the Company.

The Company has completed the first tranche of the issuance of the mid-term notes on 11 May 2020 with an issue size of RMB600 million.

For details, please refer to the Company’s announcements dated 26 December 2019, 20 April 2020 and 13 May 2020, the circular dated 21 January 2020 and the poll results announcement dated 11 February 2020.

### **Continuing Connected Transaction – Agreement on Purchase and Sale of Industrial and Mining Products**

On 11 February 2020, a non-wholly-owned subsidiary of the Company, Qingyuan Xinlv Environmental Technology Co., Ltd. (清遠市新綠環境技術有限公司) (as supplier) and Danxia Smelter of Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd\* (深圳市中金嶺南有色金屬股份有限公司丹霞冶煉廠) (as purchaser) entered into the an agreement in relation to the supply of copper sulphate, which constitutes continuing connected transactions of the Company under the Listing Rules.

For details, please refer to the announcement of the Company dated 11 February 2020.

### **Continuing Connected Transaction – Provision of Financial Services**

On 25 February 2020, the Company entered into a financial services agreement (the “**Financial Services Agreement**”) with Guangdong Rising Finance Co., Ltd.\* (廣東省廣晟財務有限公司, “**Rising Finance**”), in relation to the provision of financial services to the Group with a term of one year taking effect upon the Financial Services Agreement having been approved by the independent shareholders of the Company. The Financial Services Agreement and the and related party transactions thereunder were approved by the shareholders at the second extraordinary general meeting in 2020 of the Company on 12 May 2020.

In order to satisfy the operational development needs of the Group and to enhance funds management and utilization, on 14 August 2020, the Company entered into a supplemental financial services agreement (the “**Supplemental Financial Services Agreement**”) with Rising Finance, pursuant to which the term of the agreement has been extended to two years and the maximum daily deposit amount of deposit services shall be revised as RMB385 million. The Supplemental Financial Services Agreement and the transactions contemplated thereunder has been approved by the shareholders at the third extraordinary general meeting in 2020 of the Company held on 13 October 2020.

For details, please refer to the announcements of the Company dated 25 February 2020 and 14 August 2020, the circulars dated 24 April 2020 and 25 September 2020, and the poll results announcements dated 12 May 2020 and 13 October 2020.

### **Proposed Public Issue of Corporate Bonds**

On 10 April 2020, the Board approved and resolved to submit to the shareholders of the Company for considering, and if thought fit, approving the public issue of the corporate bonds with an aggregate principal amount of not exceeding RMB1.5 billion (inclusive of RMB1.5 billion) (the “**Corporate Bonds**”) to professional investors in accordance with the requirements under the relevant laws and regulations in the PRC. The proposal of issue of corporate bonds by the Company has been approved by the shareholders at the second extraordinary general meeting in 2020 of the Company held on 12 May 2020.

For details, please refer to the announcement of the Company dated 13 April 2020, the circular dated 24 April 2020 and the poll results announcement dated 12 May 2020.

### **Connected Transaction – Deemed Disposal of Shaoguan Sustainable Resources**

On 11 September 2020, Shaoguan Dongjiang Environmental Sustainable Resources Development Co., Ltd.\* (韶關東江環保再生資源發展有限公司, “**Shaoguan Sustainable Resources**”), a subsidiary of the Company, entered into a capitalisation of debt agreement (the “**Capitalisation of Debt Agreement**”) with Guangdong Rising Group. Due to the need to carry out relevant state-owned assets procedures during the implementation of the Capitalisation of Debt Agreement and the transactions contemplated thereunder, the valuation results contained in the valuation report, with reference to which the capital injection price under the Capitalisation of Debt Agreement was determined, have exceeded the effective period. On 11 December 2020, the Company and Shaoguan Sustainable Resources have entered into a new capitalisation of debt agreement with Guangdong Rising Group, pursuant to which Guangdong Rising Group has agreed to inject capital into Shaoguan Sustainable Resources at the price of RMB1.29/RMB1 registered capital (in aggregate RMB62,668,700). After such capital injection, the registered capital of Shaoguan Sustainable Resources shall increase by RMB48,412,400 and RMB14,256,300 shall be credited as reserved capital of Shaoguan Sustainable Resources. The Capital Injection Amount shall be settled by setting off the unsecured debts of RMB62,668,700 owed by Shaoguan Sustainable Resources to Guangdong Rising Group (the “**Deemed Disposal**”). The Capitalisation of Debt Agreement has been terminated and lapsed. As Guangdong Rising Group is a substantial shareholder of the Company, the Deemed Disposal constitutes a connected transaction of the Company.

For details, please refer to the announcements of the Company dated 11 September 2020 and 11 December 2020.

### **Continuing Connected Transaction – Facility Agreement**

On 22 October 2020, Shaoguan Sustainable Resources (a direct non-wholly-owned subsidiary of the Company) entered into the facility agreement (the “**Facility Agreement**”) with Rising Finance, pursuant to which Rising Finance has agreed to provide a facility to Shaoguan Sustainable Resources in an aggregate principal amount of up to RMB200,000,000 for a term of three years. As Rising Finance is a direct wholly-owned subsidiary of Guangdong Rising Group, a substantial shareholder of the Company, the Facility Agreement and the transactions contemplated thereunder constitute a continuing connected transaction for the Company.

For details, please refer to the announcements of the Company dated 22 October 2020 and 29 October 2020.

## **Connected Transaction – Deemed Disposal of Zhuhai Dongjiang**

On 11 December 2020, the Company, Zhuhai Dongjiang Zhuhai Dongjiang Environmental Protection Technology Co., Ltd.\* (珠海市東江環保科技有限公司, “**Zhuhai Dongjiang**”), a subsidiary of the Company, and Guangdong Rising Group entered into a capital injection agreement, pursuant to which Guangdong Rising Group has agreed to inject the capital of RMB70,178,500 into Zhuhai Dongjiang. Guangdong Rising Group intends to nominate the Company to pay on its behalf the capital injection amount of RMB70,178,500 to Zhuhai Dongjiang, and accordingly, the Company will cease to be bound by the obligation to repay Guangdong Rising Group the principal amount of RMB67.19 million and interest amount of RMB2,988,500 under an unsecured specific environmental loan in the amount of up to RMB432,140,000 owed by the Company (the “**Zhuhai Dongjiang Deemed Disposal**”). As Guangdong Rising Group is a substantial shareholder of the Company, the Zhuhai Dongjiang Deemed Disposal constitutes a connected transaction of the Company.

For details, please refer to the announcement of the Company dated 11 December 2020.

## **SUBSEQUENT EVENTS WITH MATERIAL IMPACT ON THE GROUP AFTER 31 DECEMBER 2020**

### **Registration and Issuance of Super Short-term Financing Bonds**

The Company proposed to apply for the registration of the issuance of super short-term financing bonds (the “**Super Short-Term Financing Bonds**”) at the NAFMII with a size not exceeding RMB1.5 billion (inclusive). The resolution on the registration and issuance of Super Short-Term Financing Bonds was considered and approved by the shareholders at the third extraordinary general meeting in 2020 of the Company held on 13 October 2020. The Company has received a “Notice of Acceptance of Registration” issued by the NAFMII, pursuant to which the NAFMII has decided to accept the registration of the Super Short-Term Financing Bonds.

For details, please refer to the Company’s overseas regulatory announcement dated 11 September 2020, circular dated 25 September 2020, poll results announcement dated 13 October 2020 and announcement dated 4 February 2021.

### **Planning of Major Assets Restructuring**

On 31 December 2020, the Company convened the 2nd meeting of the seventh session of the Board, at which the “Resolution on Planning of Material Asset Restructuring and Signing of the Agreement of Intent on Acquisition of Equity Interest” was considered and approved. It was approved that the Company may enter into the Agreement of Intent on Acquisition of Equity Interest with Beijing Hi-Fortune Union Technology Company Limited\* (北京瀚豐聯合科技有限公司), so as to confirm relevant matters relating to the acquisition of 70% equity interest in Chenzhou Xiongfeng Environment Technology Company Limited\* (郴州雄風環保科技有限公司). As at the date of this announcement, the transaction is still at the preliminary planning stage, pending further discussion and negotiation on specific transaction proposals.

For details, please refer to the Company’s overseas regulatory announcements dated 3 January 2021, 15 January 2021, 29 January 2021, 19 February 2021, 5 March 2021 and 19 March 2021.

## CHANGE OF AUDITORS

As SHINEWING Certified Public Accountants LLP (“**SHINEWING**”) has provided audit services to the Company for 15 years, according to the requirements of State-owned Assets Management Department on the continuous term of service of auditors, SHINEWING has retired after the conclusion of the annual general meeting of the Company held on 29 June 2020. SHINEWING has confirmed that there is no matter relating to its retirement as the auditors of the Company that needs to be brought to the attention of the shareholders of the Company.

At the 2019 annual general meeting of the Company held on 29 June 2020, the appointments of Zhongshen Zhonghuan Certified Public Accountants (Special General Partnership) (“**ZSZH**”) as the PRC auditors of the Company and Mazars CPA Limited (“**Mazars**”) as the international auditors of the Company have been approved by the shareholders. Mazars will be responsible for auditing of the Company’s financial statements prepared under the International Financial Reporting Standards while ZSZH will be responsible for auditing of the Company’s financial statements prepared under China Accounting Standards for Business Enterprises.

## PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

## SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 of the Listing Rules as the code of conduct of securities transactions by the Directors and supervisors. Having made specific enquiries with all Directors and supervisors by the Company, they confirmed that they have complied with the requirements set out in the Model Code during the Reporting Period.

## CORPORATE GOVERNANCE PRACTICES

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

Save for Code Provision A.2.1 of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules, the Company has complied with the applicable Code Provisions in the CG Code throughout the Reporting Period.

Pursuant to Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Upon the resignation of Mr. Yao Shu as chief executive officer on 14 August 2020, Mr. Tan Kan, the chairman of the Company, has taken the role of acting chief executive officer; he was subsequently appointed by the Board as acting chief executive officer effective from 22 December 2020 until a new chief executive officer is appointed by the Company. The Board is of the view that Mr. Tan Kan's assumption of the office of acting chief executive officer is merely a transitional arrangement after the resignation of the former chief executive officer. The Board believes that with the support of the management, temporarily vesting both of the roles of chairman and chief executive officer in the same person during the transitional period will not impair the balance of power and authority. The Board will review the above arrangement from time to time, facilitate the appointment of a new chief executive officer as soon as possible, and consider separating the two roles as and when appropriate.

## **SCOPE OF WORK OF MAZARS CPA LIMITED**

The Company prepares its first set of consolidated financial statements in accordance with IFRSs for the year, with comparative information re-presented accordingly. The consolidated financial statements of the Group for the years ended 31 December 2019 and 2018 prepared in accordance with the Accounting Standards for Business Enterprises (“**ASBE**”) issued by the Ministry of Finance of the People's Republic of China (“**PRC**”) were audited by another PRC domestic auditor who expressed an unmodified opinion on those statements on 22 April 2020 and 28 March 2019 respectively. The consolidated statements of financial position as at 1 January 2019 and 31 December 2019, and the consolidated statement of comprehensive income for the year ended 31 December 2019 and the related notes presented in accordance with IFRSs are unaudited.

The figures contained in the preliminary announcement of the Group's results for the year have been agreed by the Group's auditor, Mazars CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2020. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Mazars CPA Limited on the preliminary announcement.

## **AUDIT COMMITTEE**

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

The Audit Committee comprises three independent non-executive Directors, namely Mr. Li Jinhui, Mr. Siu Chi Hung and Ms. Guo Suyi, whereas Mr. Siu Chi Hung has been appointed as the chairman of the Audit Committee. The Audit Committee has reviewed the audited consolidated results for the year ended 31 December 2020 and this announcement.

By order of the Board  
**Dongjiang Environmental Company Limited\***  
**Tan Kan**  
*Chairman*

Shenzhen, Guangdong, the PRC  
29 March 2021

*As at the date of this announcement, the Board of Directors of the Company comprises two executive Directors, being Mr. Tan Kan and Mr. Lin Peifeng; three non-executive Directors, Mr. Tang Yi, Ms. Shan Xiaomin and Mr. Jin Yongfu and three independent non-executive Directors, being Mr. Li Jinhui, Mr. Siu Chi Hung and Ms. Guo Suyi.*

\* For identification purpose only