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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)

INSIDE INFORMATION SUMMARY OF 2022 THIRD QUARTERLY REPORT

This announcement is made pursuant to Rules 13.09 and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the overseas regulatory announcement issued by Dongjiang Environmental Company Limited* (the “**Company**”) dated 30 October 2022 (the “**Announcement**”) in relation to the full 2022 Third Quarterly Report for the nine months ended 30 September 2022 (“**Reporting Period**”) of the Company. Set out below is a summary of the key information as set out in the said quarterly report:

Unless otherwise specified, financial information of the Company is presented in Renminbi (“**RMB**”).

FINANCIAL STATEMENT

1. CONSOLIDATED BALANCE SHEET

Unit: RMB

Item	As at 30 September 2022 (unaudited)	As at 31 December 2021 (audited)
Current assets:		
Monetary fund	1,019,340,092.93	550,421,369.21
Settlement Deposits		
Placements with banks and other financial institutions		
Held-for-trading financial assets		
Derivative financial assets		
Notes receivable		1,500,000.00

Accounts receivable	1,089,489,354.08	1,022,764,012.55
Receivables financing	58,613,663.41	86,330,421.85
Prepayments	175,932,381.89	113,307,876.94
Premium receivable		
Reinsurance accounts receivable		
Provision for reinsurance contract receivable		
Other accounts receivable	187,704,960.57	168,707,562.78
Including: Interest receivable		
Dividend receivable		
Purchase and resale of financial assets		
Inventories	681,452,914.97	550,901,693.78
Granted loans and advances	63,994,000.00	103,576,200.00
Contractual assets	137,207,205.21	127,148,894.80
Assets held-for-sale		
Non-current asset due within one year	43,111,546.82	40,111,182.93
Other current assets	115,269,825.96	212,559,751.93
Total current assets	3,572,115,945.84	2,977,328,966.77
Non-current assets:		
Granted loans and advances		
Debt investments		
Other debt investments		
Long-term accounts receivable		
Long-term equity investment	297,351,147.73	298,221,878.81
Investment in other equity instruments	4,242,896.51	4,242,896.51
Other non-current financial assets		
Investment properties	456,662,610.00	456,662,610.00
Fixed assets	4,134,973,997.14	4,266,697,793.60
Construction in progress	1,287,074,950.39	1,015,213,235.36
Productive biological assets		
Oil and gas assets		
Right-of-use assets	4,646,101.52	8,580,060.13
Intangible assets	1,238,960,441.09	1,290,566,730.06

Development expenditure	22,109,796.35	15,710,768.93
Goodwill	1,173,774,873.18	1,182,401,838.46
Long-term unamortized expenses	91,139,207.17	100,920,782.31
Deferred income tax assets	49,185,200.47	50,388,872.85
Other non-current assets	160,147,068.18	146,274,229.94
Total non-current assets	8,920,268,289.73	8,835,881,696.96
Total assets	12,492,384,235.57	11,813,210,663.73
Current liabilities:		
Short-term borrowings	1,057,050,000.00	1,944,231,778.18
Borrowings from central bank		
Loans from other banks		
Held-for-trading financial liabilities		
Derivative financial liabilities		
Notes payable		132,980.00
Accounts payable	649,087,945.17	839,842,787.72
Receipts in advance		504,708.85
Contractual liabilities	181,668,854.66	138,257,088.91
Proceeds from disposal of financial assets under agreements to repurchase		
Receipt of deposits and deposits from other banks		
Funds received as agent of stock exchange		
Funds received as stock underwriter		
Employee benefits payables	33,471,377.89	55,140,121.59
Tax payable	42,322,408.96	38,054,722.48
Other accounts payable	463,904,951.51	520,788,759.83
Including: Interest payable		
Dividend payable		
Handling fees and commission payable		
Reinsurance accounts payable		
Liabilities held-for-sale		
Non-current liabilities due within one year	621,400,863.57	261,696,149.50
Other current liabilities	1,018,221,260.43	6,872,518.98

Total current liabilities	4,067,127,662.19	3,805,521,616.04
Non-current liabilities:		
Provision for insurance contracts		
Long-term borrowings	2,296,963,876.55	1,173,417,545.51
Bonds payable	499,738,936.40	1,099,386,720.95
Including: Preferred shares		
Perpetual bond		
Lease liabilities	2,362,308.39	3,524,534.88
Long-term accounts payables		
Long-term employee benefits payables		
Estimated liabilities	185,888,509.03	77,924,040.36
Deferred income	169,862,546.60	162,774,481.02
Deferred income tax liabilities	36,712,671.60	37,779,953.79
Other non-current liabilities	4,729,117.17	5,085,777.20
Total non-current liabilities	3,196,257,965.74	2,559,893,053.71
Total liabilities	7,263,385,627.93	6,365,414,669.75
Owners' equity:		
Share capital	879,267,102.40	879,267,102.40
Other equity instruments		
Including: Preferred shares		
Perpetual bond		
Capital reserve	451,166,208.23	451,166,208.23
Less: Treasury stock		
Other comprehensive income	17,633,242.01	17,651,945.38
Special reserves	1,056,529.75	199,029.96
Surplus reserves	269,816,271.96	269,816,271.96
Provision for normal risks		5,611,350.00
Undistributed profits	2,848,212,277.57	2,981,207,650.04
Total equity attributable to owners of the parent company	4,467,151,631.92	4,604,919,557.97
Minority interests	761,846,975.72	842,876,436.01
Total owners' equity	5,228,998,607.64	5,447,795,993.98
Total liabilities and owners' equity	12,492,384,235.57	11,813,210,663.73

2. CONSOLIDATED INCOME STATEMENT FOR THE REPORTING PERIOD

Unit: RMB

Item	For the nine months ended 30 September 2022 (unaudited)	For the nine months ended 30 September 2021 (unaudited)
I. Total operating revenue	2,848,333,653.36	2,642,161,075.64
Including: Operating revenue	2,848,333,653.36	2,642,161,075.64
Interest income		
Premium income		
Handling charges and commission income		
II. Total operating cost	3,017,023,540.43	2,486,101,801.05
Including: Cost of operation	2,368,313,667.09	1,890,838,184.46
Interest expenses		
Handling charges and commission expenses		
Surrenders		
Net claims expenses		
Net provisions for insurance contracts reserve		
Insurance policy dividend paid		
Reinsurance costs		
Tax and levies	31,856,437.31	30,038,626.45
Selling expenses	76,391,731.12	87,007,124.74
Administrative expenses	306,198,526.40	291,036,032.77
Research and development expenses	114,638,442.49	99,592,897.45
Finance costs	119,624,736.02	87,588,935.18
Including: Interest expense	126,189,965.20	92,552,557.96
Interest income	6,444,958.47	5,426,471.90
Add: Other gains	46,174,503.46	46,666,023.32
Gain from investment (Loss represented in “-” signs)	6,434,489.30	11,436,637.09

Including: Investment revenue in associates and joint ventures	-680,518.29	11,760,007.12
Gain on derecognition of financial asset measured at the amortized cost		
Exchange gain (Loss represented in “-” signs)		
Gain from net exposure hedges (Loss represented in “-” signs)		
Gain on fair value changes (Loss represented in “-” signs)		
Credit impairment loss (Loss represented in “-” signs)	-5,593,130.54	-11,361,141.51
Asset impairment loss (Loss represented in “-” signs)	-8,817,178.07	
Gain on disposal of assets (Loss represented in “-” signs)	449,651.43	3,771,349.91
III. Operating profit (Loss represented in “-” signs)	-130,041,551.49	206,572,143.40
Add: Non-operating income	15,483,820.47	4,376,960.35
Less: Non-operating expenses	3,245,423.97	12,400,560.70
IV. Total profit (Total loss represented in “-” signs)	-117,803,154.99	198,548,543.05
Less: Income tax expenses	11,966,279.26	26,790,680.81
V. Net profit (Net loss represented in “-” signs)	-129,769,434.25	171,757,862.24
(1) Classified on a going concern basis		
1. Net profit from continuing operations (Net loss represented in “-” signs)	-129,769,434.25	171,757,862.24
2. Net profit from discontinued operations (Net loss represented in “-” signs)	0.00	0.00
(2) Classified according to the ownership		
1. Net profit attributable to owners of the parent company (Net loss represented in “-” signs)	-90,247,031.86	162,398,728.22

2.	Profit and loss attributable to minority interests (Net loss represented in“-” signs)	-39,522,402.39	9,359,134.02
VI.	Other comprehensive income, net of tax	-18,703.37	8,819.36
	Other comprehensive income attributable to owners of the parent company, net of tax	-18,703.37	8,819.36
(1)	Items cannot be reclassified to profit and loss		
1.	Changes arising from remeasurement of defined benefit plan		
2.	Other comprehensive income that cannot be reclassified into profit or loss under the equity method		
3.	Changes in fair value of other equity instrument investments		
4.	Change in fair value due to enterprise’s own credit risk		
5.	Others		
(2)	Items can be reclassified to profit and loss	-18,703.37	8,819.36
1.	Other comprehensive income that can be reclassified into profit or loss under the equity method		
2.	Changes in fair value of other debt investment		
3.	Amount of financial assets reclassified into other comprehensive income		

4.	Credit impairment provisions for other debt investments		
5.	Reserves for cash flow hedge		
6.	Exchange difference on translation of financial statement in foreign currency	-18,703.37	8,819.36
7.	Others		
	Other comprehensive income attributable to minority interests, net of tax		
VII.	Total comprehensive income	-129,788,137.62	171,766,681.60
	Attributable to owners of the parent company	-90,265,735.23	162,407,547.58
	Attributable to minority interests	-39,522,402.39	9,359,134.02
VIII.	Earnings per share:		
(1)	Basic earnings per share	-0.10	0.18
(2)	Diluted earnings per share	-0.10	0.18

3. CONSOLIDATED CASH FLOW STATEMENT FOR THE REPORTING PERIOD

Unit: RMB

Item	For the nine months ended 30 September 2022 (unaudited)	For the nine months ended 30 September 2021 (unaudited)
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	3,139,859,977.64	2,684,507,318.59
Net increase in customer deposits and interbank deposits		
Net increase in borrowings from central bank		
Net increase in placements from other financial institutions		
Cash received from original insurance contract premium		
Net cash received from reinsurance business		
Net increase in deposits and investments from policyholders		
Cash received from interest, handling charges and commission	1,758,333.27	3,348,913.49
Net increase in placements from banks and other financial institutions		
Net increase in cash from repurchase business		
Net cash received from securities brokerage services		
Refund of taxes and levies	127,684,279.08	14,401,643.47
Other cash receipts relating to operating activities	48,330,484.57	22,811,091.59
Sub-total of cash inflows from operating activities	3,317,633,074.56	2,725,068,967.14
Cash paid for goods and services	2,388,529,980.37	1,725,775,120.13
Net increase in customer loans and advances	-39,582,200.00	-21,600,000.00
Net increase in deposits with central bank and other banks		

Cash paid for compensation under original insurance contract		
Net increase in placements with banks and other financial institutions		
Cash paid for interests, handling charges and commissions		
Cash paid for policyholders' dividend		
Cash paid to and on behalf of employees	554,351,193.16	512,406,936.68
Payments of taxes and levies	112,018,463.11	133,086,004.06
Other cash payments relating to operating activities	118,095,780.75	119,059,604.32
Sub-total of cash outflows from operating activities	3,133,413,217.39	2,468,727,665.19
Net cash flows from operating activities	184,219,857.17	256,341,301.95
II. Cash flows from investing activities:		
Cash received from investments		
Cash received from returns on investments		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	5,341,510.01	5,047,721.60
Net cash received from disposal of subsidiaries and other operating units	11,105,261.00	
Other cash receipts relating to investing activities		
Sub-total of cash inflows from investing activities	16,446,771.01	5,047,721.60
Cash paid to acquire fixed assets, intangible assets and other long-term assets	444,128,897.89	687,197,370.48
Cash paid on investments	24,515,104.00	14,715,671.23
Net increase in pledged loans		
Net cash paid on acquisition of subsidiaries and other operating unit	16,670,968.50	394,444,419.15
Other cash payments relating to investing activities		1,067,070.05

Sub-total of cash outflows from investing activities	485,314,970.39	1,097,424,530.91
Net cash flows from investing activities	-468,868,199.38	-1,092,376,809.31
III. Cash flows from financing activities:		
Cash received from financing		9,000,000.00
Including: Cash received by subsidiaries from investment from minority shareholders		9,000,000.00
Cash received from borrowings	3,293,352,692.08	2,917,981,257.12
Cash received from other financing activities		
Sub-total of cash inflows from financing activities	3,293,352,692.08	2,926,981,257.12
Cash payments for settlement of borrowings	2,285,768,927.81	1,956,022,654.64
Cash payments for distribution of dividend, profit or interest expenses	226,713,345.67	251,827,926.60
Including: Cash payments for distribution of dividends and profit by subsidiaries to minority shareholders	41,600,000.00	38,500,000.00
Other cash payments relating to financing activities		
Sub-total of cash outflows from financing activities	2,512,482,273.48	2,207,850,581.24
Net cash flows from financing activities	780,870,418.60	719,130,675.88
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-7,810.92	8,819.36
V. Net increase in cash and cash equivalents	496,214,265.47	-116,896,012.12
Add: Balances of cash and cash equivalents at beginning of period	521,425,187.03	653,578,988.47
VI. Balances of cash and cash equivalents at end of period	1,017,639,452.50	536,682,976.35

Affected by various unfavorable factors such as the repeated outbreak of waves of COVID-19 pandemic and the complex and difficult external business environment, the current domestic economic growth has slowed down. Upstream companies are operating under a reduced scale and the overall waste amount in the market has reduced. At the same time, the number of industry participants continued to increase, and the approved scale of hazardous waste qualification is higher than the amount of hazardous waste generated, resulting in increasingly fierce competition in the market. In the third quarter, both the volume of harmless collection and transportation and the price of disposal dropped significantly. Meanwhile, the recycling business was affected by the decline in commodity metal prices and the increase in the discount rate of collection and transportation, the gross profit margin dropped significantly, therefore the Company is facing a serious decline in profits.

Facing the difficult industry and market situation, the Company will proactively formulate strategies to resolve the situation. Firstly, to tap into the market, expand the collection and transportation volume, adopt proactive and flexible market strategies, and focus in the collection and transportation services for major customers on the premises of ensuring operational cash flow, and at the same time, to make structural adjustment in the subdivision of fields, expand the hazardous waste segment market, actively strive for emergency business, and strive for the market via various channels. Secondly, increase sales, reduce inventory, and prevent and control the risk of price inversion caused by metal price fluctuations. And the Company will expand and strengthen the rare and precious metal recycling business, and improve the turnover rate and increase profits. Thirdly, we carried out special work such as "extreme cost reduction", "three system reforms", "slimming and fitness" and other specific tasks, and took targeted measures in line with local conditions to promote cost reduction in terms of production costs, labor costs, and expenses.

The board of directors, supervisory committee and the directors, supervisors and senior management of the Company undertake that the 2022 Third Quarterly Report does not contain any false information, misleading statements or material omission, and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the contents contained in the 2022 Third Quarterly Report.

The financial information for the nine months ended 30 September 2022 set out above is unaudited and prepared in accordance with the accounting principles generally accepted in the People's Republic of China.

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

Shenzhen, the PRC, 30 October 2022

As at the date of this announcement, the Board of Directors of the Company 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 purposes only