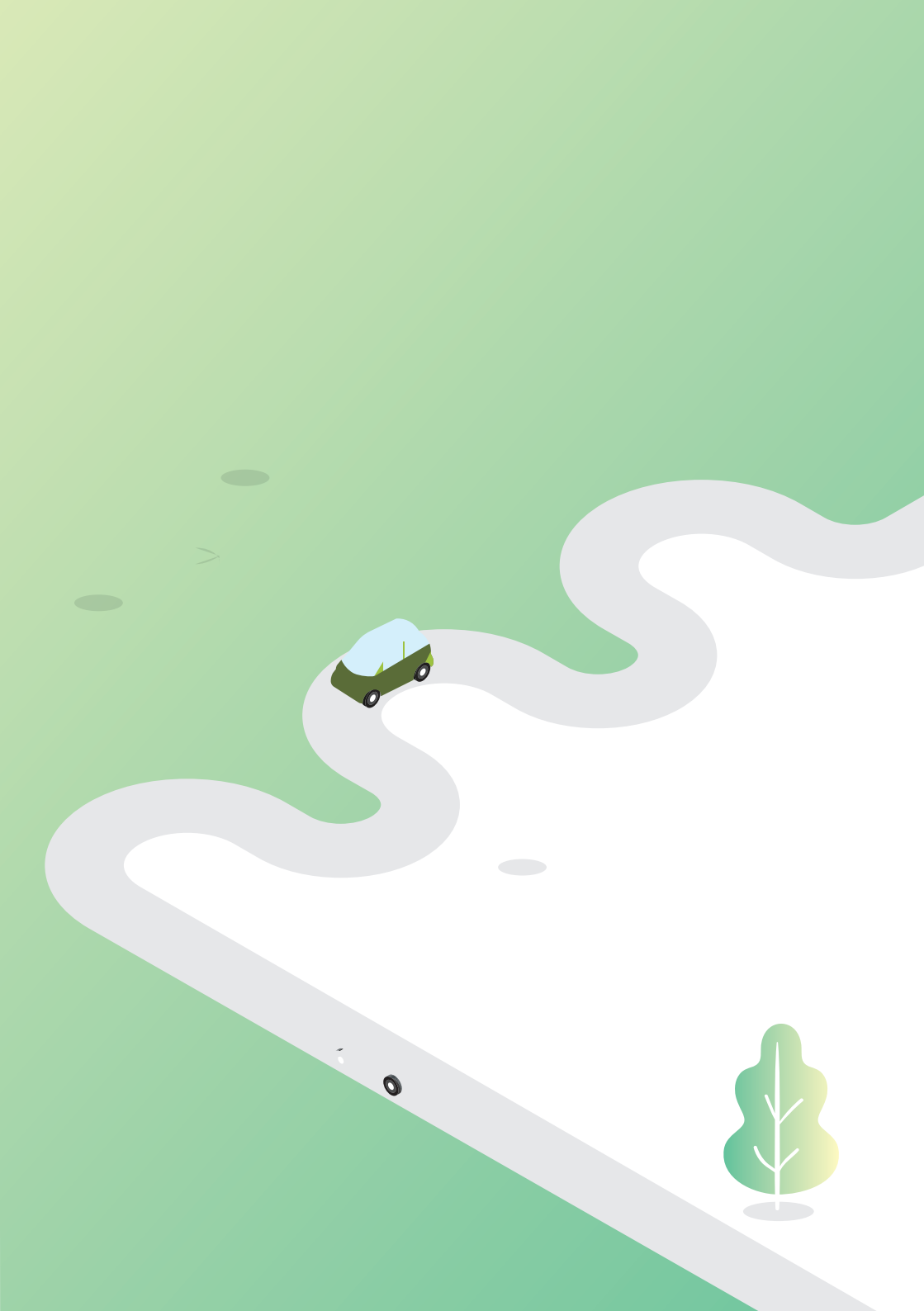

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
TAN Kan *(Chairman)*
YAO Shu *(Chief executive officer)*
(appointed on 19 March 2019)

NON-EXECUTIVE DIRECTORS
LIU Bo Ren
HUANG Yiming
LU Bei
JIN Yongfu

INDEPENDENT NON-EXECUTIVE DIRECTORS
WONG Hin Wing
QU Jiu Hui
ZHU Zhengfu

SUPERVISORS
HUANG Haiping *(appointed on 7 May 2019)*
ZHAO Xuechao *(resigned on 7 May 2019)*
HUANG Weiming
ZHANG Hao *(appointed on 6 May 2019)*
LI Yue *(resigned on 6 May 2019)*

COMPANY SECRETARY
WANG Tian

AUDIT COMMITTEE
WONG Hin Wing *(Chairman)*
QU Jiu Hui
ZHU Zhengfu

REMUNERATION AND APPRAISAL COMMITTEE
ZHU Zhengfu *(Chairman)*
QU Jiu Hui
WONG Hin Wing

NOMINATION COMMITTEE
QU Jiu Hui *(Chairman)*
TAN Kan
WONG Hin Wing

STRATEGIC DEVELOPMENT COMMITTEE
TAN Kan *(Chairman)*
YAO Shu
QU Jiu Hui

AUTHORISED REPRESENTATIVES
TAN Kan
WANG Tian

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

AUDITORS
ShineWing Certified Public Accountants LLP

LEGAL ADVISERS
Jeffrey Mak Law Firm *(as to Hong Kong law)*
北京國楓律師事務所 *(as to China law)*

PRINCIPAL BANKER
China Merchants Bank

HONG KONG H SHARE REGISTRAR

Tricor Tengis Limited
Level 54
Hopewell Centre
183 Queen's Road East
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

http://www.dongjiang.com.cn

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

1309, 13th Floor, Prince's Building,
10 Chater Road, Central, Hong Kong

INTERIM RESULTS (UNAUDITED)

The board (the "Board") of directors (the "Directors") of Dongjiang Environmental Company Limited (the "Company") hereby announces the unaudited results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019 (the "Reporting Period" or "Period"), together with the comparative figures of the corresponding period of 2018, as follows:

(Unless specified otherwise, the financial information of the Company in this report is stated in Renminbi ("RMB") Yuan.)

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2019

			Six months ended 30 June	
Items		Notes	**2019 (Unaudited)**	2018 (Unaudited)
I.	**Total operating revenue**	2	**1,689,879,261.29**	1,662,134,708.97
	Including: Operating revenue		**1,689,879,261.29**	1,662,134,708.97
II.	**Total operating cost**		**1,432,543,142.88**	1,386,084,551.55
	Including: Cost of operation		**1,069,809,076.63**	1,070,123,097.43
	Handling charges and commission expenses			5,912.75
	Tax and levies		**22,280,664.26**	21,678,570.46
	Selling expenses		**55,527,811.05**	41,519,483.98
	Administrative expenses		**163,530,206.55**	157,751,520.19
	Research and development expenses		**51,776,104.93**	41,936,404.56
	Finance costs	4	**69,619,279.46**	53,069,562.18
	Including: Interest expense		**76,508,617.13**	58,330,693.04
	Interest income		**7,486,072.26**	5,276,385.27
	Add: Other gains		**74,200,780.20**	68,593,533.43
	Gain from investment (Loss represented in "-" signs)		**11,486,629.08**	9,706,141.22
	Including: Investment revenue in associates and joint ventures		**6,460,085.06**	9,686,905.54
	Credit impairment losses (Loss represented in "-" signs)	6	**-8,144,231.62**	
	Impairment loss for assets (Loss represented in "-" signs)	5		-2,346,862.91
	Disposal gain on asset (Loss represented in "-" signs)		**335,632.80**	-171,663.53

Items	Notes	Six months ended 30 June 2019	2018

INCOME STATEMENT OF THE PARENT COMPANY (UNAUDITED)

For the six months ended 30 June 2019

Items		Six months ended 30 June 2019 (Unaudited)	2018 (Unaudited)
I.	**Operating revenue**	293,371,416.88	424,849,350.71
	Less: Cost of operation	235,193,491.91	344,380,808.94
	Tax and levies	1,420,913.03	1,625,035.00
	Selling expenses	2,166,003.27	2,369,253.66
	Administrative expenses	18,567,717.21	36,964,516.49
	Research and development expenses	3,727,716.13	3,156,137.46
	Finance costs	40,556,510.98	42,625,626.82
	Including: Interest expense	45,256,440.18	45,001,178.60
	Interest income	4,929,960.29	2,505,143.24
	Add: Other gains	3,527,501.55	3,021,017.49
	Gain from investment (Loss represented in "-" signs)	162,064,595.89	39,461,905.54
	Including: Investment revenue in associates and joint ventures	6,460,085.06	9,686,905.54
	Credit impairment losses (Loss represented in "-" signs)	6,232,667.69	
	Impairment loss for assets (Loss represented in "-" signs)		196,539.61
	Disposal gain on asset (Loss represented in "-" signs)	95,230.12	3,200.00
II.	**Operating profit (Loss represented in "-" signs)**	163,659,059.60	36,410,634.98
	Add: Non-operating income	391,739.34	45,092.71
	Less: Non-operating expenses	26,757.51	61,964.38
III.	**Total profit (Total loss represented in "-" signs)**	164,024,041.43	36,393,763.31
	Less: Income tax expenses	2,040.14	36,414.72
IV.	**Net profit (Net loss represented in "-" signs)**	164,022,001.29	36,357,348.59
	1. Net profit from continuing operations (Net loss represented in "-" signs)	164,022,001.29	36,357,348.59
V.	**Total comprehensive income**	164,022,001.29	36,357,348.59

CONSOLIDATED BALANCE SHEET

As at 30 June 2019

Items	Note	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Current assets:			
Monetary fund		1,326,503,797.46	1,054,068,992.47
Held-for-trading financial assets			24,934,920.00
Notes receivable		91,271,041.43	62,108,965.02
Accounts receivable	10	753,684,007.73	690,806,931.89
Prepayments		48,460,650.01	43,155,392.19
Other accounts receivable		294,059,696.24	334,623,903.72
Inventories		273,078,416.90	299,706,172.78
Loans		261,368,000.00	372,628,000.00
Contractual assets		103,497,481.51	95,704,312.32
Non-current asset due within one year		2,965,177.96	2,965,177.96
Other current assets		121,734,254.99	107,354,560.79
Total current assets		3,276,622,524.23	3,088,057,329.14
Non-current assets:			
Long-term accounts receivable		47,465,016.97	48,736,094.93
Long-term equity investment		258,554,032.98	303,461,055.34
Investment properties		423,598,931.13	423,598,931.13
Fixed assets		2,375,813,229.21	2,253,551,471.72
Construction in progress		1,553,090,376.00	1,253,654,558.40
Intangible assets		918,521,314.31	875,193,511.63
Development expenditure		19,775,660.44	17,861,081.17
Goodwill		1,322,219,960.07	1,213,137,618.89
Long-term unamortized expenses		44,534,931.85	44,450,361.11
Deferred income tax assets		27,146,770.24	26,002,037.95
Other non-current assets		177,903,436.59	196,753,629.70
Total non-current assets		7,168,623,659.79	6,656,400,351.97
Total assets		10,445,246,184.02	9,744,457,681.11

CONSOLIDATED BALANCE SHEET

(Continued)

As at 30 June 2019

Items	Note	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Current liabilities:			
Short-term borrowings		1,981,409,600.00	1,834,096,571.16
Notes payable		150,000,000.00	150,000,000.00
Accounts payable	11	619,824,515.75	558,358,310.28
Receipts in advance		1,112,500.00	2,986,660.00
Employee benefits payables		58,616,897.12	82,753,967.08
Tax payable		71,680,666.42	81,242,211.56
Other accounts payable		401,847,063.47	212,943,150.59
Including: Interest payable		4,703,524.42	2,106,252.25
Dividend payable		123,097,394.28	3,260,310.01
Contractual liabilities		154,179,883.30	151,968,538.09
Non-current liabilities due within one year		1,257,090,732.05	440,977,675.35
Other current liabilities		6,032,353.78	8,681,676.76
Total current liabilities		4,701,794,211.89	3,524,008,760.87
Non-current liabilities:			
Long-term borrowings		652,415,539.16	435,798,387.82
Bonds payable			902,807,955.52
Long-term accounts payables		5,042,700.25	5,329,251.18
Deferred income		189,273,102.90	175,993,716.83
Deferred income tax liabilities		12,633,546.67	14,359,029.67
Total non-current liabilities		859,364,888.98	1,534,288,341.02
Total liabilities		5,561,159,100.87	5,058,297,101.89

CONSOLIDATED BALANCE SHEET

(Continued)

As at 30 June 2019

Items	Note	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Owners' equity:			
Share capital		879,267,102.40	887,100,102.40
Capital reserve		436,850,399.24	498,652,595.03
Less: Treasury stock			67,772,830.00
Other comprehensive income		15,523,794.83	16,927,580.70
Special reserves		5,796,758.45	5,561,004.28
Surplus reserves		202,915,933.37	202,915,933.37
Provision for normal risks		5,611,350.00	5,611,350.00
Undistributed profits		2,624,129,712.97	2,492,936,395.01
Total equity attributable to owners of the parent company		4,170,095,051.26	4,041,932,130.79
Minority interests		713,992,031.89	644,228,448.43
Total owners' equity		4,884,087,083.15	4,686,160,579.22
Total Liabilities and Owners' Equity		10,445,246,184.02	9,744,457,681.11

BALANCE SHEET OF THE COMPANY

As at 30 June 2019

Items	30 June 2019	31 December 2018ecember

BALANCE SHEET OF THE COMPANY

(Continued)

As at 30 June 2019

Items	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Current liabilities:		
Short-term borrowings	1,850,000,000.00	1,650,000,000.00
Notes payable	150,000,000.00	150,000,000.00
Accounts payable	187,338,869.23	195,743,316.50
Contractual liabilities	5,052,137.42	2,655,258.09
Employee benefits payables	5,715,387.21	19,280,410.34
Tax payable	3,839,098.25	6,230,673.47
Other accounts payable	1,419,768,988.64	1,337,486,477.14
Including: Interest payable	4,238,616.80	3,241,910.01
Dividend payable	123,097,394.28	1,408,576.83
Non-current liabilities due within one year	959,241,152.65	377,121,775.00
Other current liabilities	1,077,246.24	1,077,246.24
Total current liabilities	4,582,032,879.64	3,739,595,156.78
Non-current liabilities:		
Long-term borrowings	161,800,000.00	61,800,000.00
Bonds payable		623,134,140.84
Deferred income	23,888,801.44	22,377,424.56
Deferred income tax liabilities	4,235,382.72	5,960,865.72
Total non-current liabilities	189,924,184.16	713,272,431.12
Total liabilities	4,771,957,063.80	4,452,867,587.90

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2019

Items		Six months ended 30 June 2019 (Unaudited)	2018 (Unaudited)
I.	**Cash flows from operating activities:**		
	Cash received from sales of goods and rendering of services	1,939,942,140.60	1,896,686,257.28
	Cash received from interest, handling charges and commission	19,401,973.23	29,504,465.69
	Refund of taxes and levies	38,426,146.85	52,792,968.40
	Other cash receipts relating to operating activities	30,890,549.51	20,153,232.64
	Sub-total of cash inflows from operating activities	2,028,660,810.19	1,999,136,924.01
	Cash paid for goods and services	992,839,286.99	981,650,327.74
	Net increase in customer loans and advances	-111,260,000.00	137,200,000.00
	Cash paid to and on behalf of employees	322,047,309.93	327,540,693.00
	Payments of taxes and levies	194,299,463.78	217,691,435.40
	Other cash payments relating to operating activities	47,296,661.65	36,343,761.22
	Sub-total of cash outflows from operating activities	1,445,222,722.35	1,700,426,217.36
	Net cash flows from operating activities	583,438,087.84	298,710,706.65
II.	**Cash flows from investing activities:**		
	Cash received from investments	25,850,000.00	
	Cash received from returns on investments		12,269,981.54
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets	580,412.45	331,071.62
	Sub-total of cash inflows from investing activities	26,430,412.45	12,601,053.16
	Cash paid to acquire fixed assets, intangible assets and other long-term assets	299,595,101.18	441,292,036.81
	Cash paid on investments	10,388,000.00	
	Net cash paid on acquisition of subsidiaries and other operating units	62,346,247.39	26,133,678.60
	Sub-total of cash outflows from investing activities	372,329,348.57	467,425,715.41
	Net cash flows from investing activities	-345,898,936.12	-454,824,662.25

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

(Continued)

For the six months ended 30 June 2019

Items		Six months ended 30 June 2019 (Unaudited)	2018 (Unaudited)
III.	**Cash flows from financing activities:**		
	Cash received from financing	21,750,000.00	6,480,000.00
	Including: Cash received by subsidiaries from investment from minority shareholders	21,750,000.00	6,480,000.00
	Cash received from borrowings	1,104,358,028.84	1,017,978,898.80
	Sub-total of cash inflows from financing activities	1,126,108,028.84	1,024,458,898.80
	Cash payments for settlement of borrowings	916,044,778.66	905,326,426.25
	Cash payments for distribution of dividend, profit or interests expenses	112,916,336.05	82,185,232.87
	Including: Cash payments for distribution of dividends and profit by subsidiaries to minority shareholders	44,000,000.00	25,225,000.00
	Other cash payments relating to financing activities	58,826,475.00	
	Sub-total of cash outflows from financing activities	1,087,787,589.71	987,511,659.12
	Net cash flows from financing activities	38,320,439.13	36,947,239.68
IV.	**Effect of foreign exchange rate changes on cash and cash equivalents**	-1,403,785.86	2,157,565.38
V.	**Net increase in cash and cash equivalents**	274,455,804.99	-117,009,150.54
	Add: Balances of cash and cash equivalents at beginning of period	1,028,991,292.47	1,221,930,230.43
VI.	**Balances of cash and cash equivalents at end of period**	1,303,447,097.46	1,104,921,079.89

CASH FLOW STATEMENT OF THE COMPANY (UNAUDITED)

For the six months ended 30 June 2019

Items		Six months ended 30 June 2019 (Unaudited)	2018 (Unaudited)
I.	**Cash flows from operating activities:**		
	Cash received from sales of goods and rendering of services	370,745,423.95	575,600,039.25
	Refund of taxes and levies	1,015,658.18	1,924,772.60
	Other cash receipts relating to operating activities	6,033,726.89	180,504,357.73
	Sub-total of cash inflows from operating activities	377,794,809.02	758,029,169.58
	Cash paid for goods and services	214,147,409.21	219,631,107.24
	Cash paid to and on behalf of employees	59,608,613.42	87,284,913.09
	Payments of taxes and levies	11,717,727.46	19,842,674.05
	Other cash payments relating to operating activities	171,397,416.94	158,108,522.38
	Sub-total of cash outflows from operating activities	456,871,167.03	484,867,216.76
	Net cash flows from operating activities	-79,076,358.01	273,161,952.82
II.	**Cash flows from investing activities:**		
	Cash received from returns on investments	61,000,000.00	45,975,000.00
	Sub-total of cash inflows from investing activities	61,000,000.00	45,975,000.00
	Cash paid to acquire fixed assets, intangible assets and other long-term assets	9,639,520.25	11,531,284.39
	Cash paid on investments	54,638,000.00	
	Net cash paid on acquisition of subsidiaries and other operating units	63,956,600.00	80,683,678.60
	Sub-total of cash outflows from investing activities	128,234,120.25	92,214,962.99
	Net cash flows from investing activities	-67,234,120.25	-46,239,962.99

CASH FLOW STATEMENT OF THE COMPANY (UNAUDITED)

(Continued)

For the six months ended 30 June 2019

Items		Six months ended 30 June 2019 (Unaudited)	2018 (Unaudited)
III.	**Cash flows from financing activities:**		
	Cash received from borrowings	970,000,000.00	810,000,000.00
	Other cash receipts relating to investing activities	967,768,949.15	
	Sub-total of cash inflows from financing activities	1,937,768,949.15	810,000,000.00
	Cash payments for settlement of borrowings	711,503,132.08	879,278,100.25
	Cash payments for distribution of dividend, profit or interests expenses	44,769,691.37	44,653,457.77
	Other cash payments relating to financing activities	801,295,734.23	
	Sub-total of cash outflows from financing activities	1,557,568,557.68	923,931,558.02
	Net cash flows from financing activities	380,200,391.47	-113,931,558.02
IV.	**Effect of foreign exchange rate changes on cash and cash equivalents**		
V.	**Net increase in cash and cash equivalents**	233,889,913.21	112,990,431.81
	Add: Balances of cash and cash equivalents at beginning of period	711,461,806.71	587,597,838.44
VI.	**Balances of cash and cash equivalents at end of period**	945,351,719.92	700,588,270.25

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the six months ended 30 June 2019

		For the six months ended 30 June 2019										
		Attributable to owners of the parent company										
Items		Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits	Sub-total	Minority interests	Total owners' equity
I.	Balance as at the end of previous period	887,100,102.40	498,652,595.03	67,772,830.00	16,927,580.70	5,561,004.28	202,915,933.37	5,611,350.00	2,492,936,395.01	4,041,922,130.79	644,228,448.43	4,686,160,579.22
II.	Balance as at the beginning of the Period	887,100,102.40	498,652,595.03	67,772,830.00	16,927,580.70	5,561,004.28	202,915,933.37	5,611,350.00	2,492,936,395.01	4,041,922,130.79	644,228,448.43	4,686,160,579.22
III.	Change for the Period											
	(Decrease represented in "-" signs)	-7,833,000.00	-61,802,195.79	-67,772,830.00	-1,403,785.87	235,754.17			131,193,317.96	128,162,920.47	69,763,583.46	197,926,503.93
	(I) Total comprehensive income				-1,403,785.87				252,435,142.23	251,031,356.36	38,586,119.09	289,617,475.45
	(II) Contribution from owners and reduction of capital	-7,833,000.00	-61,802,195.79	-67,772,830.00						-1,862,365.79	75,177,464.37	73,315,098.58
	1. Contribution of ordinary shares from owners										24,000,000.00	24,000,000.00
	2. Share-based payment included in the amount of owners' equity	-7,833,000.00	-59,939,830.00	-67,772,830.00								
	3. Others		-1,862,365.79							-1,862,365.79	51,177,464.37	49,315,098.58
	(III) Profit distribution								-121,241,824.27	-121,241,824.27	-44,000,000.00	-165,241,824.27
	1. Distribution to owners (or shareholders)								-121,241,824.27	-121,241,824.27	-44,000,000.00	-165,241,824.27
	(IV) Special reserve					235,754.17				235,754.17		235,754.17
	1. Withdrawal during the Period					6,988,928.27				6,988,928.27		6,988,928.27
	2. Use during the Period					6,753,174.10				6,753,174.10		6,753,174.10
IV.	Balance as at the end of the Period	879,267,102.40	436,850,399.24		15,523,794.83	5,796,758.45	202,915,933.37	5,611,350.00	2,624,129,712.97	4,170,095,051.26	713,992,031.89	4,884,087,083.15

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

(Continued)

For the six months ended 30 June 2019

		For the twelve months ended 31 December 2018										
		Attributable to owners of the parent company										
Items		Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits	Subtotal	Minority interests	Total owners' equity
I.	**Balance as at the end of previous period**	888,237,102.40	505,827,372.67	124,677,510.00	2,564,766.23	3,128,442.22	199,255,721.44	4,114,125.00	2,250,645,463.83	3,729,095,483.79	592,752,042.21	4,321,847,526.00
	Add: Changes in accounting policies								-18,104,014.61	-18,104,014.61		-18,104,014.61
II.	**Balance as at the beginning of the Period**	888,237,102.40	505,827,372.67	124,677,510.00	2,564,766.23	3,128,442.22	199,255,721.44	4,114,125.00	2,232,541,449.22	3,710,991,469.18	592,752,042.21	4,303,743,511.39
III.	**Change for the Period**											
	(Decrease represented in "-" signs)	-1,137,000.00	-7,174,777.64	-56,904,680.00	14,362,814.47	2,432,562.06	3,660,211.93	1,497,225.00	260,394,945.79	330,940,661.61	51,476,406.22	382,417,067.83
	(I) Total comprehensive income				14,362,814.47				407,917,006.14	422,279,820.61	75,613,513.03	497,893,333.64
	(II) Contribution from owners and reduction of capital	-1,137,000.00	-7,174,777.64	-56,904,680.00						48,592,902.36	12,357,893.19	60,950,795.55
	1. Contribution of ordinary shares from owners										5,550,000.00	5,550,000.00
	2. Injection from holders of other equity instruments										1,033,811.14	1,033,811.14
	3. Share-based payment included in the amount of owners' equity	-1,137,000.00	-10,025,930.00	-56,904,680.00						45,741,750.00		45,741,750.00
	4. Others		2,851,152.36							2,851,152.36	5,774,082.05	8,625,234.41
	(III) Profit distribution						3,660,211.93	1,497,225.00	-147,522,060.35	-142,364,623.42	-36,495,000.00	-178,859,623.42
	1. Withdrawal from surplus reserve						3,660,211.93		-3,660,211.93			
	2. Withdrawal from general risk provision							1,497,225.00	-1,497,225.00			
	3. Distribution to owners (or shareholders)								-142,364,623.42	-142,364,623.42	-36,495,000.00	-178,859,623.42
	(IV) Special reserve					2,432,562.06				2,432,562.06		2,432,562.06
	1. Withdrawal during the Period					7,096,637.41				7,096,637.41		7,096,637.41
	2. Use during the Period					4,664,075.35				4,664,075.35		4,664,075.35
	(V) Others											
IV.	**Balance as at the end of the Period**	887,100,102.40	498,652,595.03	67,772,830.00	16,927,580.70	5,561,004.28	202,915,933.37	5,611,350.00	2,492,936,395.01	4,041,932,130.79	644,228,448.43	4,686,160,579.22

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

For the six months ended 30 June 2019

Items		For the six months ended 30 June 2019						
		Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Surplus reserve	Undistributed profits	Total owners' equity
I.	Balance as at the end of previous period	887,100,102.40	593,043,107.48	67,772,830.00	3,509,701.20	186,404,658.27	1,332,504,795.10	2,934,789,534.45
II.	Balance as at the beginning of the Period	887,100,102.40	593,043,107.48	67,772,830.00	3,509,701.20	186,404,658.27	1,332,504,795.10	2,934,789,534.45
III.	Change for the Period (Decrease represented in "-" signs)	-7,833,000.00	-59,939,830.00	-67,772,830.00			42,780,177.02	42,780,177.02

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS:

1. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited interim financial statements of the Group have been prepared based on a going concern basis according to the transactions and events occurred and in accordance with the requirements of "Accounting Standards for Business Enterprises" and other relevant regulations (hereinafter referred to as "Accounting Standards for Business Enterprises") issued by the Ministry of Finance (MOF) of the PRC. These financial statements also comply with the disclosure requirements of "Regulation of the Preparation of Information Disclosure by Companies Offering Securities to the Public No.15 – General Requirements for Financial Reporting (2014 revised)" issued by China Securities Regulatory Commission ("CSRC"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Companies Ordinance. The financial statements of the Group are also made based on the accounting policies and estimates applicable to the Group.

The accounting policies and methods of computation used in the preparation of the unaudited interim financial statements are consistent with those adopted in the annual financial statements of the Group for the year ended 31 December 2018. This interim result has not been audited by the auditor of the Company, and has been reviewed by the audit committee of the Company.

2. OPERATING REVENUE

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

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

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Industrial waste recycling	**565,662,430.25**	655,021,599.71
Industrial waste treatment and disposal	**796,882,986.93**	605,829,688.93
Municipal waste treatment and disposal	**106,423,903.40**	112,780,913.90
Renewable energy and CDM carbon emission reduction	**44,879,738.42**	45,793,641.44
Environmental engineering and services	**74,549,762.17**	119,408,502.05
Trading and others	**12,903,595.27**	60,370,877.08
Waste electrical appliance dismantling treatment	**88,576,844.85**	62,929,485.86
Total	**1,689,879,261.29**	1,662,134,708.97

3. SEGMENT INFORMATION

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

i) For the six months ended 30 June 2019 (unaudited)

Items	Industrial waste recycling	Industrial waste treatment and disposal	Municipal waste treatment and disposal	Renewable energy utilization	Environmental engineering and services	Trading and others	Waste domestic electrical appliance dismantling treatment	Unallocated amounts	Elimination	Total
Operating revenue	565,662,430.25	823,423,536.82	106,423,903.40	44,879,738.42	81,857,229.15	16,952,520.56	88,576,844.85	30,412,263.43	-68,309,205.59	1,689,879,261.29
Including: revenue from external transactions	565,662,430.25	796,882,986.93	106,423,903.40	44,879,738.42	74,549,762.17	12,903,595.27	88,576,844.85			1,689,879,261.29
Revenue from intra-segment transactions		26,540,549.89			7,307,466.98	4,048,925.29		30,412,263.43	-68,309,205.59	
Operating cost	420,765,852.16	443,961,616.03	99,441,455.42	32,668,044.16	66,185,521.33	11,139,932.14	55,896,442.11	1,420,913.03	-39,390,035.49	1,092,089,740.89
Total segment profit	89,031,031.06	225,336,776.65	6,918,166.52	14,864,800.30	12,191,597.52	8,226,890.11	25,818,955.77	102,636,038.85	-150,577,966.81	334,446,289.97
Impairment losses recognized for the current period	-1,068,022.08	-5,813,563.46	-252,562.80	-372,735.06	-534,848.08	-25,326.04	-77,174.10			-8,144,231.62
Total assets	3,160,552,215.01	3,177,050,083.50	571,912,127.03	286,724,262.86	458,495,117.94	809,010,202.36	536,674,979.96	3,892,129,680.92	-2,447,302,483.56	10,445,246,184.02
Total liabilities	302,148,724.99	1,494,234,027.63	525,217,914.75	36,297,399.10	247,845,695.26	79,968,246.85	269,318,371.72	2,716,368,946.71	-110,240,226.14	5,561,159,100.87

ii) For the six months ended 30 June 2018 (unaudited)

Items	Industrial waste recycling	Industrial waste treatment and disposal	Municipal waste treatment and disposal	Renewable energy utilization	Environmental engineering and services	Trading and others	Waste domestic electrical appliance dismantling treatment	Unallocated amounts	Elimination	Total
Operating revenue	655,021,599.71	630,398,531.59	112,780,913.90	45,793,641.44	127,412,219.90	110,363,572.87	62,929,485.86	0	-82,565,256.30	1,662,134,708.97
Including: revenue from external transactions	655,021,599.71	605,829,688.93	112,780,913.90	45,793,641.44	119,408,502.05	60,370,877.08	62,929,485.86			1,662,134,708.97
Revenue from intra-segment transactions		24,568,842.66			8,003,717.85	49,992,695.79			-82,565,256.30	0
Operating cost	476,018,407.79	346,521,793.99	95,924,613.68	31,001,411.22	97,160,023.50	64,580,585.17	41,481,518.38		-82,565,256.30	1,070,123,097.43
Operating profit	102,288,740.50	173,219,478.32	9,632,284.77	17,129,130.04	17,287,172.56	26,162,014.75	14,261,987.92	-21,684,483.21		338,296,325.65

4. FINANCE COSTS

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Interest expenses	**76,508,617.13**	58,330,693.04
Interest income	**-7,486,072.26**	-5,276,385.27
Profit or loss from exchange	**170,173.48**	–
Bank charges and others	**426,561.11**	15,254.41
Total	**69,619,279.46**	53,069,562.18

Borrowing cost capitalized during the Period is calculated by applying a capitalization rate of 5.34% (2018: 5.21%) per annum to expenditure on qualifying assets.

5. ASSETS IMPAIRMENT LOSSES

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Loss on bad debts	**–**	2,346,862.91
Impairment loss on goodwill	**–**	–
Total	**–**	2,346,862.91

6. CREDIT IMPAIRMENT LOSSES

Items	Six months ended 30 June 2019 (Unaudited)	2018 (Unaudited)
Provisions for bad debts of other receivables	-10,726,974.62	–
Provisions for bad debts of accounts receivable	2,582,743.00	–
Total	-8,144,231.62	–

7. INCOME TAX EXPENSES

The Company, Shenzhen Longgang Dongjiang Industrial Waste Treatment Co., Ltd. ("Longgang Dongjiang"), Huizhou Dongjiang Environmental Technology Company Limited ("Huizhou Dongjiang"), Kunshan Qiandeng Wastes Treatment Company Limited ("Qiandeng Wastes Treatment"), Shenzhen Huabao Technology Ltd. ("Huabao Technology"), Qingyuan Xinlv Environmental Technology Company Limited ("Qiangyuan Xinlv"), Jiaxing Deda Resource Recycling Company Limited ("Jiaxing Deda"), Yancheng Yanhai Solid Wastes Treatment Company Limited ("Yanhai Solid Wastes"), Karamay Wosen Environmental Technology Co., Ltd. ("Wosen Environmental"), Jiangxi Dongjiang Environmental Technology Co., Ltd. ("Jiangxi Dongjiang"), Zhuhai Yongxingsheng Environmental Industrial Waste Recycling and Integrated Treatment Co., Ltd. ("Zhuhai Yongxingsheng"), Shaoguan Green Recycling Resource Development Co., Ltd. ("Shaoguan Green"), Dongguan Humen Green Water Co., Ltd. ("Humen Green"), Shenzhen Baoan Dongjiang Environmental Protection Technology Co., Ltd. ("Baoan Dongjiang") and Xiamen Dongjiang Environmental Protection Science and Technology Co., Ltd. ("Xiamen Dongjiang") are regarded as High-new Technology Enterprises. In accordance with China's income tax rate, all the said companies are only required to pay Enterprise Income Tax ("EIT") with tax rate of 15%.

Huizhou Dongjiang, Qiandeng Wastes Treatment, Qiangyuan Xinlv, Jiaxing Deda, Baoan Dongjiang and Jiangmen Dongjiang Environmental Protection Technology Co., Ltd. ("Jiangmen Dongjiang") enjoyed the preferential tax incentive for enterprises engaging in projects satisfying resources recycling utilization, and only reduction by 90% of the total revenue is accounted for EIT.

Only 75% of the research and development expenses of the Company, Longgang Dongjiang, Huizhou Dongjiang, Qiandeng Wastes Treatment, Huabao Technology, Qiangyuan Xinlv, Jiaxing Deda, Yanhai Solid Wastes, Wosen Environmental, Jiangxi Dongjiang, Zhuhai Yongxingsheng, Shaoguan Green, Humen Green, Baoan Dongjiang, Xiamen Dongjiang and Shaoxing Huaxin Environmental Technology Co., Ltd. ("Huaxin Environmental") are deductible before EIT.

Jiangmen Dongjiang, Wosen Environmental, Jiangxi Dongjiang, Hubei Tianyin Hazardous Waste Centralized Disposal Co., Ltd. ("Tianyin Hazardous Waste"), Zhuhai Yongxingsheng, Jiangsu Dongjiang Environmental Service Co., Ltd. ("Jiangsu Dongjiang"), Hengshui Ruitao Environmental Technology Co., Ltd. ("Hengshui Ruitao"), Nantong Dongjiang Environmental Technology Co., Ltd. ("Nantong Dongjiang"), Huaxin Environmental, Xiantao Dongjiang Environmental Protection Science and Technology Co., Ltd. ("Xiantao Dongjiang"), Huangshi Dongjiang Environmental Protection Technology Co., Ltd. ("Huangshi Dongjiang"), Dongguan Hengjian Environmental Technology Co., Ltd. ("Dongguan Hengjian"), Weifang Dongjiang Environmental Protection Lanhai Environmental Protection Co., Ltd. ("Weifang Lanhai") and Fujian Lvzhou Solid Wastes Treatment Company Limited ("Fujian Lvzhou Solid Wastes"), a wholly-owned subsidiary of Xiamen Lvzhou Environmental Stock Company Limited, enjoyed preferential tax incentive for enterprises engaging in projects satisfying environmental protection conditions and conservation of energy and water.

Jiangmen Dongjiang enjoys full EIT exemption from 2015 to 2017, and 50% EIT reduction from 2018 to 2020. Wosen Environmental enjoys full EIT exemption from 2015 to 2017, and 50% EIT reduction from 2018 to 2020. Jiangxi Dongjiang enjoys full EIT exemption from 2016 to 2018, and 50% EIT reduction from 2019 to 2021. Tianyin Hazardous Waste enjoys full EIT exemption from 2016 to 2018, and 50% EIT reduction from 2019 to 2021. Zhuhai Yongxingsheng's new projects of incineration are granted full EIT exemption from 2017 to 2019, and 50% EIT reduction from 2020 to 2022. Jiangsu Dongjiang enjoys full EIT exemption from 2016 to 2018, and 50% EIT reduction from 2019 to 2021. Hengshui Ruitao enjoys full EIT exemption from 2014 to 2016, and 50% EIT reduction from 2017 to 2019. Huaxin Environmental's new projects of incineration were granted full exemption from EIT for the years 2017 to 2019 and 50% exemption of new projects of incineration from 2020 to 2022. Xiantao Dongjiang enjoys full EIT exemption from 2018 to 2020, and 50% EIT reduction from 2021 to 2023. Huangshi Dongjiang enjoys full EIT exemption from 2018 to 2020, and 50% EIT reduction from 2021 to 2023. Dongguan Hengjian enjoys full EIT exemption from 2018 to 2020, and 50% EIT reduction from 2021 to 2023. Weifang Lanhai enjoys full EIT exemption from 2018 to 2020, and 50% EIT reduction from 2021 to 2023. Fujian Lvzhou Solid Wastes enjoyed full EIT exemption from 2014 to 2016, and 50% EIT reduction from 2017 to 2019. Nantong Dongjiang enjoys full EIT exemption from 2019 to 2021, and 50% EIT reduction from 2022 to 2024.

Shenzhen Dongjiang Property Services Company Limited ("Dongjiang Property"), Zhuhai Qingxin Industrial Environment Ltd. ("Zhuhai Qingxin"), Huizhou Dongtou Environmental Protection Co., Ltd. ("Huizhou Dongtou"), Longyan Lvzhou Environmental Technology Co., Ltd. ("Longyan Lvzhou Environmental"), Nanping Lvzhou Environmental Technology Co., Ltd. ("Nanping Lvzhou Environmental"), Sanming Lvzhou Environmental Science and Technology Co., Ltd. ("Sanming Lvzhou Environmental"), Zhaoqing Dongsheng Environmental Protection Technology Co., Ltd. ("Zhaoqing Dongsheng"), Shenzhen Huateng Environmental Information Technology Co., Ltd. ("Huateng Environmental") and Zhenjiang Dongjiang Environmental Technology Development Co., Ltd. ("Zhenjiang Dongjiang") are regarded as small low-profit enterprises, only 50% of its total revenue is accounted for EIT with tax rate of 20%.

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

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the Period is based on the unaudited net profit for the Period attributable to shareholders of the Company of approximately RMB252,435,142.23 (2018: approximately RMB265,935,798), and the weighted average number of approximately 878,698,102 ordinary shares (2018: 873,503,602 shares) in issue during the Period.

The Company had no diluted potential shares in the interim periods of 2019 and 2018 and the diluted earnings per share was the same as basic earnings per share.

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Period (2018: Nil).

10. ACCOUNTS RECEIVABLES

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Accounts receivables	**772,080,066.42**	710,055,395.90
Less: Provision for bad debts of accounts receivable	**18,396,058.69**	19,248,464.01
	753,684,007.73	690,806,931.89

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Aged		
Within 1 year	**510,336,046.97**	445,069,795.29
1-2 years	**72,040,482.62**	77,379,319.70
2-3 years	**56,778,373.97**	71,251,791.43
Over 3 years	**114,529,104.17**	97,106,025.47
Total	**753,684,007.73**	690,806,931.89

11. ACCOUNTS PAYABLES

The following is an aging analysis of accounts payables based on the invoice date as at the end of the Reporting Period:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Aged		
Within 1 year	**526,572,384.79**	429,515,604.05
1-2 years	**82,674,695.54**	116,777,796.55
2-3 years	**4,341,688.03**	5,779,253.72
Over 3 years	**6,235,747.39**	6,285,655.96
Total	**619,824,515.75**	558,358,310.28

12. COMMITMENT

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Capital expenditures contracted for but not recognized in the financial statements		
– External investment	**21,160,000.00**	21,160,000.00
– Construction in progress	**70,907,293.85**	153,385,666.00
– Acquisition of machinery and equipment	**137,235,553.40**	73,192,584.60
Total	**229,302,847.25**	247,738,250.60

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

In the first half of 2019, China's GDP grew by 6.3% year-on-year, the national macroeconomy registered an overall stable performance and will sustain the momentum of progress in overall stability, and the economic structure continued to be optimized and upgraded. Besides, the current domestic and international economic situation remained complicated and severe, the global economic growth has slowed down. The uncertainties and destabilizing factors in external environment were increasing, and the domestic economic development remained imbalanced and subdued. The economy has been facing new downward pressure and the growth rate has slowed down with the pressure emerging.

During the Reporting Period, the Company continued to focus on industrial waste treatment business, improved the efficiency of qualification utilization, and maintained stable development amid fierce external competition. The Company achieved operating revenue of approximately RMB1.69 billion, representing a year-on-year increase of 1.67%; and the net profit attributable to shareholders of the Company of approximately RMB0.252 billion, representing a year-on-year decrease of 5.08%. As of 30 June 2019, the total assets of the Company amounted to approximately RMB10.445 billion, representing a year-on-year increase of 7.19%; and the owners' equity attributable to shareholders of the Company amounted to approximately RMB4.17 billion, representing a year-on-year increase of 3.17%. During the Reporting Period, due to external market changes such as falling metal prices and shrinking demand from downstream enterprises, the Company's industrial waste recycling products sales business recorded a decline, which had a certain impact on the Company's operating performance. However, the industrial waste non-hazardous treatment business maintained sound growth momentum, with operating revenue up 31.54% year-on-year.

In the first half of 2019, staying true to its original mind and focusing on its missions, the Company consistently undertook the responsibility of the state-owned enterprise, overcame the adverse factors such as intensified market competition, slowing demand-side growth, increasing the cost of safety and environmental protection, and the shortage of talents in the industry. With the lead of science and technology and innovation, the Company steadily promoted its refined and standardized management work, continued to vigorously exploit the market and "tap potential and increase efficiency", and actively promote the construction of new projects and optimize the capacity of projects in production, ensuring the steady development of main businesses of the Company.

(I) Vigorously promote project construction and gradually release production capacity

2019 is a "year of project construction" for the Company. On one hand, the Company accelerated project construction to ensure the project construction is completed on time and with high quality. On the other hand, the Company focused its equipment commissioning and business license application for each project to ensure the project operates smoothly as soon as possible.

During the Reporting Period, the three projects, namely the incineration project of Nantong Dongjiang with a capacity of 20,000 tons per year, the comprehensive utilization and disposal project of Xingye Dongjiang with a capacity of 71,500 tons per year, and the comprehensive utilization and disposal project of Shaoguan Dongjiang with a capacity of 89,500 tons per year, has obtained the qualification of hazardous waste operation and put into operation. In addition, Weifang Dongjiang has also obtained the qualification of hazardous waste operation with an annual capacity of 174,000 tons. The Company has obtained the qualification of hazardous waste operation with the total annual capacity of 355,000 tons, of which the qualification of incineration and landfill aggregately amounted to 143,000 tons, the harmless production capacity of the Company has further increased and released. During the Reporting Period, the operating revenue of the industrial waste harmless treatment and disposal was RMB0.797 billion, representing a year-on-year increase of 31.54%, accounting for 47.16% of the total operating revenue and over 60% of the gross profit contribution, the business of industrial waste harmless treatment and disposal has become the most significant main businesses to the Company. During the Reporting Period, benefited by the continuous optimization of the company's business structure and the release of harmless production capacity, the gross profit margin of the Company increased by 1.07 percentage points over the same period of last year, and the overall profitability of the Company increased.

The Company's abundant project reserves have laid a solid foundation for the sustainable and high-quality development of the Company. As of 30 June 2019, the Company has 3 projects applying for the hazardous waste operating licenses: Tangshan Wandesi Project (54,000 tons per year in total, including 20,000 tons per year for incineration, 22,000 tons per year for landfill and 12,000 tons per year for physical and chemical treatment), Fujian Lvzhou Incineration Project (20,000 tons per year), and Nantong Dongjiang Physical and Chemical Treatment Project (15,000 tons per year, with total qualification of 89,000 tons per year); 4 projects under construction: Xiamen Dongjiang Reconstruction and Expansion Project, Shaoxing Huaxin Project, Foshan Fulong Project and Fujian Lvzhou Physical and Chemical Treatment Project, with designed qualification of 135,000 tons per year; 7 proposed projects: Zhuhai Fushan Project, Longgang Dongjiang Plasma Project, Jieyang Dongjiang Project, Shaoguan Renewable Resources Landfill Project, Mianyang Dongjiang Project, Handan Dongjiang Project, and Baoan Dongjiang Technical Transformation Project, with designed qualification of approximately 610,000 tons per year.

(II) Grasping the historic opportunity and actively engaging in the construction of Guangdong-Hong Kong-Macao Greater Bay Area

As a state-owned holding company, the Company actively undertook the responsibility of the state-owned enterprise, coordinated the promotion of and fully implemented the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area, studied the implementation programme of development plan of the Greater Bay Area, and actively participated in the construction of Guangdong-Hong Kong-Macao Greater Bay Area. The Company will take the resource advantages in the fields of project construction, technology innovation and talent training, promote the high-quality leap-forward development of the Company's business, and make contribution to the building of new pattern of "one centre, one belt and one region" regional development in Guangdong.

At present, the Company has 9 hazardous waste disposal projects settled in 5 cities in Guangdong-Hong Kong-Macao Greater Bay Area, namely Baoan Dongjiang, Dongjiang Veolia, Dongguan Hengjian, Huizhou Dongjiang, Foshan Fulong, Zhuhai Yongxingsheng, Zhuhai Fushan, Longgang Dongjiang, Jiangmen Dongjiang, etc., with a capacity of 882,900 tons per year and the designed capacity under construction of 458,000 tons per year. The Company will continue to focus on the construction of Guangdong-Hong Kong-Macao Greater Bay Area and the construction of ecological civilization, actively plan to seek new opportunities and new projects, accelerate the project cooperation, investment and construction, and engage in the tough battles of pollution prevention and control, in order to achieve high quality and leapfrog development for the Company.

In the light of the Company's good business layout and industry status in Guangdong-Hong Kong-Macao Greater Bay Area, the Company was officially included in the Hang Seng Stock Connect Greater Bay Area Index on 10 January 2019. The Company has gained recognition and affirmation from domestic and overseas capital markets in terms of the industry position, operation results, the sustainable development and the investment value, which effectively improved the liquidity of the Company's stocks and provided stronger capital support for the Company's high-quality development.

(III) Paying close attention to technology research and development and bring into play the leading role of technological innovation

During the Reporting Period, the Company continued to adhere to the innovation-driven development, increased investment in science and technology research and development, actively facilitated the scientific and technological research projects, and accelerated the transformation of scientific and technological achievements. First, the Company completed the review of 13 research and development projects and 18 technology innovation projects and obtained 28 new patents, including 2 invention patents and 26 utility model patents, with a total of 299 patents, which laid the foundation for implementing the next step in industrialization, solving the actual production problems and enhancing the ability of scientific research and innovation. Second, the Company completed 4 small-scale research and development projects and 3 industrialized research and development projects, focusing on the common technical problems such as the recycling of secondary phosphorus resource waste, recycling and reduction of fluorine-containing wastewater, low-cost reduction of municipal sludge and low-temperature drying of hazardous waste sludge. Third, the Company was further recognized the industry, participating in the formulation of two national industry standards, that is, the specifications for treatment and disposal of associated radioactive solid wastes of rare earths and technical requirements for solid waste vitrification products. Fourth, the Company accelerated the introduction and cooperation of plasma high temperature melting technology to effectively fill the shortcomings and disadvantages of traditional treatments of incineration and landfill. Fifth, focusing on the strategic objectives of improving the process integration capability business, the Company conducted in-depth field investigations at various bases, to comprehensively understand the design, equipment, production, maintenance, and raw materials, collected and sorted out the equipment operation data, materials for transportation, production problems, etc., and prepared an analysis report and proposed the reasonable solutions and suggestions to provide substantial technical support for the technical innovation and maintenance of the bases.

(IV) Deepening the internal reforms and stimulating the enterprise vitality

The Company actively engaged in the wave of deepening the reform of state-owned enterprises, grasped the opportunities for reform, focused on its own development bottleneck, and further promoted internal reforms. First, the Company took various measures to finance development capital. During the Reporting Period, the Company obtained RMB9.749 billion of bank facilities, and also registered medium-term notes of RMB1.5 billion. The fund reserve was sufficient to meet the fund demand for project investment, management and debt repayment. Since the beginning of the Reporting Report, the Company has paid the interests on its green bonds of RMB600 million and principal and interests on its corporate bonds of RMB350 million as scheduled, and effectively used the financing funds and avoided debt risks. Second, the Company solidly promoted the reform and development work of "eliminating dormant subsidiaries, decreasing liabilities, strengthening the major business and reducing management layers". During the Reporting Period, the Company closed 4 corporate entities, effectively reducing operational risks, improving the asset quality and optimizing the resource allocation. Third, the Company steadily promoted various works in terms of the total compensation, incremental rewards, performance appraisal in accordance with the Working Guideline on the Pilot Program of Comprehensive Reform under the Theme of "Incentive, Constraint and Fault Tolerance" among the Provincial Enterprises, in order to fully comply with the relevant policies of the pilot program and stimulate the vitality and creativity of enterprises. Fourth, the Company adjusted the operating structure, reduced production costs, strengthened the overall budget management and cost control, and improved the budget effectiveness and project planning, resulting in significant effects in the cost control. Fifth, the Company strengthened the tracking and management of three assets, thoroughly checking the overdue amounts, strengthening the credit management of the counterparties, paying close attention to and dynamically grasping the credit status of the counterparties.

(V) Effective regional layout strengthened our leading position in the industry

The Company adhered to the regional development strategy of "Nationwide expansion with headquarter in Guangdong". With the gradual completion and commencement of operation of projects under construction and the continuous implementation of streamlining, the strategic investment in the Pearl River Delta, Yangtze River Delta, Northern China and other key regions of the industry delivered satisfactory results.

Currently, the Company has established 12 production facilities in Guangdong with qualified capacity of over 1,000,000 tons per year and designed capacity of over 600,000 tons per year for projects under construction or proposed projects; 6 projects in Yangtze River Delta region with qualified capacity of 244,700 tons per year; and 4 projects in Northern China with qualified capacity of 213,000 tons per year and designed capacity of 124,000 tons per year for projects under construction or proposed projects. In addition, as of the end of the end of the Reporting Period, the Company has over 25,000 customers nationwide, representing a year-on-year growth of 9.2%. In particular, the number of customers in Eastern China and Fujian recorded a year-on-year increase of over 20%, and the number of customers in Shandong increased by over 500% driven by the commencement of operation of the Weifang Dongjiang facility, which reflected that our investment outside of Guangdong gradually showed effects. The effective expansion of business coverage in Yangtze River Delta and Northern China strengthened our regional core competitiveness and market influence and consolidated our leading position in the industry.

Financial Review

Total Operating Revenue

During the Reporting Period, the Group's total operating revenue increased by approximately 1.67% to approximately RMB1,689,879,261 (2018: approximately RMB1,662,134,709) as compared to the corresponding period in 2018. The net profit attributable to shareholders of the Company decreased by approximately 5.08% to approximately RMB252,435,142 (2018: approximately RMB265,935,798). During the Reporting Period, as affected by external market changes, the Company recorded a decline in its industrial waste recycling products sales business, which had certain impact on the Company's operating results, but the industrial waste non-hazardous treatment business maintained sound growth. The operating revenue of the industrial waste treatment business increase by approximately 31.54% to RMB796,882,987 (2018: approximately RMB605,829,689) over the same period last year. The operating revenue of resource production business showed a year-on-year decline of approximately 13.64% to approximately RMB565,662,430 (2018: approximately RMB655,021,600) over the same period last year, and the operating revenue of environmental engineering and services showed a decrease of approximately 37.57% to approximately RMB74,549,762 (2018: approximately RMB119,408,502) over the same period last year and in accordance with the Company's strategic plan, the Company's small loan business was contracted and the product trading companies were being deregistered. Trade and other operating revenue decreased by 78.63% to RMB12,903,595.27 (2018: RMB60,370,877.08) from the same period last year.

Profit

During the Reporting Period, the Group's integrated gross profit margin was approximately 36.69% (2018: approximately 35.62%), representing an increase of 1.07 percentage points as compared to the corresponding period in last year. This was mainly due to the operating income of industrial harmless business, of which the gross profit margin is relatively high, represented an increase of the total operating revenue compared with the same period of the previous year and the Company's continuous efforts to save energy and reduce consumption, strengthen overall budget management, effectively control the production cost and achieve remarkable results. As at 30 June 2019, net profit attributable to shareholders of the parent company decreased by approximately 5.08% as compared with the same period of the previous year to approximately RMB252,435,142 (2018: approximately RMB265,935,798). The decrease in profit was primarily attributable to the decline in industrial waste recycling products sales business as affected by external market changes during the Reporting Period, which had certain impact on the Company's operating results.

Selling Expenses

During the Period, the Group's sales expenses were approximately RMB55,527,811 (2018: approximately RMB41,519,484), representing approximately 3.29% of the Group's total operating revenue (2018: approximately 2.50%). The increase in sales expenses was mainly due to the Group's increase in marketing and promotion efforts, enhancement of brand marketing and management for the business of the Company during the Reporting Period.

Administrative Expenses

During the Period, the Group's administrative expenses were approximately RMB163,530,207 (2018: approximately RMB157,751,520), representing approximately 9.68% of the Group's total operating revenue (2018: approximately 9.49%). During the Reporting Period, the management expenses increased slightly due to the expansion of the Company and increase of subsidiaries as compared with the same period last year, and the Company's overall management expenses were better controlled by strengthening budget management and strictly controlling expenses.

Finance Cost

During the Reporting Period, the Group's finance cost was approximately RMB69,619,279 (2018: approximately RMB53,069,562), representing approximately 4.12% of the Group's total operating revenue (2018: approximately 3.19%). The increase in finance cost was mainly due to the Company's accelerated progress in the construction of projects last year, resulting in an increase in interest expenses during the Reporting Period after the construction works were transferred to fixed assets.

Income Tax Expenses

During the Reporting Period, the Group's income tax expenses were approximately RMB43,425,029 (2018: approximately RMB39,691,748), representing approximately 12.98% of the Group's profit before tax (2018: approximately 11.25%).

Financial Resources and Liquidity

As at 30 June 2019, the Group had net current assets of approximately RMB1,425,171,688 (31 December 2018: approximately RMB435,951,432) and current liabilities of approximately RMB4,701,794,212 (31 December 2018: approximately RMB3,524,008,761). The current assets include cash and cash equivalents of approximately RMB1,303,447,098 (31 December 2018: approximately RMB1,028,991,292).As at 30 June 2019, the Group had total liabilities of approximately RMB5,561,159,101 (31 December 2018: approximately RMB5,058,297,102). The Group's gearing ratio was approximately 53.24% (31 December 2018: approximately 51.91%), which was calculated based on the Group's total liabilities over total assets. As at 30 June 2019, the Group had bank loans of approximately RMB2,666,843,240 (31 December 2018: approximately RMB2,351,950,859).

Substantial Investments, Acquisitions and Disposals of Subsidiaries and Associated Companies

In March 2019, the Company paid RMB12,750,000 for the investment in a subsidiary that is 85% owned by the Company, namely Jieyang Dongjiang Guoye Environmental Protection Technology Co., Ltd.* (揭陽東江國業環保科技有限公司).

In February and April 2019, the Company paid RMB10,388,000 for the additional investment in an associate that is 37.1% owned by the Company, namely Ousheng Green Fuel (Jieyang) Co., Ltd.* (歐晟綠色燃料(揭陽)有限公司).

In March and April 2019, the Company paid RMB63,956,600 for the investment in a subsidiary that is 51% owned by the Company, namely Foshan City Fulong Environmental Technology Limited* (佛山市富龍環保科技有限公司).

In April 2019, the Company paid RMB25,500,000 for the investment in a subsidiary that is 51% owned by the Company, namely Mianyang Dongjiang Environmental Protection Technology Co., Ltd.* (綿陽東江環保科技有限公司).

In June 2019, the Company paid RMB6,000,000 for the investment in a subsidiary that is 60% owned by the Company, namely Huizhou Dongtou Environmental Protection Co., Ltd.* (惠州市東投環保有限公司).

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

Interest Rate and Foreign Exchange Risks

Interest Rate Risk

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

The Group is also exposed to cash flow interest rate risk due to its floating-rate bank loans. The Group's policy is to maintain floating-rate bank loans to reduce cash flow interest rate risk.

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

Foreign Exchange Risk

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

Pledge of Assets

As at 30 June 2019, certain assets of the Group were pledged to secure bank borrowings, guarantees and letter of credit facilities granted to the Group, details of which are set out as follows:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Cash and bank balances	**23,056,700.00**	25,077,700.00
Fixed assets	**159,293,400.94**	150,742,548.33
Intangible assets	**159,173,415.04**	57,753,208.62
Construction in progress	**60,622,052.53**	34,938,993.17
Other receivables	**48,279,861.86**	41,349,451.66
Accounts receivable	**7,445,082.00**	6,170,588.00
Investment properties	**55,337,600.00**	50,277,200.00
Total	**513,208,112.37**	366,309,689.78

Information on Employees and Remuneration Policies

As at 30 June 2019, the number of full-time employees of the Group was 4,705 (2018: 4,858) with total staff cost for the period ended 30 June 2019 of approximately RMB296,366,863.11 (2018: RMB273,212,536.64). The Group offers continuous training, remuneration package and additional benefits to its employees, including retirement benefits, housing fund and medical insurance.

Contingent Liabilities

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

Save as disclosed above, the Group had no other significant contingent liabilities as at 30 June 2019.

Capital Commitment

As at 30 June 2019, the capital commitment of the Group was as follows:

Items	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Capital expenditures contracted for but not provided for in the financial statement:		
– Foreign investment	**21,160,000.00**	21,160,000.00
– Construction in progress	**70,907,293.85**	153,385,666.00
– Acquisition of machinery and equipment	**137,235,553.40**	73,192,584.60
Total	**229,302,847.25**	247,738,250.60

Future and Prospects

Driven by various favourable factors such as the idea of the 19th National Congress of the Communist Party of China ("NCCPC"), ecological civilization construction and "Wasteless City" development mode, the environmental protection industry is growing continuously and seeing a new round of development opportunities as well as the increasingly intensive competition. Facing the new situation, new opportunities and new challenges, the Company firmly upheld the ideas of the 19th NCCPC and the Central Economic Work Conference and persistently assumed its responsibilities as a state-owned enterprise. The Company strived to overcome different adverse factors such as increasingly intensive market competition, slow growth of demand, increasing cost of safety and environmental protection and shortage of skilled personnel, continued to put great efforts in market expansion, potential exploration and efficiency enhancement, and actively facilitated the construction of new projects and capacity optimization of existing projects, so as to ensure the stable development of recycling, harmless treatment and other major businesses. The Company also strengthened the management measures in respect of production operation, finance, project construction, budget preparation and execution and safe and green production, which further improved the level of refined management and operation.

In the second half of 2019, under the context of strict environmental protection law enforcement, insufficiency of treatment capacity, increasingly intensive market competition and increasing downward pressure on the economy, the hazardous waste disposal industry will face both opportunities and challenges. Under such background, the Company will continue to focus on the main business of hazardous waste treatment and increase the efforts in scientific research, accelerate the project upgrade and modification and qualification expansion. The Company will also deepen the standardized and refined management, focus on strengthening its core competitiveness, fully utilize its advantages in terms of technology, environmental protection and capital, and proactively respond to market changes, thereby facilitating the stable and orderly development of the Company.

(i) Implementing new business strategies and strengthening qualification utilization and business development

Facing such external environment with complicated market competition, the Company will make detailed analysis, fully utilize its advantages and make response by implementing the following measures: (i) optimizing and adjusting the market strategy to increase the customers with yearly package and strengthen overseas market promotion, thereby ensuring the first-mover advantage in the market; (ii) strengthening management and technology research and development to practically solve the actual problems encountered during operation that hinder the industry development such as waste liquid with high content of organic matters and salt and waste liquid from photovoltaic industry, thereby expanding to the undeveloped sectors in the industry as soon as possible; (iii) continuing to adjust and optimize the qualifications in our facilities to ensure that they match the actual capacity of facilities and market demand, thereby enhancing the effective utilization rate of qualifications; and (iv) in addition to ensuring the stable development of recycling and harmless treatment business, actively exploring new income growth drivers such as resources recycling projects including power generation through garbage incineration, thereby enhancing the comprehensive competitiveness of the Company.

(ii) Accelerating the construction of new projects and strengthening the economies of scale

The Company will accelerate the construction progress of key projects such as Tangshan Wandesi Project, Fujian Lvzhou Project, Foshan Fulong Project, Jieyang Dongjiang Project, Shaoguan Recycling Resources Landfill Project, Longgang Dongjiang Plasma Project and Dongjiang Veolia Phase II Project, to ensure timely commencement of operation and release of production capacity of the projects, thereby strengthening the economies of scale, increasing the proportion of harmless treatment capacity, improve the profitability, meanwhile solving the critical bottleneck problem of lacking incineration and landfill qualifications which hinders the local industrial development and construction of ecological civilization.

In order to facilitate the project acceptance assessment and shorten the time for obtaining business license, the Company has established a special supervision team to set the working schedule for different stages in advance, carry out different tasks based on the schedule, and endeavor to ensuring the progress of project construction, commissioning, acceptance assessment, obtaining license and commencing operation.

(iii) Strengthening management, reducing cost and controlling expense

The Company will focus on destocking, reducing cost, controlling expense, ensuring growth and enhancing efficiency, and control the cost and expense based on the working requirements of "increasing income sources, reducing cost and expense and enhancing efficiency". Firstly, the Company will increase its efforts in expanding to overseas markets (especially Southeast Asia) and facilitate the product sales to reduce the stock. Secondly, the Company will implement various measures to cut and reduce different management expenses, ensure the expense for production safety, strictly control the non-production expenses and concentrate the resources on operation and production to effectively enhance the capital efficiency. Thirdly, the Company will strengthen financial management and control, improve capital management, expand financing channels heut (f)lha i L0.6 (y)0.56(d)0.5 6lyda i Lf.5 6ll enaicidche cpp

(iv) ***Implementing targeted measures to control loss and divest certain projects***

For loss control, the Company will carry out in-depth analysis on the operation of loss-making enterprises and the reasons for loss, formulate targeted plans for rectification and improvement on a case-by-case basis and conduct special follow-up inspection to turn around from loss. Major measures include facilitating the commencement of operation of the heavy metal sludge project and landfill construction of Shaoguan Dongjiang, increasing the efforts in disposal and liquidation of idle assets such as lands, properties and obsolete equipment. For project divestment, the Company will dispose of all or most of its equity interest in the projects not under its main business or lack of profitability in order to concentrate the resources on its main business of hazardous waste treatment.

(v) ***Strengthening safety and environment protection management and rigorously safeguarding the Company's development lifeline***

Firstly, the Company will organize its subsidiaries to identify and analyze safety risks and hazards, formulate working plan for safety management, classify the identified risks and adopt relevant preventive and controlling measures based on the result of risk identification. Secondly, the Company will strictly follow up the problems and hazards encountered in the process of safety management, especially the insufficiency in terms of contractor management, hazard inspection in warehouse for temporary storage of hazardous waste and fire service installation and equipment, so as to ensure the implementation of safety and environment protection measures and performance of relevant responsibilities. Thirdly, the Company will facilitate the construction and commencement of operation of the information management platform for safety and environmental protection, and improve the management of safety and environmental protection by maintaining digital records, identifying safety hazards, carrying out closed loop management for the whole process of hazard inspection and rectification and implementing platform approval for hazardous operation, thereby improving the management of safety and environmental protection. Fourthly, the Company will fully solve the historical problems, especially for enterprises with insufficient initial safety investment and fire service installation and equipment, ensure the effective utilization of fund for production safety, and introduce advance technology and equipment, thereby improving the level of intrinsic safety.

OTHER EVENTS DURING THE PERIOD

Renewal of Financial Services Agreement

On 23 January 2019, the Company re-entered into the Financial Services Agreement with Guangdong Rising Finance Co., Ltd. ("Rising Finance"), in relation to the provision of Financial Services by Rising Finance to the Company with a term of one year commencing from the approval at the 2019 first extraordinary general meeting on 19 March 2019.

For details, please refer to the announcements of the Company dated 24 January 2019 and 19 March 2019.

Equity Fund Raising Activities

During the Reporting Period, the Company did not conduct any equity fund raising activities, nor did it incur any balance of proceeds from the issuance of any equity securities in the previous financial years.

Appointment of Chief Executive Officer of the Company

Upon nomination by the chairman of the Board and review by the Nomination Committee of the Board, the Board agreed to appoint Mr. Yao Shu as the chief executive officer of the Company, and Mr. Tan Kan, the chairman of the Company, will no longer act as the interim chief executive officer. The term of office starts from the date of deliberation and approval by the Board and terminates on the date of expiration of the sixth session of the Board.

For details, please refer to the announcement of the Company dated 14 January 2019.

Appointment of Vice President and Financial Officer of the Company

Upon nomination by the chief executive officer and review by the Nomination Committee of the Board, the Board agreed to appoint Ms. Wang Jianying as the vice president and financial officer of the Company. The term of office starts from the date of deliberation and approval by the Board and terminates on the date of expiration of the sixth session of the Board.

For details, please refer to the announcement of the Company dated 20 February 2019.

Election of Executive Director

Guangdong Rising Assets Management Co., Ltd. nominated Yao Shu as an executive director of the sixth session of the Board. The nomination proposal was considered and approved at the Company's first extraordinary general meeting in 2019. The term of office starts from the date of deliberation and approval by the general meeting and terminates on the date of expiration of the sixth session of the Board.

For details, please refer to the announcement of the Company dated 19 March 2019.

Proposed Shares Repurchase and Cancellation of Shares of Restricted A Shares Incentive Schemes

Reference is made to announcement of the Company dated 14 December 2018, "2016 Restricted Share Incentive Scheme of Dongjiang Environmental Company Limited* (Revised Draft)". Since the twenty-two resigned former Participants have terminated their labor contracts with the Company, one participant died on non-business reason and one participant did not reach the performance evaluation index in 2017, above persons are not qualified under the conditions of the "2016 Restricted Share Incentive Scheme of Dongjiang Environmental Company Limited* (Revised Draft)". For the above 24 participants, the Board has decided to repurchase a total of 1,138,000 Restrictive A Shares granted to them, cancel the Restricted Shares at approximately RMB8.71 per share and RMB8.09 per share resulting the amount payables for the repurchase of RMB9,853,080.

For details, please refer to the announcements of the Company dated 1 March 2019 and 19 March 2019.

Among the participants under "2016 Restricted Share Incentive Plan of Dongjiang Environmental Company Limited (Revised Draft)" (hereinafter referred to as "Incentive Plan"), the 12 resigned former participants, including Peng Tao, have terminated their labor contracts with the Company, and therefore the above persons are not qualified under the conditions of the Incentive Plan. Also, according to the auditor's report published by ShineWing Certified Public Accountants, the Company's 2018 annual audited net profit net of non-recurring profit or loss is RMB389,631,686.44, with a growth rate of 30.89% as compared to that of 2015; the Company's 2018 annual weighted average return on equity net of non-recurring profit or loss is 8.38%, which did not satisfy the unlocking conditions of (the third phrase) the first batch nor (the second phrase) the reserved portion of restricted shares granted under the Incentive Plan. In accordance to the related requirements under the Incentive Plan, the Board of the Company has agreed to repurchase and cancel, the first patch and the reserved portion of restricted shares granted but not yet unlocked under the Incentive Plan held by the participants of a total 6,695,000 Shares at approximately RMB8.71 per Share and RMB8.09 per Share, respectively, resulting the amount payables for the repurchase of RMB57,919,750. After the completion of the repurchase and cancellation, the cancellation of all the first patch and the reserved portion of restricted shares granted but not yet unlocked under the Incentive Plan held by the participants is completed, the Incentive Plan will lapse correspondingly.

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

As at 30 June 2019, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules were as follows:

Long positions in the ordinary shares of the Company

Name	Capacity	Number and class of shares held	Approximate percentage of equity of the Company/ shareholding in this class
TAN Kan	Beneficial owner	120,000 A shares	0.0136%/0.0177%

Save as disclosed above, as at 30 June 2019, 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.

2. High Hope Group directly holds 50,087,669 A Shares of the Company and Jiangsu High Hope Venture Capital Co., Ltd. (江蘇滙鴻創業投資有限公司) ("High Hope Venture") is a wholly-owned subsidiary of High Hope Group which holds 25,995,038 A Shares and 18,204,800 H Shares of the Company. Therefore, pursuant to Part XV of the SFO, High Hope Group is deemed to be interested in the 25,995,038 A Shares and 18,204,800 H Shares held by High Hope Venture.

3. All the interests mentioned above are long positions.

Save for the above disclosures in respect of certain Directors, as at 30 June 2019, 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 or underlying shares 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.

DIRECTORS' RIGHTS TO ACQUIRE H SHARES

As at 30 June 2019, none of the Directors, supervisors and chief executive of the Company was granted options to subscribe for H shares of the Company. As at 30 June 2019, none of the Directors, supervisors and chief executive of the Company had any rights to acquire H shares of the Company.

SHARE OPTION SCHEME

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

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 of the Company through continuous effort in improving its corporate governance practices and processes. Through the establishment of a quality and effective Board, a comprehensive internal control system and a stable corporate structure, the Company strives to achieve completeness and transparency in its information disclosure, enhance stable operation and consolidate and increase shareholders' value and profit.

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

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

SUBSEQUENT EVENTS

The Proposed Fulong Environmental Project Construction Contract

On 19 July 2019, Fulong Environmental, a subsidiary of the Company, awarded the Fulong Environmental Project Construction Contract to Guangdong Zhongren Group Construction Limited* (廣東中人集團建設有限公司) ("Guangdong Zhongren"), pursuant to which Fulong Environmental agreed to engage Guangdong Zhongren as the general contractor to carry out the construction works for Fulong Enviromental Project, at the bidding price of RMB22,545,809.35 (approximately HK$25,584,984.45). The construction period of the

Establishment of a Joint Venture

On 26 August 2019, the Company entered into the Shareholder Investment Agreement with