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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)

**UNAUDITED INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

The board of directors (the “**Board**”) of Dongjiang Environmental Company Limited* (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022. This interim results announcement, containing the full text of the 2022 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results.

This announcement will be published on the websites of the Company (www.dongjiang.com.cn) and the Stock Exchange of Hong Kong Limited (“**HKEx**”) (www.hkexnews.hk), respectively.

Printed version of the 2022 interim report of the Company will be despatched to the H shareholders of the Company and will be also published on the websites of HKEx (www.hkexnews.hk) and the Company (www.dongjiang.com.cn) in September 2022, respectively.

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

Shenzhen, the PRC
26 August 2022

As at the date of this announcement, the Board comprises three executive Directors, being Mr. Tan Kan, Mr. Yu Zhongmin and Mr. Lin Peifeng; three non-executive Directors, being 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



CORPORATE INFORMATION

EXECUTIVE DIRECTORS

TAN Kan (*Chairman*)

YU Zhongmin (*Chief executive officer*)
(*appointed on 6 January 2022*)

LIN Peifeng

NON-EXECUTIVE DIRECTORS

TANG Yi

SHAN Xiaomin

JIN Yongfu

INDEPENDENT NON-EXECUTIVE DIRECTORS

LI Jinhui

SIU Chi Hung

GUO Suyi

SUPERVISORS

YU Fan (*appointed on 6 January 2022*)

ZHANG Hao

JIANG Ping

HUANG Hai Ping

(*resigned on 6 January 2022*)

COMPANY SECRETARY

MOK Ming Wai

AUDIT COMMITTEE

SIU Chi Hung (*Chairman*)

LI Jinhui

GUO Suyi

REMUNERATION AND APPRAISAL COMMITTEE

GUO Suyi (*Chairman*)

LI Jinhui

SIU Chi Hung

NOMINATION COMMITTEE

LI Jinhui (*Chairman*)

TAN Kan

SIU Chi Hung

STRATEGIC DEVELOPMENT COMMITTEE

TAN Kan (*Chairman*)

LIN Peifeng

LI Jinhui

AUTHORISED REPRESENTATIVES

TAN Kan

MOK Ming Wai

STOCK CODES

A shares listed on Shenzhen Stock

Exchange: 002672

H shares listed on The Stock Exchange of
Hong Kong Limited: 00895

AUTHORISED REPRESENTATIVE TO ACCEPT SERVICE OF PROCESSES AND NOTICES

Jeffrey Mak Law Firm

INTERNATIONAL AUDITORS

Mazars CPA Limited

DOMESTIC AUDITORS

Zhongshen Zhonghuan Certified Public

Accountants (Special General Partnership)

LEGAL ADVISERS

Jeffrey Mak Law Firm (*as to Hong Kong law*)

Grandall Law Firm (Shenzhen)

(*as to China law*)



PRINCIPAL BANKER

China Merchants Bank

HONG KONG H SHARE REGISTRAR

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

REGISTERED OFFICE

1st Floor, 3rd Floor, North of 8th Floor
9th-12th Floor
Dongjiang Environmental Building
No. 9 Langshan Road
North Zone of Hi-tech Industrial Park
Nanshan District, Shenzhen
The People's Republic of China

COMPANY'S WEBSITE

www.dongjiang.com.cn

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

6th Floor, O.T.B. Building
259-265 Des Voeux Road Central
Hong Kong

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | Six months ended 30 June 2022 (Unaudited) RMB'000 | Six months ended 30 June 2021 (Unaudited) RMB'000 |
|---|------|---|---|
| Revenue | 4 | 2,033,460 | 1,656,202 |
| Cost of sales and services | | (1,622,030) | (1,159,535) |
| Gross profit | | 411,430 | 496,667 |
| Other income | | 46,562 | 31,458 |
| Selling expenses | | (48,207) | (57,754) |
| Administrative expenses | | (189,960) | (182,377) |
| Other operating expenses | | (101,005) | (96,363) |
| Net provision for loss allowance on trade, loans and other receivables | | (6,228) | (5,073) |
| Impairment loss on goodwill | | (8,627) | – |
| Finance costs | 5 | (84,216) | (58,801) |
| Share of results of associates | | (2,222) | (425) |
| Share of results of joint ventures | | 45 | 12,564 |
| Profit before taxation | 6 | 17,572 | 139,896 |
| Income tax expenses | 7 | (10,857) | (19,524) |
| Profit for the period | | 6,715 | 120,372 |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

| | Note | Six months ended 30 June 2022 (Unaudited) RMB'000 | Six months ended 30 June 2021 (Unaudited) RMB'000 |
|--|------|---|---|
| Other comprehensive (loss) income | | | |
| <i>Items that are reclassified or may be reclassified subsequently to profit or loss</i> | | | |
| Exchange difference on translation of foreign operations | | (8) | 23 |
| Total comprehensive income for the period | | 6,707 | 120,395 |
| Profit (Loss) for the period attributable to: | | | |
| Equity holders of the Company | | 20,410 | 111,617 |
| Non-controlling interests | | (13,695) | 8,755 |
| Profit for the period | | 6,715 | 120,372 |
| Total comprehensive income (loss) for the period attributable to: | | | |
| Equity holders of the Company | | 20,402 | 111,640 |
| Non-controlling interests | | (13,695) | 8,755 |
| Total comprehensive income for the period | | 6,707 | 120,395 |
| Earnings per share | | RMB cents (Unaudited) | RMB cents (Unaudited) |
| – Basic and diluted | 8 | 2.32 | 12.69 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | As at 30 June 2022 (Unaudited) RMB'000 | As at 31 December 2021 (Audited) RMB'000 |
|--|------|--|--|
| Non-current assets | | | |
| Investment properties | | 456,663 | 456,663 |
| Property, plant and equipment | | 4,391,279 | 4,367,619 |
| Construction in progress | | 1,159,742 | 1,015,213 |
| Right-of-use assets | | 762,767 | 774,965 |
| Intangible assets | | 515,935 | 539,893 |
| Goodwill | | 1,173,775 | 1,182,402 |
| Interests in associates | | 192,400 | 194,812 |
| Interests in joint ventures | | 103,454 | 103,409 |
| Designated financial assets at fair value through other comprehensive income ("FVOCI") | | 4,243 | 4,243 |
| Trade receivables and contract assets | 11 | 87,162 | 96,931 |
| Other non-current assets | | 48,828 | 49,341 |
| Deferred tax assets | | 49,636 | 50,389 |
| | | 8,945,884 | 8,835,880 |
| Current assets | | | |
| Inventories | | 631,599 | 550,902 |
| Loans receivables | 10 | 70,364 | 103,576 |
| Trade receivables and contract assets | 11 | 1,372,492 | 1,277,855 |
| Prepayment, deposits and other receivables | | 370,425 | 491,767 |
| Prepaid income tax | | 452 | 2,809 |
| Cash and cash equivalents | | 670,450 | 550,421 |
| | | 3,115,782 | 2,977,330 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

| | Note | As at 30 June 2022 (Unaudited) RMB'000 | As at 31 December 2021 (Audited) RMB'000 |
|--|------|--|--|
| Current liabilities | | | |
| Trade payables | 12 | 681,506 | 839,976 |
| Contract liabilities | | 128,005 | 138,257 |
| Lease liabilities | | 2,777 | 5,011 |
| Current portion of interest-bearing borrowings | 13 | 1,442,550 | 2,186,375 |
| Bond payables | 14 | 754,791 | 19,422 |
| Due to controlling shareholder | 15 | 338,691 | 332,742 |
| Income tax payables | | 13,916 | 15,709 |
| Other payables | | 253,514 | 268,029 |
| | | 3,615,750 | 3,805,521 |
| Net current liabilities | | (499,968) | (828,191) |
| Total assets less current liabilities | | 8,445,916 | 8,007,689 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

| | Note | As at 30 June 2022 (Unaudited) RMB'000 | As at 31 December 2021 (Audited) RMB'000 |
|---|------|--|--|
| Non-current liabilities | | | |
| Lease liabilities | | 2,738 | 3,525 |
| Interest-bearing borrowings | 13 | 2,138,845 | 1,173,418 |
| Bond payables | 14 | 499,665 | 1,099,387 |
| Provisions | 16 | 183,168 | 77,924 |
| Deferred income | | 173,255 | 162,774 |
| Deferred tax liabilities | | 37,068 | 37,780 |
| Other payables | | 4,887 | 5,086 |
| | | 3,039,626 | 2,559,894 |
| Net assets | | 5,406,290 | 5,447,795 |
| Capital and reserves | | | |
| Share capital | 17 | 879,267 | 879,267 |
| Reserves | | 3,697,802 | 3,725,652 |
| Equity attributable to equity holders of the Company | | 4,577,069 | 3,725,652 |
| Non-controlling interests | | 829,221 | 842,876 |
| Total equity | | 5,406,290 | 5,447,795 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to owners of the Company | | | | | | | | | | |
|--|---------------------------------------|-------------------------------------|---------------------------------------|--|--------------------------------------|-----------------------------------|---|------------------------------------|------------------------------|---|----------------------------------|
| | Share capital (Unaudited) RMB'000 | Capital reserve (Unaudited) RMB'000 | Statutory reserve (Unaudited) RMB'000 | Property revaluation reserve (Unaudited) RMB'000 | Exchange reserve (Unaudited) RMB'000 | Other reserve (Unaudited) RMB'000 | Accumulated profits (Unaudited) RMB'000 | Total reserves (Unaudited) RMB'000 | Subtotal (Unaudited) RMB'000 | Non-controlling interests (Unaudited) RMB'000 | Total equity (Unaudited) RMB'000 |
| As at 1 January 2022 | 879,267 | 451,166 | 275,428 | 17,851 | (199) | 199 | 2,981,207 | 3,725,652 | 4,604,919 | 842,876 | 5,447,795 |
| Profit for the period | - | - | - | - | - | - | 20,410 | 20,410 | 20,410 | (13,695) | 6,715 |
| Other comprehensive loss | - | - | - | - | (8) | - | - | (8) | (8) | - | (8) |
| Exchange difference on translation of foreign operations | - | - | - | - | (8) | - | - | (8) | (8) | - | (8) |
| Total comprehensive income for the period | - | - | - | - | (8) | - | 20,410 | 20,402 | 20,402 | (13,695) | 6,707 |
| Transactions with equity holders of the Company | | | | | | | | | | | |
| Contributions and distributions: | | | | | | | | | | | |
| Increase in other reserve | - | - | - | - | - | 108 | - | 108 | 108 | 40 | 148 |
| Dividend (Note 9) | - | - | - | - | - | - | (48,360) | (48,360) | (48,360) | - | (48,360) |
| Changes in ownership interest: | | | | | | | | | | | |
| Deregistration of a subsidiary | - | - | (5,611) | - | - | - | 5,611 | - | - | - | - |
| | - | - | (5,611) | - | - | 108 | (42,749) | (48,252) | (48,252) | 40 | (48,212) |
| As at 30 June 2022 | 879,267 | 451,166 | 269,817 | 17,851 | (207) | 307 | 2,958,868 | 3,697,802 | 4,577,069 | 829,221 | 5,406,290 |

As at 1 January 2022

Profit for the period

Other comprehensive loss

Exchange difference on translation of foreign operations

Total comprehensive income for the period

Transactions with equity holders of the Company

Contributions and distributions:

Increase in other reserve

Dividend (Note 9)

Changes in ownership interest:

Deregistration of a subsidiary

As at 30 June 2022

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

| | Attributable to owners of the Company | | | | | | | | | | |
|--|---------------------------------------|-------------------------------------|---------------------------------------|--|--------------------------------------|-----------------------------------|---|------------------------------------|------------------------------|---|----------------------------------|
| | Share capital (Unaudited) RMB'000 | Capital reserve (Unaudited) RMB'000 | Statutory reserve (Unaudited) RMB'000 | Property revaluation reserve (Unaudited) RMB'000 | Exchange reserve (Unaudited) RMB'000 | Other reserve (Unaudited) RMB'000 | Accumulated profits (Unaudited) RMB'000 | Total reserves (Unaudited) RMB'000 | Subtotal (Unaudited) RMB'000 | Non-controlling interests (Unaudited) RMB'000 | Total equity (Unaudited) RMB'000 |
| As at 1 January 2021 | 879,267 | 465,448 | 242,460 | 17,851 | (221) | 1,796 | 2,932,963 | 3,660,297 | 4,539,564 | 834,076 | 5,373,640 |
| Profit for the period | - | - | - | - | - | - | 111,617 | 111,617 | 111,617 | 8,755 | 120,372 |
| Other comprehensive income | | | | | | | | | | | |
| Exchange difference on translation of foreign operations | - | - | - | - | 23 | - | - | 23 | 23 | - | 23 |
| Total comprehensive income for the period | - | - | - | - | 23 | - | 111,617 | 111,640 | 111,640 | 8,755 | 120,395 |
| Transactions with equity holders of the Company | | | | | | | | | | | |
| <i>Contributions and distributions:</i> | | | | | | | | | | | |
| Increase in other reserve | - | - | - | - | - | 878 | - | 878 | 878 | 456 | 1,334 |
| Contribution from non-controlling interests | - | - | - | - | - | - | - | - | - | 9,000 | 9,000 |
| <i>Changes in ownership interest:</i> | | | | | | | | | | | |
| Disposal of a subsidiary | - | - | - | - | - | - | - | - | - | (2,331) | (2,331) |
| | - | - | - | - | - | 878 | - | 878 | 878 | 7,125 | 8,003 |
| As at 30 June 2021 | 879,267 | 465,448 | 242,460 | 17,851 | (198) | 2,674 | 3,044,580 | 3,772,815 | 4,652,082 | 849,956 | 5,502,038 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | Six months ended 30 June 2022 (Unaudited) RMB'000 | Six months ended 30 June 2021 (Unaudited) RMB'000 |
|---|---|---|
| Net cash from operating activities | 162,052 | 135,688 |
| Investing activities | | |
| Prepayment for acquisition of a subsidiary | – | (20,000) |
| Purchase of property, plant and equipment, construction in progress and right-of-use assets | (295,765) | (460,329) |
| Proceeds from disposal of property, plant and equipment and intangible assets | 4,005 | 1,048 |
| Net cash inflow (outflow) on disposal and deregistration of subsidiaries | 11,105 | (1,067) |
| Settlement of consideration payable for acquisition of subsidiaries | (24,515) | (4,815) |
| Net cash used in investing activities | (305,170) | (485,163) |
| Financing activities | | |
| Interest paid | (80,243) | (82,109) |
| Proceeds from interest-bearing borrowings, bond payables and due to controlling shareholder | 2,291,680 | 1,911,683 |
| Repayment of interest-bearing borrowings, bond payables and due to controlling shareholder | (1,939,698) | (1,417,159) |
| Contributions from non-controlling interests | – | 9,000 |
| Net cash from financing activities | 271,739 | 421,415 |
| Net increase in cash and cash equivalents | 128,621 | 71,940 |
| Cash and cash equivalents at beginning of the Reporting Period | 521,425 | 653,579 |
| Effect of exchange rate changes on cash and cash equivalents | (8) | 23 |
| Cash and cash equivalents at end of the Reporting Period, represented by cash and time deposits at banks and other financial institution | 650,038 | 725,542 |



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The principal activities of Dongjiang Environmental Company Limited (the “Company”) and its subsidiaries (together the “Group”) are investment holding, processing and sales of recycled products, sales of recycled rare and precious metals, provision of waste treatment services, provision of environmental protection systems and services, and trading of chemical products.

The condensed interim financial information is presented in thousands of Renminbi (“RMB’000”), unless otherwise stated.

2. BASIS OF PREPARATION

The condensed interim financial information for the six months ended 30 June 2022 (the “Reporting Period” or “Period”) has been prepared in accordance with International Accounting Standards (“IAS”) 34 “*Interim Financial Reporting*” issued by the International Accounting Standards Board (the “IASB”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

This condensed interim financial information contains the condensed consolidated financial statements and selected explanatory notes for the six months ended 30 June 2022 that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2021, and therefore, does not include all the information and disclosures required for a full set of financial statements prepared in accordance with all applicable IFRSs. They shall be read in conjunction with the consolidated financial statements for the year ended 31 December 2021.

The condensed interim financial information is unaudited, but has been reviewed by the audit committee of the Company (the “Audit Committee”).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(Continued)*

Change in accounting policies

The accounting policies adopted in preparing this condensed interim financial information are consistent with those applied in preparing the Group's consolidated financial statements for the year ended 31 December 2021. The adoption of the new/revised International Financial Reporting Standards ("IFRSs") that are relevant to the Group and effective for the current period had no significant effects on the results and financial position of the Group for the current and prior periods.

| | |
|------------------------------|--|
| Amendments to IAS 16 | <i>Proceeds before Intended Use</i> |
| Amendments to IAS 37 | <i>Cost of Fulfilling a Contract</i> |
| Amendments to IFRS 3 | <i>Reference to the Conceptual Framework</i> |
| Annual Improvements to IFRSs | <i>2018–2020 Cycle</i> |

The Group has not early adopted any new/revised IFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2022. The directors are in the process of assessing the possible impact on the future adoption of these new/revised IFRSs, but are not yet in a position to reasonably estimate their impact on the Group's results and financial position.

Going concern

The condensed interim financial information has 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 RMB499,968,000.

The directors of the Company 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 RMB650,038,000 as at 30 June 2022.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(Continued)*

Going concern *(Continued)*

Notwithstanding the aforesaid conditions, the condensed interim financial information has 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 as detailed below:

- (i) the unutilised banking facilities readily available to the Group amounted to approximately RMB6,309,000,000 as at 30 June 2022; and
- (ii) the Company received the Registration Acceptance Notice (Zhong Shi Xie Shu [2021] SCP32) issued by the National Association of Financial Market Institutional Investors (the "NAFMII") on 2 February 2021 for issuance of super short-term financing bonds (the "Super Short-term Financing Bonds") with an amount of not exceeding RMB1,500,000,000. The Super Short-term Financing Bonds will be mainly for repaying interest-bearing borrowings and financing acquisition projects. As at 30 June 2022, the Company issued Super Short-term Financing Bonds with an amount of RMB500,000,000.

3. SEGMENT INFORMATION

The reportable segments are determined based on the internal organisation structure, management requirements and reporting system. The key management of the Company, who are the chief operating decision makers, review 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, rare and precious metals recycling, municipal waste treatment and disposal, renewable energy utilisation, environmental engineering and services, trading and others, as well as household appliances dismantling.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION *(Continued)*

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

For the six months ended 30 June 2022 – unaudited

| | Industrial waste recycling RMB'000 | Industrial waste treatment and disposal RMB'000 | Rare and precious metals recycling 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 | 754,230 | 679,513 | 375,380 | 82,361 | 19,912 | 49,303 | 25,373 | 73,321 | 32,896 | (58,829) | 2,033,460 |
| Inter-segment revenue | - | (11,128) | - | - | - | (3,022) | (11,783) | - | (32,896) | 58,829 | - |
| Revenue from external customers | 754,230 | 668,385 | 375,380 | 82,361 | 19,912 | 46,281 | 13,590 | 73,321 | - | - | 2,033,460 |
| Cost of sales | (650,072) | (432,651) | (339,661) | (75,242) | (22,179) | (31,162) | (3,632) | (67,431) | - | - | (1,622,030) |
| Segment operating (cost) income, net | 104,158 | 235,734 | 35,719 | 7,119 | (2,267) | 15,119 | 9,958 | 5,890 | - | - | 411,430 |
| | (86,478) | (208,381) | (40,435) | (4,193) | 4,570 | (4,460) | (3,754) | (7,246) | (20,627) | (20,677) | (391,681) |
| Segment profit (loss) before tax | 17,680 | 27,353 | (4,716) | 2,926 | 2,303 | 10,659 | 6,204 | (1,356) | (20,627) | (20,677) | 19,749 |
| Share of results of associates | | | | | | | | | | | (2,222) |
| Share of results of joint ventures | | | | | | | | | | | 45 |
| Income tax expense | | | | | | | | | | | (10,857) |
| Profit for the period | | | | | | | | | | | 6,715 |
| Segment assets | | | | | | | | | | | |
| Segment assets | 2,583,192 | 3,858,017 | 992,764 | 510,841 | 280,396 | 500,489 | 619,651 | 632,672 | 4,955,738 | (3,167,948) | 11,765,812 |
| Interest in associates | | | | | | | | | | | 192,400 |
| Interest in joint ventures | | | | | | | | | | | 103,454 |
| Total assets | | | | | | | | | | | 12,061,666 |
| Segment liabilities | | | | | | | | | | | |
| | 358,403 | 2,521,775 | 398,238 | 223,073 | 19,804 | 155,774 | 109,105 | 337,443 | 2,664,771 | (133,010) | 6,655,376 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION *(Continued)*

Other segment information

| | Industrial waste recycling RMB'000 | Industrial waste treatment and disposal RMB'000 | Rare and precious metals recycling 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 |
|---|---------------------------------------|--|---|---|---|---|-------------------------------|--|--------------------------------|------------------------|------------------|
| Depreciation and amortisation | (28,661) | (194,711) | (28,866) | (11,627) | (3,389) | (3,945) | (4,102) | (13,355) | (22,685) | - | (311,341) |
| Share of result of associates | - | - | - | - | - | - | - | - | (2,222) | - | (2,222) |
| Share of result of joint ventures | - | - | - | - | - | - | - | - | 45 | - | 45 |
| Impairment loss on goodwill | - | - | - | - | (8,627) | - | - | - | - | - | (8,627) |
| Impairment loss on interests in an associate | - | - | - | - | - | - | - | - | (190) | - | (190) |
| Reversal of (Provision for) loss allowance on trade, loans and other receivables, net | 82 | (385) | - | 243 | (4,528) | (542) | 800 | (683) | (1,215) | - | (6,228) |
| Interest expense | (12,800) | (33,501) | (5,523) | (960) | - | (76) | (3,598) | (11,740) | (28,139) | - | (96,337) |
| Interest income | 407 | 654 | 13 | 1,180 | 50 | 50 | 276 | - | 1,271 | - | 3,901 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2021 – unaudited

| | Industrial waste recycling RMB'000 | Industrial waste treatment and disposal RMB'000 | Rare and precious metals recycling 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 | 656,695 | 759,679 | - | 92,554 | 31,807 | 60,254 | 30,472 | 71,094 | 40,854 | (87,207) | 1,656,202 |
| Inter-segment revenue | - | (28,460) | - | - | - | (9,321) | (8,572) | - | (40,854) | 87,207 | - |
| Revenue from external customers | 656,695 | 731,219 | - | 92,554 | 31,807 | 50,933 | 21,900 | 71,094 | - | - | 1,656,202 |
| Cost of sales | (516,857) | (419,501) | - | (82,733) | (29,130) | (45,809) | (10,500) | (55,005) | - | - | (1,159,535) |
| Segment operating (cost) income, net | 139,838 | 311,718 | - | 9,821 | 2,677 | 5,124 | 11,400 | 16,089 | - | - | 496,667 |
| | (95,248) | (226,257) | - | (5,261) | (2,393) | (6,529) | (1,994) | (12,347) | 20,463 | (39,344) | (368,910) |
| Segment profit (loss) before tax | 44,590 | 85,461 | - | 4,560 | 284 | (1,405) | 9,406 | 3,742 | 20,463 | (39,344) | 127,757 |
| Share of results of associates | | | | | | | | | | | (425) |
| Share of results of joint ventures | | | | | | | | | | | 12,564 |
| Income tax expense | | | | | | | | | | | (19,524) |
| Profit for the period | | | | | | | | | | | 120,372 |
| Segment assets | | | | | | | | | | | |
| Segment assets | 2,513,254 | 4,362,223 | - | 573,469 | 297,654 | 477,921 | 645,543 | 618,127 | 4,795,712 | (3,695,373) | 10,588,530 |
| Interest in associates | | | | | | | | | | | 196,553 |
| Interest in joint ventures | | | | | | | | | | | 107,720 |
| Total assets | | | | | | | | | | | 10,892,803 |
| Segment liabilities | 522,122 | 2,500,868 | - | 288,679 | 27,712 | 218,880 | 129,274 | 319,318 | 2,717,298 | (1,333,386) | 5,390,765 |

Other segment information

| | Industrial waste recycling RMB'000 | Industrial waste treatment and disposal RMB'000 | Rare and precious metals recycling 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 |
|---|---------------------------------------|--|---|---|---|---|-------------------------------|--|--------------------------------|------------------------|------------------|
| Depreciation and amortisation | (36,896) | (72,014) | - | (14,961) | (6,335) | (28,510) | (14,167) | (2,042) | (81,964) | - | (256,889) |
| Share of result of associates | - | - | - | - | - | - | - | - | (425) | - | (425) |
| Share of result of joint ventures | - | - | - | - | - | - | - | - | 12,564 | - | 12,564 |
| Provision for loss allowance on trade, loans and other receivables, net | (357) | (3,617) | - | (151) | (4) | (803) | (75) | (66) | - | - | (5,073) |
| Interest expense | (1,350) | (34,530) | - | (1,232) | - | - | (3,511) | (10,092) | (21,794) | - | (72,509) |
| Interest income | 278 | 632 | - | 235 | 59 | 173 | 325 | 31 | 1,639 | - | 3,372 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 services and interest income from loans receivables on money lending business. The amount of each significant category of revenue recognised during the period is as follows:

| | Six months ended 30 June 2022 (Unaudited) RMB'000 | Six months ended 30 June 2021 (Unaudited) RMB'000 |
|---|---|---|
| Revenue from contracts with customers within IFRS 15 | | |
| Recognised at point in time | | |
| Industrial waste recycling | 754,230 | 656,695 |
| Renewable energy utilisation | 19,912 | 31,807 |
| Household appliance dismantling | 73,321 | 71,094 |
| Rare and precious metals recycling | 375,380 | – |
| Others | 9,034 | 14,912 |
| Recognised over time | | |
| Industrial waste treatment and disposal | 668,385 | 731,219 |
| Municipal waste treatment and disposal | 82,361 | 92,554 |
| Environmental engineering and services | 46,281 | 50,933 |
| | 2,028,904 | 1,649,214 |
| Revenue from other sources | | |
| Rental income | 4,556 | 4,668 |
| Interest income from loans receivables | – | 2,320 |
| | 4,556 | 6,988 |
| | 2,033,460 | 1,656,202 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. FINANCE COSTS

| | Six months ended 30 June 2022 (Unaudited) RMB'000 | Six months ended 30 June 2021 (Unaudited) RMB'000 |
|--|---|---|
| Finance costs | | |
| Interest on bank and other loans | 71,375 | 62,459 |
| Interest on bond payables | 24,568 | 9,813 |
| Interest on lease liabilities | 394 | 237 |
| Total borrowing costs | 96,337 | 72,509 |
| Less: Interest capitalised into construction in progress | (12,121) | (13,708) |
| | 84,216 | 58,801 |

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 4.38% per annum (30 June 2021: 4.17% per annum).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

| | Six months ended 30 June 2022 (Unaudited) RMB'000 | Six months ended 30 June 2021 (Unaudited) RMB'000 |
|---|---|---|
| Other items | | |
| Cost of sales | 1,082,975 | 611,492 |
| Cost of services | 539,055 | 548,043 |
| Depreciation and amortisation | | |
| – Property, plant and equipment* | 271,245 | 210,880 |
| – Intangible assets* | 28,733 | 36,075 |
| – Right-of-use assets* | 11,363 | 9,934 |
| Exchange loss (gain), net | 21 | (50) |
| Research and development expenses | 85,653 | 65,555 |
| Provision for (Reversal of) loss allowance on | | |
| – Trade receivables and contract assets | 1,234 | 2,736 |
| – Other receivables | 5,672 | 2,387 |
| – Loans receivables | (678) | (50) |
| Impairment loss on interests in an associate | 190 | – |
| Impairment loss on goodwill | 8,627 | – |
| (Gain) loss on disposal and deregistration of subsidiaries | (7,015) | 323 |
| (Gain) loss on disposal of property, plant and equipment and intangible assets | (625) | 8,367 |
| Direct operating expenses arising from investment properties that generated rental income | 331 | 732 |
| Increase in provision for loss on legal dispute** | 1,400 | – |

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

** This item is included in other operating expenses in the condensed consolidated statement of comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. TAXATION

| | Six months ended 30 June 2022 (Unaudited) RMB'000 | Six months ended 30 June 2021 (Unaudited) RMB'000 |
|--------------------------------------|---|---|
| Current tax | | |
| Enterprise Income Tax of the PRC | | |
| Current year | 10,017 | 25,542 |
| Under (Over) provision in prior year | 652 | (5,689) |
| | 10,669 | 19,853 |
| Deferred tax expense (credit) | 188 | (329) |
| Total tax expenses for the period | 10,857 | 19,524 |

The applicable tax rate of 15% is the weighted average of rates prevailing in the territories in which the group entities operate with reference to the Company's applicable tax rate.

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 the preferential income tax rate specifically for certain PRC subsidiaries.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period is based on the profit attributable to the ordinary equity holders of the Company of approximately RMB20,410,000 (30 June 2021: RMB111,617,000) and the weighted average number of 879,267,102 shares (30 June 2021: 879,267,102 shares) in issue during the period.

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

9. DIVIDEND

| | Note | Six months ended 30 June 2022 (Unaudited) RMB'000 | Six months ended 30 June 2021 (Unaudited) RMB'000 |
|---|------|---|---|
| Dividend approved but not paid during the period | | | |
| Final dividend in respect of 2021 of RMB0.055 per ordinary share | 9(a) | 48,360 | – |
| Dividend approved and paid during the period | | | |
| Final dividend in respect of 2020 of RMB0.11 per ordinary share | | – | 96,719 |

(a) Pursuant to the resolution passed at the Board meeting and the shareholders' resolution passed at the 2021 Annual General Meeting on 29 June 2022, the payment of final dividend in respect of 2021 of RMB0.055 per ordinary share amounting to approximately RMB48,360,000 was approved.

(b) No interim dividend was declared for the six months ended 30 June 2022 (30 June 2021: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. LOANS RECEIVABLES

| | As at 30 June 2022 (Unaudited) RMB'000 | As at 31 December 2021 (Audited) RMB'000 |
|---|--|--|
| Loans receivables from money lending business | 71,800 | 105,690 |
| Less: Loss allowance | (1,436) | (2,114) |
| | 70,364 | 103,576 |

The ageing analysis of loans receivables, before loss allowance, by start date of loan period is summarised as follows:

| | As at 30 June 2022 (Unaudited) RMB'000 | As at 31 December 2021 (Audited) RMB'000 |
|---------------|--|--|
| Within 1 year | – | – |
| 1 to 2 years | – | – |
| 2 to 3 years | – | 2,600 |
| Over 3 years | 71,800 | 103,090 |
| | 71,800 | 105,690 |

In respect of the loans receivables with gross carrying amount of approximately RMB58,600,000 (31 December 2021: RMB84,390,000), the fair values of the collaterals of such loans receivables can be objectively ascertained to cover the outstanding amount of the loan balances. At the end of the Reporting Period, loss allowance of RMB1,172,000 (31 December 2021: RMB1,688,000) was recognised on these loans receivables.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE RECEIVABLES AND CONTRACT ASSETS

| | Note | As at 30 June 2022 (Unaudited) RMB'000 | As at 31 December 2021 (Audited) RMB'000 |
|--|-------|--|--|
| Trade receivables | | | |
| From third parties | | 527,073 | 487,255 |
| From the government | | 582,490 | 558,644 |
| From joint ventures | 11(b) | 48,319 | 43,325 |
| From associates | 11(b) | 9,444 | 8,983 |
| From fellow subsidiaries | 11(b) | 1,364 | 1,237 |
| | 11(a) | 1,168,690 | 1,099,444 |
| Less: Loss allowance | | (36,626) | (36,568) |
| | | 1,132,064 | 1,062,876 |
| Bills receivables | 11(c) | 116,367 | 87,830 |
| Contract assets | | 211,223 | 224,080 |
| Less: Non-current portion of contract assets | | (87,162) | (96,931) |
| | | 124,061 | 127,149 |
| | | 1,372,492 | 1,277,855 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE RECEIVABLES AND CONTRACT ASSETS *(Continued)*

11(a) Trade receivables

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

| | As at 30 June 2022 (Unaudited) RMB'000 | As at 31 December 2021 (Audited) RMB'000 |
|---------------|--|--|
| Within 1 year | 802,402 | 676,623 |
| 1 to 2 years | 136,339 | 141,705 |
| 2 to 3 years | 81,582 | 98,761 |
| Over 3 years | 148,367 | 182,355 |
| | 1,168,690 | 1,099,444 |

11(b) Trade receivables from joint ventures/associates/fellow subsidiaries

The trade receivables from joint ventures, associates and fellow subsidiaries are unsecured, interest-free and have no fixed repayment term. At the end of the Reporting Period, no allowance was made for non-repayment of the amounts.

11(c) Bills receivables

The bills receivables represent bank acceptance notes with remaining term within 180 days at the end of the Reporting Period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE PAYABLES

| | Note | As at 30 June 2022 (Unaudited) RMB'000 | As at 31 December 2021 (Audited) RMB'000 |
|------------------------|-------|--|--|
| Trade payables | | | |
| To third parties | 12(b) | 661,721 | 819,963 |
| To associates | 12(c) | 8,907 | 9,007 |
| To joint ventures | 12(c) | 2,789 | 2,695 |
| To fellow subsidiaries | 12(c) | 8,089 | 8,178 |
| | 12(a) | 681,506 | 839,843 |
| Bills payables | | – | 133 |
| | | 681,506 | 839,976 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE PAYABLES *(Continued)*

12(a) Trade payables

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

| | As at 30 June 2022 (Unaudited) RMB'000 | As at 31 December 2021 (Audited) RMB'000 |
|---------------|--|--|
| Within 1 year | 612,658 | 742,717 |
| 1 to 2 years | 29,486 | 51,120 |
| 2 to 3 years | 12,842 | 17,768 |
| Over 3 years | 26,520 | 28,238 |
| | 681,506 | 839,843 |

12(b) Trade payables to third parties

The Group is given a credit period within 30 to 90 days from its general trade creditors. For construction projects, the credit period given to the Group is mutually agreed in individual construction agreement.

12(c) Trade payables to associates/joint ventures/fellow subsidiaries

The amounts due are unsecured, interest-free and have no fixed repayment term.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. INTEREST-BEARING BORROWINGS

| | As at 30 June 2022 (Unaudited) RMB'000 | As at 31 December 2021 (Audited) RMB'000 |
|--------------|--|--|
| Bank loans: | | |
| Secured | 1,317,253 | 1,145,920 |
| Unsecured | 2,191,212 | 1,929,643 |
| | 3,508,465 | 3,075,563 |
| Other loans: | | |
| Secured | 72,930 | 84,230 |
| Unsecured | – | 200,000 |
| | 72,930 | 284,230 |
| | 3,581,395 | 3,359,793 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. INTEREST-BEARING BORROWINGS *(Continued)*

The maturity of the interest-bearing borrowings and analysis of the amount due (including the effect of repayment on demand clause) are as follows:

| | As at 30 June 2022 (Unaudited) RMB'000 | As at 31 December 2021 (Audited) RMB'000 |
|--|--|--|
| The maturity of the interest-bearing borrowings: | | |
| Within one year | 1,442,550 | 2,186,375 |
| In the second year | 603,630 | 173,094 |
| In the third year to the fifth year, inclusive | 1,217,540 | 741,198 |
| Over five years | 317,675 | 259,126 |
| | 3,581,395 | 3,359,793 |
| Portion classified as current liabilities | (1,442,550) | (2,186,375) |
| | 2,138,845 | 1,173,418 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. BOND PAYABLES

| | Note | As at 30 June 2022 (Unaudited) RMB'000 | As at 31 December 2021 (Audited) RMB'000 |
|----------------------------------|-------|--|--|
| Medium Notes | 14(a) | 746,989 | 1,118,809 |
| Super Short-term Financing Bonds | 14(b) | 507,467 | – |
| | | 1,254,456 | 1,118,809 |

The carrying value of bonds are repayable as follows:

| | Note | As at 30 June 2022 (Unaudited) RMB'000 | As at 31 December 2021 (Audited) RMB'000 |
|-----------------|-------|--|--|
| Within one year | 14(a) | 754,791 | 19,422 |
| Over one year | 14(b) | 499,665 | 1,099,387 |
| | | 1,254,456 | 1,118,809 |

14(a) During the period ended 30 June 2022, the Company purchased back the medium-term notes ("Medium Notes") with total face value of RMB370,000,000 from the holders of Medium Notes.

14(b) The Company completed the issuance of the first tranche of the Super Short-term Financing Bonds from 12 January 2022 to 13 January 2022, the issuing size of the Super Short-term Financing Bonds was RMB500,000,000, with an annual interest rate of 3.2% and maturity on 11 October 2022, subject to payment of interest at the maturity date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. DUE TO CONTROLLING SHAREHOLDER

As of 30 June 2022, the amounts due to controlling shareholder of RMB338,691,000 (31 December 2021: RMB332,742,000) are unsecured, bear the fixed interest rate of 3.28% per annum (31 December 2021: loan prime interest rate by reference of People's Bank of China decrease by 10%) and repayable on 20 June 2023 (31 December 2021: 20 June 2022).

16. PROVISIONS

| | Note | As at 30 June 2022 (Unaudited) RMB'000 | As at 31 December 2021 (Audited) RMB'000 |
|---|-------|--|--|
| Provisions for potential loss on disputes | 16(a) | 4,648 | 58,722 |
| Provisions for reinstatement costs | 16(b) | 178,520 | 19,202 |
| | | 183,168 | 77,924 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. PROVISIONS *(Continued)*

16(a) Provisions for potential loss on disputes

At the end of the Reporting Period, the amounts represent provisions for potential loss in respect of the legal cases of which the Group was the defendant.

| | Note | As at 30 June 2022 (Unaudited) RMB'000 | As at 31 December 2021 (Audited) RMB'000 |
|--|-------|--|--|
| Legal dispute of the Company | (i) | – | 54,074 |
| Legal dispute of Jiangsu Dongheng Environmental Holdings Co., Ltd. ("Dongheng Environmental") | (ii) | 915 | 915 |
| Legal dispute of Zhuhai Qingxin Industrial Environmental Technology Ltd. ("Zhuhai Qingxin") | (iii) | 3,733 | 3,733 |
| | | 4,648 | 58,722 |

- (i) The Group entered into an equity transfer agreement with Qidi Sustainable Resources Technology Development Co., Ltd. ("Qidi Company") ("Equity Transfer Agreement") for the disposal of a subsidiary, Qingyuan Dongjiang Environmental Technologies Company Limited ("Qingyuan Dongjiang"), in April 2016. Given that the technical review of Qingyuan Dongjiang's abandoned electrical appliances in 2015 ("Disassembling Vetting") were still subject to the approval, Qingyuan Dongjiang had obtained vetting opinions with the relevant supervising authorities to initiate a self-investigation for the quantities and types of the Disassembling Vetting in October 2019. The Group and Qidi Company entered into a conclusion on 22 January 2020, including facilitating the progress of the Disassembling Vetting and reassessment on the potential loss.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. PROVISIONS *(Continued)*

16(a) Provisions for potential loss on disputes *(Continued)*

(i) *(Continued)*

In 2020, the Group received a notice of arbitration ((2020) Huzhonganzi No. 3835) issued by the Shanghai Arbitration Commission, under which Qidi Company had filed an application for arbitration with the Shanghai Arbitration Commission in relation to the disputes with the Group on the Equity Transfer Agreement, and the Shanghai Arbitration Commission accepted such application and the potential compensation payable to Qidi Company was RMB28,973,000 plus relevant interests.

In 2021, the Group received another notice from the Shanghai Arbitration Commission, under which Qidi Company had submitted an application for change of arbitration request to the Shanghai Arbitration Commission. The revised arbitration request is as follows:

- The Company shall pay to Qidi Company damages after setting off debts of RMB27,733,000;
- The Company shall pay to Qidi Company damages on loss of fund subsidies of RMB40,807,000 up to the end of August 2016; and
- The Company shall pay the legal fees of RMB1,400,000 and costs of the arbitration.

The arbitration has been heard on 15 November 2021.

As at 31 December 2021, in the view of the directors of the Company, the possible potential loss of the disputes in relation to the Equity Transfer Agreement would be the principal amount of the compensation for damages and part of the compensation for damages on loss of fund subsidies totalled RMB54,074,000 and it was the best estimate of the provision recognised as of 31 December 2021.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. PROVISIONS *(Continued)*

16(a) Provisions for potential loss on disputes *(Continued)*

(i) *(Continued)*

In May 2022, the Group received the decision of the arbitration ((2020) Huzhonganzi No. 3835) delivered by the Shanghai Arbitration Commission. The decision is as follows:

- The Company shall pay to the Qidi Company damages after setting off debts of RMB27,733,000;
- The Company shall pay to the Qidi Company damages on loss of fund subsidies of RMB26,340,000 up to the end of August 2016;
- The Company shall pay part of the legal fees of RMB1,000,000; and
- The Company shall pay part of the cost of the Arbitration of RMB400,000.

Further details of the above matter are set out in the Group's announcements on 23 January 2020, 4 December 2020, 14 October 2021 and 13 May 2022 respectively.

The case has been closed and the Group has settled the compensations during the Period.

- (ii) On 25 March 2013, Jiangsu Guangxing Group Co., Ltd., ("Jiangsu Guangxing") and Dongheng Environmental, a subsidiary of the Company, entered into an agreement for the construction project of Jiangsu Dongheng High Technology Park. Such construction was completed in June 2015 and there was a dispute on the validity of the agreement, investment return and the project cost between Jiangsu Guangxing and Dongheng Environmental.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. PROVISIONS *(Continued)*

16(a) Provisions for potential loss on disputes *(Continued)*

(ii) *(Continued)*

On 9 December 2019, Jiangsu Guangxing commenced court proceedings to sue Dongheng Environmental on the ground that Dongheng Environmental failed to pay the project cost and investment return of RMB48,300,000 as stipulated in the agreement and made a legal claim to Dongheng Environmental for the project costs, investment return and relevant losses arising from the suspension and delay. Both parties disagreed on the above-mentioned claim amounts and they were engaged in a legal proceeding.

The court made a judgement in November 2021 that Dongheng Environmental should compensate the project costs, investment return and relevant losses arising from the suspension and delay of RMB22,331,000, interest accrued to Jiangsu Guangxing, and bear the legal costs of RMB221,000. The Group disagreed with the judgement and appealed to the court in December 2021. The litigation is still ongoing. During the Report Period, the Group settled the construction fee of RMB9,673,000. Trade payables of RMB13,003,000 (31 December 2021: RMB22,676,000) were recorded by the Group as at 30 June 2022.

In the view of the directors of the Company, the possible potential loss of the disputes in relation to the construction project would be the accrued interest on the outstanding trade payables of RMB915,000 (31 December 2021: RMB915,000) and it is the best estimate of the provision recognised as at 30 June 2022.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. PROVISIONS *(Continued)*

16(a) Provisions for potential loss on disputes *(Continued)*

- (iii) In June 2019, there was a fire in the factory of Zhuhai Qingxin, causing damages of the properties of four third party companies and an individual. These parties claimed compensations for the damages caused by Zhuhai Qingxin. In 2021, the legal cases with three parties were finalised with court decisions made and the compensations were settled by the Group. For the legal cases with the remaining two companies, the hearing of the court in the first instance was held on 30 June 2021. According to the court decisions, Zhuhai Qingxin is required to compensate the damages of RMB3,733,000, inclusive of legal costs, to the two parties. The case is still under appeal process.

In the view of the directors of the Company, the decision of the court in the second instance is likely to be the same as that of the court in the first instance based on the outcome of the other three finalised cases. The possible potential loss of the disputes in relation to the fire damages would be RMB3,733,000 (31 December 2021: RMB3,733,000) and it is the best estimate of the provision recognised as at 30 June 2022.

16(b) Provisions for reinstatement costs

The amount represents the provision for reinstatement costs for the hazardous waste landfill to enable the stable operation of the hazardous waste landfill after decommissioning.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. SHARE CAPITAL

| | As at 30 June 2022 | | As at 31 December 2021 | |
|--|------------------------------------|------------------------|----------------------------------|----------------------|
| | Number of shares (Unaudited) | RMB'000 (Unaudited) | Number of shares (Audited) | RMB'000 (Audited) |
| Authorised: | | | | |
| Ordinary shares of RMB1 each | 879,267,102 | 879,267 | 879,267,102 | 879,267 |
| Issued and fully paid: | | | | |
| At beginning of the period and the end of the Reporting Period | 879,267,102 | 879,267 | 879,267,102 | 879,267 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. RELATED PARTIES TRANSACTIONS

The transactions with related parties are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

- (i) Other than disclosed elsewhere in the condensed consolidated financial statements, the Group had the following related party transactions during the period.

| Relationship | Nature of transactions | Six months ended 30 June 2022 (Unaudited) RMB'000 | Six months ended 30 June 2021 (Unaudited) RMB'000 |
|---|-------------------------------|--|--|
| Companies controlled by the same controlling shareholder of the Company | Services income | 1,998 | 40,010 |
| | Sales of goods | – | 533 |
| | Service fee | – | (5,391) |
| | Purchase of goods | (14,426) | (392) |
| Joint ventures | Services income | 16,284 | – |
| | Royalty income | 5,781 | – |
| | Service fee | (6,533) | – |
| Associates | Services income | 7,570 | – |
| | Service fee | (35) | – |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. RELATED PARTIES TRANSACTIONS *(Continued)*

(ii) Remuneration for key management personnel (including directors) of the Group:

| | Six months ended 30 June 2022 (Unaudited) RMB'000 | Six months ended 30 June 2021 (Unaudited) RMB'000 |
|---|---|---|
| Salaries, allowances and other short-term benefits | 2,315 | 3,488 |
| Contributions to defined contribution plans | 396 | 337 |
| | 2,711 | 3,825 |

The Company has provided a guarantee for the loan of Dongguan Fengye Solid Waste Treatment Co., Ltd., an associate of the Company, since 15 October 2018, and the guarantee amount of the Company was not more than RMB44,000,000, which would be terminated at 15 October 2033.

The Company has provided a guarantee for the loan of Fujian Xingye Dongjiang Environmental Technology Co., Ltd. ("Xingye Dongjiang"), an associate of the Company, since 30 March 2018 and 18 July 2018, and the guarantees amounts of the Company were not more than RMB150,000,000 and RMB50,000,000 respectively, which would be terminated at 29 March 2025 and 17 October 2024 respectively.

The Company has provided a guarantee for the loan of Xingye Dongjiang since 30 June 2021 with a total amount of not more than RMB57,375,000, which would be terminated at 15 September 2026.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. RELATED PARTIES TRANSACTIONS *(Continued)*

(iii) *(Continued)*

Further details of the above transactions are set out in the Company's announcements dated 24 October 2018, 16 January 2018 and 29 March 2021 respectively.

- (iv) On 25 February 2020 and 14 August 2020, the Company entered into the Financial Services Agreement and Supplementary Financial Services Agreement with Guangdong Rising Finance Co., Ltd. respectively ("Rising Finance Company"), pursuant to which, Rising Finance Company will provide the Group (including its subsidiaries) with deposit services, settlement services and other financial services as permitted by the China Banking and Insurance Regulatory Commission. As at 30 June 2022, the Company has a deposit balance of RMB332,100,000 (31 December 2021: RMB356,520,000) with Rising Finance Company and a loan balance of RMB84,230,000 (31 December 2021: RMB284,230,000) from Rising Finance Company based on actual capital requirements. Deposits with Rising Finance Company constitute continuing connected transactions under Chapter 14A of the Listing Rules.

19. FAIR VALUE MEASUREMENTS

The directors of the Company generally adopt conservative strategies on its risk management and limit the Group's exposure to these risks to a minimum level. The directors of the Company review and agree policies for managing each risk as summarised below and they manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. FAIR VALUE MEASUREMENTS *(Continued)*

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in the condensed consolidated financial statements on a recurring basis across the three levels of the fair value hierarchy defined in IFRS 13, "Fair Value Measurement" with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

As at 30 June 2022 (Unaudited)

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|---|--------------------|--------------------|--------------------|------------------|
| <i>Designated financial assets at FVOCI</i> | | | | |
| Unlisted equity investment | | | | |
| – Banking industry | – | – | 4,243 | 4,243 |
| Investment properties | – | – | 456,663 | 456,663 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. FAIR VALUE MEASUREMENTS *(Continued)*

As at 31 December 2021 (Audited)

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|---|--------------------|--------------------|--------------------|------------------|
| <i>Designated financial assets at FVOCI</i> | | | | |
| Unlisted equity investment | | | | |
| – Banking industry | – | – | 4,243 | 4,243 |
| Investment properties | – | – | 456,663 | 456,663 |

Assets and liabilities with fair value disclosure, but not measured at fair value

The carrying amounts of financial assets and liabilities that are carried at amortised costs are not materially different from their fair values at the end of each Reporting Period.

20. CAPITAL COMMITMENTS

| | As at 30 June 2022 (Unaudited) RMB'000 | As at 31 December 2021 (Audited) RMB'000 |
|---|--|--|
| Contracted but not provided for: | | |
| Construction in progress | 311,205 | 304,782 |
| Purchase of property, plant and equipment | 88,558 | 119,436 |
| | 399,763 | 424,218 |

21. APPROVAL OF THE CONDENSED INTERIM FINANCIAL INFORMATION

The condensed interim financial information of the Group for the six months ended 30 June 2022 was approved by the board of directors of the Company on 26 August 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Since 2022, facing the adverse situation of recurrence of the pandemic in China and frequent international events, and significant fluctuations in the prices of commodities, raw materials and other items, China's economy was still under the "triple pressure" of shrinking demand, supply shocks and weakening expectations, causing varying degrees of impact on upstream and downstream companies in the industry in which the Company operates. Meanwhile, with the vigorous implementation of "waste-free cities" and "clean production" policies, the reduction of hazardous waste at source has entered the "fast track", and front-end collection is becoming increasingly difficult. In addition, in recent years, China's approved hazardous waste management capacity has grown rapidly, the number of participants in the hazardous waste treatment industry is continuously increasing, the market competition is intense, the profit margin of the hazardous waste treatment business suffers multiple pressure, and industry reshuffling and consolidation will further accelerate.

During the Reporting Period, the Company's main businesses were also impacted by industry and market competition with the problem of "increasing business volume without increasing profit". During the Reporting Period, the Company took various measures to strengthen market collection and transportation and product sales, adopted a targeted strategy of "increasing business volume with lower prices" on both collection and sales ends, established a more flexible marketing and sales system, and continued to capture upstream and downstream channel resources. During the Reporting Period, the Company achieved an operating revenue of RMB2,033 million, representing an increase of 22.78% as compared to the same period of last year, with the scale of operating revenue reaching a record high and the market share of the Company further increased. However, affected by the significant drop in collection and transportation prices in sales, the decreased volume and increased price of recycled raw materials, coupled with the high prices of raw and auxiliary materials for production, the profit margin of the Company's main business was further diluted, resulting in a year-on-year decrease of 81.71% in the Company's net profit attributable to the equity holders during the Reporting Period.



Financial Review

Total operating revenue

For the six months ended 30 June 2022, the Group's total operating revenue increased by 22.78% as compared to the corresponding period in 2021 to approximately RMB2,033,460,000 (as of 30 June 2021: approximately RMB1,656,202,000). The increase in total operating revenue was mainly due to the fact that the Group expanded the field of rare and precious metals recycling compared with the same period of the previous year, and the optimization of the layout of the resource plate; and the sales amount of recycled products of the Group also increased in tandem with the increase in metal prices during the Reporting Period. The operating revenue of rare and precious metals recycling for the Reporting Period was approximately RMB375,380,000 (as of 30 June 2021: Nil). The operating revenue of industrial waste recycling increased by 14.85% over the same period of last year to approximately RMB754,230,000 (as of 30 June 2021: approximately RMB656,695,000).

Profit

For the six months ended 30 June 2022, the Group's integrated gross profit margin was 20.23% (as of 30 June 2021: 29.99%). The integrated gross profit margin decreased by approximately 9.76% points as compared with the same period of last year, which was mainly due to the increasingly fierce competition in the industry, the increase in the cost of recycling business and the decline in the collection and transportation price of non-hazardous wastes in the market. In addition, the relatively low gross profit margin of rare and precious metals recycling business also has a certain impact on the integrated gross profit margin.

For the six months ended 30 June 2022, net profit attributable to equity holders of the Company was approximately RMB20,410,000 (as of 30 June 2021: approximately RMB111,617,000), which decreased by approximately 81.71% as compared with the corresponding period in last year. The main reason was that the market competition continues to intensify, the market price of industrial waste disposal business has dropped significantly, the price of raw materials for recycling has risen, high price of raw and auxiliary materials for production, and the impact of the significant increase of the finance costs from interest bearing borrowings and bond payables have been superimposed, resulting in a decrease in the Group's net profit.



Selling expenses

For the six months ended 30 June 2022, the Group's selling expenses were approximately RMB48,207,000 (as of 30 June 2021: approximately RMB57,754,000), accounting for 2.37% of the total operating revenue (as of 30 June 2021: 3.49%). The decrease in selling expenses was mainly due to the decrease in market sales performance commissions to staff during the Reporting Period.

Administrative expenses

For the six months ended 30 June 2022, the Group's administrative expenses were approximately RMB189,960,000 (as of 30 June 2021: approximately RMB182,377,000), accounting for 9.34% of the total operating revenue (as of 30 June 2021: 11.01%). The increase in administrative expenses during the Reporting Period was mainly due to the increase in the expenses of Chenzhou Xiongfeng Environment Technology Company Limited* (郴州雄風環保科技有限公司) ("Xiongfeng Environment"), which was acquired by the Group in September 2021, over the same period of the previous year.

Finance costs

For the six months ended 30 June 2022, the Group's finance costs were approximately RMB84,216,000 (as of 30 June 2021: approximately RMB58,801,000), accounting for 4.14% of the total operating revenue (as of 30 June 2021: 3.55%). The increase in finance costs was mainly due to the increase in the total interest-bearing borrowings and bond payables during the Reporting Period over the same period of the previous year.

Income tax expenses

For the six months ended 30 June 2022, the Group's income tax expenses were approximately RMB10,857,000 (as of 30 June 2021: approximately RMB19,524,000), accounting for 61.79% of the total profit (as of 30 June 2021: 13.96%), which was mainly due to the decrease in profit during the Reporting Period.

Financial Position and Liquidity

As of 30 June 2022, net current liabilities of the Group amounted to approximately RMB499,968,000 (31 December 2021: approximately RMB828,191,000). As of 30 June 2022, the Group has cash and time deposits at banks and other financial institution of approximately RMB650,038,000 in total (31 December 2021: approximately RMB521,425,000).



As of 30 June 2022, total liabilities of the Group amounted to approximately RMB6,655,376,000 (31 December 2021: approximately RMB6,365,415,000). The Group's gearing ratio was 55.18% (31 December 2021: 53.88%) in terms of the Group's total liabilities and total assets. The Group's current liabilities amounted to approximately RMB3,615,750,000 (31 December 2021: approximately RMB3,805,521,000). As of 30 June 2022, the Group's outstanding bank and other loans reached approximately RMB3,581,395,000 (31 December 2021: approximately RMB3,359,793,000). 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 or issuance of Super Short-term Financing Bonds.

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, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

On 17 June 2022, Jiangsu High Hope International Group Co., Ltd. ("High Hope Group") and the Company have mutually agreed to, amongst others, the dissolution of a joint venture in which the Group holds 40% equity interest. Please refer to the section headed "Events during the Period – Termination of Joint Venture" of this report for more details.

Save as disclosed in the report, during the Reporting Period, the Group had no other significant investment, material acquisition and disposal of subsidiaries, associates and joint ventures.

Details of Future Plans for Material Investments or Capital Assets

The Group does not have future plans for material investments or capital assets, except for the capital commitment of RMB399,763,000, as at 30 June 2022.

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 and other 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 and other loans.

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 China are also denominated in foreign currencies. The Group has not engaged in any particular hedge against foreign exchange risk.

Pledge of Assets

As at 30 June 2022, certain assets of the Group were pledged to secure bank borrowings, guarantees and letter of credit facilities granted to the Group.

Information on Employees and Remuneration Policies

As at 30 June 2022, the number of full-time employees of the Group was 5,330 as compared to 4,819 as at 30 June 2021. The total staff cost for the six months ended 30 June 2022 was approximately RMB333,172,000 as compared to RMB321,430,000 for the same period in 2021. The Group offers continuous training, remuneration package and additional benefits to its employees, including retirement benefits, housing fund and medical insurance.

Capital Commitment

As at 30 June 2022, the capital commitment of the Group was as follows:

| Item | As at 30 June 2022 (Unaudited) RMB'000 | As at 31 December 2021 (Audited) RMB'000 |
|---|--|--|
| Significant outsourcing contracts | 311,205 | 304,782 |
| Commitment to acquisition of long-term assets | 88,558 | 119,436 |
| Total | 399,763 | 424,218 |



Contingent Liabilities


As of 30 June 2022, the Group had no material contingent liabilities.

Future Prospects

Facing the complicated and changing external environment and intensifying market competition, in the second half of 2022, the Group will seize the opportunity of enhanced national policies on “stabilizing growth” and controlling inflation, adhere to the general keynote of “ensuring stability while seeking progress, preventing risks, enhancing quality and efficiency”, focus on the work objectives of “focusing on operation, enhancing efficiency, stabilizing growth and controlling risks”, actively respond to market changes, fully utilize the Group’s multiple advantages in terms of size of approved capacity, regional layout and financing platform, march forward with confidence, practicality, diligence, bravery and perseverance, and make every effort to ensure the high-quality accomplishment of all objectives and tasks throughout the year with innovative ideas and pragmatic measures.

Firstly, the Group will take multiple measures to continue to strengthen market development, adopt a targeted strategy of “increasing business volume with lower prices” on both collection and sales ends, establish a more flexible marketing and sales system, and continue to capture upstream and downstream channel resources. In addition, it will vigorously develop new market areas with new projects with focus on exploring the markets of the Guangzhou-Foshan-Zhaoqing Economic Circle, East Guangdong, West Guangdong, Xinjiang and Sichuan, actively develop cross-provincial collection and transportation channels for hazardous waste recycling, extensively participate in environmental emergency business in different regions, and strive to achieve a new record high in waste collection and transportation volume for the year.

Secondly, the Group will make great efforts in expanding domestic and overseas markets by relying on high-quality cuprate and stannate products, and continue to increase the proportion and sales performance of recycled products with high added value such as basic copper carbonate, in order to hedge against the impact of fluctuations in metal prices and ensure that product inventories and turnover rates are maintained at reasonable levels. It will also continue to develop its existing customers, focus on maintaining VIP and major customer resources, deepen the cooperation with customers, and target the leading major customers in downstream industries to establish long-term in-depth cooperation and ensure the continuous growth of market share and the number of major customers.



Thirdly, the Group will accelerate the implementation of “lean management and capability improvement”, “extreme reduction of costs”, “reform of three systems” and other special tasks and improve waste treatment and disposal performance on a case-by-case basis, thereby clearing the way for high-quality development of the Group. Meanwhile, it will continue to reduce costs and expenses by optimizing production processes, strengthening centralized procurement and carrying out reform of three systems to achieve cost reduction and efficiency enhancement. In addition, the Group will focus on the existing land, equipment and other assets of its subsidiaries, continuously optimize and diversify the revitalization methods, closely follow the local supportive policies and continuously improve the utilization rate and economic benefits of existing assets.

Fourthly, the Group will accelerate the pace of upgrading and transformation, and through project implementation, it will continuously facilitate the technical transformation of production processes of Xiongfeng Environment to expand production capacity and enhance product quality, actively develop new products to effectively strengthen, expand and refine the rare and precious metals industry chain, actively promote the in-depth integration of rare and precious metals smelting and hazardous waste industries, and extend the industry chain to develop the rare and precious metals recycling sector. In addition, the Group will give full play to its advantages in recycling technology and market operation to accelerate the implementation of the project of recycling and comprehensive utilization of waste lithium battery resources. Moreover, it will actively invest in strategic emerging industries and strive to create a virtuous cycle of “seamless preparation, construction and commencement of production” of key projects to support stable development with major project investment.

EVENTS DURING THE PERIOD

Issuance of the First Tranche of the Super Short-term Financing Bonds in 2022

The Company has completed the issuance of the first tranche of the Super Short-term Financing Bonds with a size of RMB500 million and an annual interest rate of 3.20% on 12 January and 13 January 2022, and received the proceeds in full on 14 January 2022.

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 announcements dated 4 February 2021 and 14 January 2022.



Supplemental Agreement relating to the Acquisition of 70% Equity Interest in Xiongfeng Environment

On 16 February 2022, the Company, Beijing Hanfeng United Technology Co., Ltd.* (北京瀚豐聯合科技有限公司) (the “Vendor”) and Mr. Li Jinqian (李金千) have entered into a supplemental agreement (the “Supplemental Agreement”) to further confirm the profit and loss position during the transition period and arrangements for events happened before the completion of the acquisition of 70% of the equity interest in Xiongfeng Environment (including no cash compensation, the treatment of relevant waste arising before completion of the acquisition and the obligations and liabilities to be borne by Mr. Li Jinqian). The Company considers that the supplemental agreement does not involve a material change of the rights and obligations of the parties under the acquisition agreement and the confirmation given by the Vendor, and therefore does not constitute a material variation of the terms of the acquisition agreement.

For details, please refer to the Company’s announcements dated 16 July 2021, 10 September 2021, 17 September 2021 and 16 February 2022, circular dated 19 August 2021 and poll results announcement dated 8 September 2021.

Continuing Connected Transactions – Hazardous Waste Service Framework Agreement

On 7 April 2022, the Company (for itself and on behalf of its subsidiaries) and Guangdong Anjiatai Environmental Protection Science and Technology Co., Ltd. (“Anjiatai”) entered into a hazardous waste service framework agreement (the “Hazardous Waste Service Framework Agreement”), pursuant to which the Company (for itself and on behalf of its subsidiaries) has agreed to engage Anjiatai for the treatment of hazardous waste created by the Group. Anjiatai is indirectly held as to 30% by Guangdong Rising Holdings Group Co., Ltd. (“Guangdong Rising Group”), a substantial shareholder of the Company. The Hazardous Waste Service Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The annual cap in respect of the maximum transaction amount for hazardous waste treatment services between the Company and Anjiatai for the year ending 31 December 2022 shall be RMB15,000,000.

For details, please refer to the Company’s announcements dated 7 April 2022 and 14 April 2022.



Arbitration relating to Equity Transfer Agreement

As disclosed in the announcement of the Company dated 13 May 2022, the Shanghai Arbitration Commission made a decision on an arbitration (the “Arbitration”) as to a dispute between the Company and Qidi Company in relation to the equity transfer agreement (“Equity Transfer Agreement”) dated 12 April 2016 in respect of Qingyuan Dongjiang. It was decided that the Company shall pay Qidi Company approximately RMB27,733,000 for the damages after offsetting debts, RMB26,340,000 for the damages on loss of fund subsidies up to the end of August 2016, RMB1,000,000 as part of the legal fees and RMB400,000 for the cost of the Arbitration. The aforementioned amounts have been paid by the Company as at the date of this report.

For details, please refer to the announcements of the Company dated 23 January 2020, 4 December 2020, 14 October 2021 and 13 May 2022.

Termination of Joint Venture

On 26 August 2019, the Company and High Hope Group entered into a shareholder investment agreement (the “Shareholder Investment Agreement”) in relation to the establishment of a joint venture company (the “Joint Venture”), which constituted a connected transaction of the Company.

The overall operation and progress of development of the Joint Venture failed to attain the initial expectation and plan of the Company and High Hope Group. On 17 June 2022, the Company and High Hope Group agreed to terminate the Shareholder Investment Agreement and dissolve the Joint Venture (the “Termination and Dissolution”) with a view to focus on its principal business of hazardous waste treatment, consolidate the resources and enhance operational and development quality and efficiency. The Joint Venture had not commenced business since its incorporation. As of 17 June 2022, the Company and High Hope Group had not made any capital contribution to the Joint Venture.

The Board of directors considered that the Termination and Dissolution was in the interests of the Company and its shareholders, and would not have material adverse impact on the business, operation or financial condition of the Group.

For details, please refer to the announcements of the Company dated 26 August 2019 and 17 June 2022.



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

As at 30 June 2022, the interests and short positions of the Directors, supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules were as follows:

Long positions in the ordinary shares of the Company

| Name | Capacity | Type of interest | Number of Shares | Approximate % of equity of the Company/ shareholding in this class |
|-------------|------------------|------------------|---------------------|--|
| Mr. Tan Kan | Beneficial owner | Long Position | 120,000 A Shares | 0.014%/0.018% |

Save as disclosed above, as at 30 June 2022, none of the Directors, supervisors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Save for the above disclosures in respect of certain Directors, as at 30 June 2022, as far as the Directors, supervisors and chief executive of the Company are aware, the person(s) below (other than the Directors, supervisors and chief executive of the Company) had interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of the interests required to be kept by the Company under Section 336 of the SFO.

| Name | Capacity | Number and class of shares held | Approximate percentage of equity of the Company/ shareholding in this class |
|------------------------|------------------------------------|---------------------------------|---|
| Guangdong Rising Group | Beneficial owner | 200,968,294 A Shares | 22.86%/29.59% |
| | Interest of controlled corporation | 25,179,200 H Shares (Note 1) | 2.86%/12.58% |
| High Hope Group | Beneficial owner | 50,087,669 A Shares | 5.70%/7.38% |
| | Interest of controlled corporation | 25,995,038 A Shares (Note 2) | 2.96%/3.83% |
| | Interest of controlled corporation | 18,204,800 H Shares (Note 2) | 2.07%/9.10% |

Notes:

1. Rising Investment Development Co., Ltd. and Guangdong Rising H.K. (Holding) Limited are wholly-owned subsidiaries of Guangdong Rising Group. Therefore, Guangdong Rising Group was deemed to be interested in the 22,283,200 and 2,896,000 H shares held by Rising Investment Development Co., Ltd. and Guangdong Rising H.K. (Holding) Limited respectively under Part XV of the Securities and Futures Ordinance.



2. Jiangsu High Hope Venture Capital Co., Ltd. is a wholly-owned subsidiary of High Hope Group. Therefore, High Hope Group was deemed to be interested in the 25,995,038 A shares and 18,204,800 H shares held by Jiangsu High Hope Venture Capital Co., Ltd. under Part XV of the Securities and Futures Ordinance.

Save for the above disclosures in respect of certain Directors, as at 30 June 2022, the Directors, supervisors and chief executive of the Company are not aware of any other person (other than the Directors, supervisors and chief executive of the Company) who has interests or short positions in the shares, underlying shares or debenture of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of the interests required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

No share option scheme was adopted since the date of incorporation of the Company.

COMPETING INTERESTS OR BUSINESS

During the Period, none of the Directors, supervisors, chief executive or the substantial shareholders of the Company and their respective associates are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

AUDIT COMMITTEE AND REVIEW OF THE INTERIM RESULTS

The Company has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and Code Provision D.3 of the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Listing Rules for the purpose of reviewing and supervising the Group’s financial reporting process, risk management and internal audit functions and control. The Audit Committee is comprised of three independent non-executive Directors, namely Mr. Li Jinhui, Mr. Siu Chi Hung and Ms. Guo Suyi. Mr. Siu Chi Hung, who holds the appropriate professional qualifications as required under Rule 3.10(2) and Rule 3.21 of the Listing Rules, serves as the chairman of the Audit Committee. The Audit Committee has reviewed the interim results and financial statements of the Group for the six months ended 30 June 2022 but the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022 have not been audited by the auditors of the Company.



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.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (30 June 2021: Nil).

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. The Company has complied with all the applicable Code Provisions in the CG Code throughout the Reporting Period.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors are set out below:

Mr. Siu Chi Hung has served as an independent non-executive director of China Aluminum International Engineering Corporation Limited, the shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 2068) and Shanghai Stock Exchange (Stock Code: 601068) since 8 April 2022. In addition, Mr. Siu Chi Hung resigned as an Independent non-executive director of Roiserv Lifestyle Services Co., Ltd., the shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 2146) in July 2022, and has served as an Independent non-executive director of MicroPort NeuroTech Limited, the shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 2172) since July 2022.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.



SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code 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.

EVENTS AFTER THE PERIOD


Proposed Non-public Issuance of A Shares under Specific Mandate and Connected Transaction – Proposed Subscription of A Shares by Substantial Shareholder

On 27 May 2022, the Board has approved the proposed non-public issuance of a maximum of 263,780,130 A Shares (subject to adjustment) to not more than 35 specific target subscribers, including Guangdong Rising Group, which is expected to raise gross proceeds of up to RMB1.20 billion (subject to regulatory approval) (the “Proposed Non-public Issuance of A Shares”).

As part of the Proposed Non-public Issuance of A Shares, on 27 May 2022, the Company and Guangdong Rising Group entered into a subscription agreement (the “Subscription Agreement”), pursuant to which Guangdong Rising Group has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, such number of A Shares as would be issued for an amount of not more than RMB350 million but not less than 25.72% (inclusive) of the total issue size of the Proposed Non-public Issuance of A Shares (the “Subscription”). The Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The resolutions relating to the Proposed Non-public Issuance of A Shares and the Subscription have been approved by the relevant shareholders of the Company at the third extraordinary general meeting in 2022, the first A shares class meeting in 2022 and the first H shares class meeting in 2022 held on 12 July 2022.

On 15 August 2022, the Company received the Acceptance Notice of the Application for Administrative Permission issued by the China Securities Regulatory Commission (“CSRC”). As at the date of this report, the Proposed Non-public Issuance of A Shares is still subject to the approval of the CSRC.



For details, please refer to the announcements of the Company dated 27 May 2022 and 16 August 2022, the circular dated 23 June 2022 and the poll result announcement dated 12 July 2022.

Financial Services Agreement

On 9 August 2022, the Company and Rising Finance Company entered into a financial services agreement ("Financial Services Agreement"), pursuant to which Rising Finance has agreed to provide the financial services to the Group for a term of three years. The deposit services under the Financial Services Agreement constitute a discloseable transaction and continuing connected transaction of the Company under Chapter 14A of the Listing Rules. An extraordinary general meeting will be convened and held for the independent shareholders to consider and, if thought fit, approve the deposit services under the Financial Services Agreement and the transactions contemplated thereunder (including the deposit caps).

For details, please refer to the Company's announcement dated 9 August 2022.

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

Shenzhen, Guangdong, the PRC
26 August 2022

* *for identification purpose only*