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Shenzhen Dongjiang Environmental Company Limited*
深圳市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: 8230)

CONTINUING CONNECTED TRANSACTION

On 5 December 2008, Shenzhen Resource, a non-wholly owned subsidiary of the Company in which the Company beneficially holds a 50% equity interest, entered into the Waste Treatment Agreement with SHWTS. As SHWTS beneficially holds the remaining 50% equity interest in Shenzhen Resource, SHWTS is a connected person of the Company under the GEM Listing Rules and the Waste Treatment Agreement constitutes a continuing connected transaction of the Company under the GEM Listing Rules.

As each of the applicable percentage ratios in respect of the annual cap is less than 2.5%, the Waste Treatment Agreement (aggregated with previous transactions between SHWTS and Shenzhen Resource as required under the GEM Listing Rules) is only subject to the reporting and announcement requirements under the GEM Listing Rules and is exempt from the independent shareholders' approval requirements of the GEM Listing Rules.

INTRODUCTION

The Board announces that on 5 December 2008, Shenzhen Resource, a non-wholly owned subsidiary of the Company in which the Company beneficially holds a 50% equity interest, entered into the Waste Treatment Agreement with SHWTS. As SHWTS beneficially holds the remaining 50% equity interest in Shenzhen Resource, SHWTS is a connected person of the Company under the GEM Listing Rules and the Waste Treatment Agreement constitutes a continuing connected transaction of the Company under the GEM Listing Rules.

THE WASTE TREATMENT AGREEMENT

Reasons for the Waste Treatment Agreement

Shenzhen Resource is engaged in the industrial waste treatment and recycling, production and sales of recycled products. SHWTS is engaged in hazardous waste treatment and disposal. In accordance with the terms of the Waste Treatment Agreement, SHWTS has engaged Shenzhen Resource to provide lead and tin contained waste treatment services for a term commencing on 5 December 2008 and ending on 4 December 2010. SHWTS, incidental to its ordinary and normal business, collects large quantities of waste chemicals. The chemicals produced and recycled by the recycled lead and tin contained waste would be raw materials or finished products in which, the Board expected that, Shenzhen Resource could sell to its customers and generates revenues.

Principal terms

Pursuant to the Waste Treatment Agreement, the price payable by Shenzhen Resource for the lead and tin contained waste will be determined with reference to prices of the nonferrous metals as announced by the Shanghai Nonferrous Metals Website (上海有色金屬網) from time to time and the percentage of tin contained in the waste supplied by SHWTS. The price payable by Shenzhen Resource for the lead and tin contained waste supplied by SHWTS are therefore based on market price of tin of the prevailing month in which such waste is supplied to Shenzhen Resource, and shall be in line with those of products of the same kind and of comparable quality offered to Shenzhen Resource by Independent Third Parties.

Proposed annual caps and their basis

	Year ending 31 December		
	2008	2009	2010
Proposed annual caps	RMB 17 million (equivalent to approximately HK\$19.21 million)	RMB 17 million (equivalent to approximately HK\$19.21 million)	RMB 17 million (equivalent to approximately HK\$19.21 million)

The proposed annual caps under the Waste Treatment Agreement for the three years ending 31 December 2008, 2009 and 2010 were determined with reference to the (i) prevailing tin prices as announced by the Shanghai Nonferrous Metals Website; (ii) the expected transaction value and business growth of Shenzhen Resource based on the Group's discussion with SHWTS; and (iii) the expected increase in raw materials metal costs. The Directors are of the view that such annual caps allow for buffer when business opportunities arise for Shenzhen Resource.

Based on the above, the Directors (including the independent non-executive directors of the Company) are of the view that the Waste Treatment Agreement and the transaction contemplated thereunder (including the proposed annual caps) have been entered into, and will be carried out, in the ordinary and usual course of business of the Group and on normal commercial terms which are fair and reasonable and in the interests of the Group and its shareholders as a whole.

CONTINUING CONNECTED TRANSACTION

As SHWTS beneficially holds 50% equity interest in Shenzhen Resource, SHWTS is a connected person of the Company under the GEM Listing Rules and the Waste Treatment Agreement constitutes a continuing connected transaction of the Company under the GEM Listing Rules.

During the course of preparation of financial statements for the month ended 30 November 2008, it has come to the Company's attention that one of the suppliers of lead and tin contained waste to Shenzhen Resource was SHWTS, a connected person of the Company under the GEM Listing Rules by virtue of reasons stated above but was not being aware of to the operational staffs of Shenzhen Resource. Such continuing connected transactions between Shenzhen Resource and SHWTS commenced from 29 November 2007 and the transacted amount since aggregated to approximately RMB 14.4 million (equivalent to approximately HK\$16.3 million). Since each of the applicable percentage ratios was more than 0.1% but less than 2.5%, the Company should have complied with announcement requirements but was exempt from independent shareholders' approval requirements pursuant to the GEM Listing Rules. Owing to the miscommunication between the Company and Shenzhen Resource, the Company failed to comply with the announcement requirements under the GEM Listing Rules in respect of the supply of lead and tin contained waste transactions between SHWTS and Shenzhen Resource.

As each of the applicable percentage ratios in respect of the annual cap is less than 2.5%, the Waste Treatment Agreement (aggregated with previous transactions between SHWTS and Shenzhen Resource as required under the GEM Listing Rules) is only subject to the reporting and announcement requirements under the GEM Listing Rules and is exempt from the independent shareholders' approval requirements of the GEM Listing Rules. Details of the transaction will be included properly in the next published annual report and accounts of the Company.

GENERAL

The Group is principally engaged in (i) the collection, detoxification and recycling of industrial wastes and sale of recycle products; (ii) the provision and implementation of environmental protection construction services and environmental protection-related consultation services; and (iii) the development of environmental protection-related products.

DEFINITIONS

“Board”	the board of Directors
“Company”	Shenzhen Dongjiang Environmental Company Limited, a joint stock limited company established in the PRC with limited liability, the shares of which are listed on the GEM
“Directors”	Director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on the GEM
“Group”	The Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party”	third parties independent of the Company and connected persons (as defined under the GEM Listing Rules) of the Company
“PRC”	The People’s Republic of China
“Shenzhen Resource”	Shenzhen Resource Environmental Technology Company Limited (深圳市萊索思環境技術有限公司), a joint venture company established in Shenzhen, PRC, in which 50% is owned by the Company and 50% owned by SHWTS
“SHWTS”	Shenzhen Hazardous Waste Treatment Station (深圳市危險廢物處理站)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Waste Treatment Agreement”	The agreement dated 5 December 2008 entered into between Shenzhen Resource and SHWTS in relation to the provision of lead and tin contained waste treatment services

By order of the Board
Shenzhen Dongjiang Environmental Company Limited*
Zhang Wei Yang
Chairman

Shenzhen, Guangdong Province, the PRC
8 December 2008

As at the date of this announcement, the Board comprises three executive Directors, being Mr. Zhang Wei Yang, Mr. Chen Shu Sheng and Mr. Li Yong Peng; three non-executive Directors, being Mr. Feng Tao, Mr. Wu Shui Qing and Ms. Sun Ji Ping; and three independent non-executive Directors, being Mr. Ye Ru Tang, Mr. Hao Ji Ming and Mr. Liu Xue Sheng.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: – (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website on the “Latest Company Announcements” page for 7 days from the date of its posting and on the Company’s website at <http://dongjiang.com.cn> from the date of publication.

** For identification purpose only*