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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of Shenzhen Dongjiang Environmental Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, 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.

* *For identification purposes only*

ANNUAL RESULTS

The board of directors (the "Board") of 深圳市東江環保股份有限公司 (Shenzhen Dongjiang Environmental Company Limited) (the "Company") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2008, together with the comparative figures of the year ended 31 December 2007 are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	**2008** *RMB'000*	2007 *RMB'000* (Restated)
Revenue	*3*	**823,371**	761,044
Cost of sales		**(500,638)**	(462,878)
Gross profit		**322,733**	298,166
Other income		**19,572**	24,484
Selling and distribution costs		**(42,154)**	(31,875)
Administrative expenses		**(121,182)**	(109,209)
Other operating expenses		**(16,816)**	(19,040)
Finance costs	*5*	**(15,812)**	(3,113)
Share of results of associates		**(10)**	(71)
Profit before tax		**146,331**	159,342
Income tax expenses	*6*	**(36,186)**	(15,964)
Profit for the year		**110,145**	143,378
Attributable to:			
Equity holders of the Company		**106,477**	140,540
Minority interests		**3,668**	2,838
		110,145	143,378
Dividend	*7*	**–**	–
Earnings per share			
Basic	*8*	**RMB0.1697**	RMB0.2240
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment		**357,215**	173,854
Investment properties		**3,727**	3,896
Prepaid lease payments		**38,561**	34,252
Goodwill		**33,884**	–
Concession intangible assets		**192,405**	147,641
Intangible assets		**309**	329
Interests in associates		**277**	679
Available-for-sale financial assets		**1,800**	1,800
Prepayment for acquisition of property plant and equipment		**59,318**	14,676
Deferred tax assets		**10,184**	8,867
		697,680	385,994
Current assets			
Inventories		**30,881**	54,935
Prepaid lease payments		**848**	752
Amounts due from customers for contract works		**21,502**	3,154
Trade and other receivables	*9*	**191,094**	124,927
Investments held for trading		**3,022**	9,687
Bank balances and cash		**247,693**	250,996
		495,040	444,451
Current liabilities			
Trade and other payables	*10*	**136,726**	210,120
Amounts due to customers for contract works		**686**	219
Income tax payable		**16,713**	4,264
Obligations under finance lease		**3,318**	–
Interest-bearing bank borrowings		**233,000**	62,300
		390,443	276,903
Net current assets		**104,597**	167,548
Total assets less current liabilities		**802,277**	553,542
Non-current liabilities			
Deferred revenue		**47,029**	11,250
Obligations under finance lease		**7,757**	–
Interest-bearing bank borrowings		**77,500**	72,500
Deferred tax liabilities		**306**	–
		132,592	83,750
Total net assets		**669,685**	469,792
Capital and reserves			
Share capital		**62,738**	62,738
Reserves		**449,106**	341,685
Equity attributable to equity holders of the Company		**511,844**	404,423
Minority interests		**157,841**	65,369
Total equity		**669,685**	469,792

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to equity holders of the Company							
	Share capital	Share premium	Reserve funds	Translation reserve	Retained earnings	Total	Minority interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2007								
Originally stated	62,738	30,309	45,984	(50)	125,114	264,095	52,174	316,269
Effect on adoption of new accounting standards	–	–	–	–	132	132	127	259
Restated	62,738	30,309	45,984	(50)	125,246	264,227	52,301	316,528
Expenses recognised directly from the equity								
Exchange differences arising on translation	–	–	–	(344)	–	(344)	–	(344)
Profit for the year (Restated)	–	–	–	–	140,540	140,540	2,838	143,378
Total recognised income (expenses) for the year	–	–	–	(344)	140,540	140,196	2,838	143,034
Contribution from minority shareholders	–	–	–	–	–	–	9,913	9,913
Disposal of a subsidiary	–	–	–	–	–	–	(7)	(7)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	(4,842)	(4,842)
Acquisition of subsidiaries	–	–	–	–	–	–	5,166	5,166
Transfer from retained earnings	–	–	15,646	–	(15,646)	–	–	–
At 31 December 2007 and 1 January 2008 (Restated)	62,738	30,309	61,630	(394)	250,140	404,423	65,369	469,792
Expenses recognised directly from the equity								
Exchange differences arising on translation	–	–	–	944	–	944	–	944
Profit for the year	–	–	–	–	106,477	106,477	3,668	110,145
Total recognised income for the year	–	–	–	944	106,477	107,421	3,668	111,089
Contribution from minority shareholders	–	–	–	–	–	–	52,428	52,428
Disposal of a subsidiary	–	–	–	–	–	–	(293)	(293)
Adjustment to acquisition consideration *(Note)*	–	–	–	–	–	–	2,500	2,500
Acquisition of subsidiaries	–	–	–	–	–	–	34,169	34,169
Transfer from retained earnings	–	–	9,529	–	(9,529)	–	–	–
At 31 December 2008	62,738	30,309	71,159	550	347,088	511,844	157,841	669,685

Note:

The Company acquired 50% equity interests in Shenzhen Resource Environmental Technology Company Limited 深圳市萊索思環境技術有限公司 ("Shenzhen Resource") at a consideration of RMB4,247,000 during the year ended 31 December 2007. Before the acquisition was taken place, the then shareholders of Shenzhen Resource proposed to distribute a final dividend of RMB5,000,000. On this basis, the original consideration of RMB4,247,000 for the acquisition was determined based on the net assets of Shenzhen Resource after deducting the proposed dividend. However, Shenzhen Resource has confirmed that the payment of the proposed dividend will not be made due to the disapproval by the relevant approving authority, so that the proposed dividend was reversed and then retained at Shenzhen Resource. As such, the fair value of the net assets of Shenzhen Resource as at the acquisition date was adjusted upwards by RMB5,000,000 and the original consideration to be paid by the Company will be adjusted upwards by RMB2,500,000 and net assets attributable to minority shareholder of Shenzhen Resource was increased by RMB2,500,000. Up to 31 December 2008, the Company has not paid the additional consideration of RMB2,500,000 to the then minority shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

1. GENERAL

The Company is a public limited company incorporated in the People's Republic of China (the "PRC") and its H shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The consolidated financial statements are presented in Renminbi ("RMB"). The functional currency of the Company and the subsidiaries established in the PRC are RMB. The functional currency of subsidiaries established in Hong Kong is Hong Kong Dollars ("HKD").

The principal activities of the Group are the processing and sale of recycled products, the provision of waste treatment services, the trading of chemical products, the construction and operation of environmental protection systems. There were no significant changes in the nature of the Group's principal activities during the year.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following amendments and interpretations ("INTs) (herein collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or become effective.

Hong Kong Accounting Standards ("HKAS") 39 & HKFRS 7	Reclassification of Financial Assets
HK(IFRIC) – INT 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – INT 12	Service Concession Arrangements
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

Amendments to HKAS 39 and HKFRS 7 – Reclassification of Financial Assets

Those amendments permit an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendments also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available-for-sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The amendments to HKAS 39 and HKFRS 7 have had no effect on these consolidated financial statements.

HK(IFRIC) – INT 11 HKFRS 2 – Group and Treasury Share Transactions

HK(IFRIC) – INT 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-INT 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. The Group expects that the adoption of this interpretation will not have any significant impact on the Group's consolidated financial statements as it is consistent with the Group's current accounting policy.

HK(IFRIC) – INT 12 Service Concession Arrangements

The Group as a waste treatment operator has access to operate the infrastructure of a waste treatment centre to provide public service on behalf of the grantor in accordance with the terms specified in the service concession arrangement contract.

HK(IFRIC) – INT 12 Service Concession Arrangements provides guidance on the accounting by the operator of a service concession arrangement which involved the provision of public sector services.

In prior years, the construction costs incurred by the Group on the waste treatment infrastructure, which the Group is entitled to operate for the specified concession period, was recorded as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. Depreciation of the waste treatment infrastructure was calculated to write off its cost, over its expected useful life or the remaining concession period, whichever was shorter, commencing from the date of commencement of commercial operation of the waste treatment, on a straight-line basis.

In accordance with HK(IFRIC) – INT 12, infrastructure within the scope of this interpretation is not recognised as property, plant and equipment of the operator as the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the operator. If the operator provides construction and upgrade services of the infrastructure, this interpretation requires the operator to account for its revenue and costs in accordance with HKAS 11 *Construction Contracts* for the construction and upgrade services of the infrastructure and to account for the fair value of the consideration received and receivable for the construction as an intangible asset in accordance with HKAS 38 *Intangible Assets* to the extent that the operator receives a right (a licence) to charge users of the public service, which amounts are contingent on the extent that the public uses the service. In addition, the operator accounts for the services in relation to the operation of the infrastructure in accordance with HKAS 18 *Revenue*.

In the current year, the Group applied this interpretation retrospectively. See below for the financial impact.

HK(IFRIC) – Int 14 – HKAS 19 – The Limit on a Defined Benefit Asset

HK(IFRIC) – Int 14 – HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. It provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This is not relevant to the Group's operations.

Summary of the Effects of the Changes in Accounting Policies

The effect of changes in accounting policies resulted from adoption of the new interpretation for the current and prior year by line items are as follows:

	2008	2007
	RMB'000	*RMB'000*
Increase in revenue on construction	**50,498**	77,928
Increase in construction cost	**(49,942)**	(77,672)
Decrease in depreciation expense	**8,361**	2,476
Increase in amortisation expense	**(5,734)**	(4,052)
Increase/(decrease) in profit for the year	**3,183**	(1,320)
Attributable to :		
Equity holders of the Company	**1,880**	(673)
Minority interests	**1,330**	(647)
	3,183	(1,320)

Analysis of increase/(decrease) in profit for the current and prior year by line items presented according to their function:

	2008	2007
	RMB'000	*RMB'000*
Increase in revenue	**50,498**	77,928
Increase in cost of sales	**(47,315)**	(79,248)
Increase/(decrease) in profit for the year	**3,183**	(1,320)

The effect of the application of the new interpretation as at 31 December 2007 is summarised below:

	As at 31 December 2007 (originally stated)	**Adjustments**	**As at 31 December 2007 (restated)**
	RMB'000	*RMB'000*	*RMB'000*
Balance sheet items			
Property, plant and equipment	322,556	(148,702)	173,854
Concession intangible assets	–	147,641	147,641
Total effects on assets	322,556	(1,061)	321,495
Retained profits	250,681	(541)	250,140
Minority interests	65,889	(520)	65,369
Total effect on equity	316,570	(1,061)	315,509

The effects of the application of the new interpretation on the Group's equity at 1 January 2007 are summarised below:

	As at 1 January 2007 (originally stated) *RMB'000*	**Adjustments** *RMB'000*	**As at 1 January 2007 (restated)** *RMB'000*
Retained profits	125,114	132	125,246
Minority interests	52,174	127	52,301
Total effect on equity	177,288	259	177,547

The effects of the application of the new interpretation on the Group's basic and diluted earnings per share for the current and prior year:

Impact on basic earnings per share

	2008 *RMB*	2007 *RMB*
Reported figures before adjustments	**0.1667**	0.2251
Adjustments arising from changes in accounting policies in respect of service concession arrangements	**0.0030**	(0.0011)
Restated	**0.1697**	0.2240

There is no impact on diluted earnings per share as no diluted earnings per share have been presented for the year ended 31 December 2007 because there were no diluting events existed during 2007.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRS 1	First time Adoption of Hong Kong Financial Reporting Standards[2]
HKFRS 7	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments[2]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]

HK(IFRIC) – Int 9 and HKAS 39	Embedded Derivatives[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfer of Assets from Customer[7]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 June 2009
5 Effective for annual periods beginning on or after 1 July 2008
6 Effective for annual periods beginning on or after 1 October 2008
7 Effective for transfer of assets from customers received on or after 1 July 2009

HKAS 1 (Revised) is expected to materially change the presentation of the Group's financial statements. The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a change of control, which will be accounted for as equity transactions.

HKAS 23 (Revised) may result in inclusion of borrowing costs in the cost of qualifying assets when the borrowing costs are directly attributable to such assets.

HKFRS 8 Operating Segments may result in new or amended disclosures. The directors of the Company are in the process of identifying reportable operating segments as defined in HKFRS 8.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material effect on the results and the financial position of the Group.

3. REVENUE

Revenue represents the net amounts received and receivables for recycled products sold, provision of waste treatment services and trading of chemical products by the Group to outside customers, less returns and trade discounts, and revenue arising on construction contracts during the year.

An analysis of the Group's revenue for the year is as follows:

	2008	2007
	RMB	*RMB*
Sales of recycled products and the provision of waste treatment services	**724,018**	675,796
Revenue from construction and operation of environmental protection systems	**76,905**	69,762
Trading of chemical products	**22,448**	15,486
	823,371	761,044

4. SEGMENT INFORMATION

For management purposes, the Group is currently organised into three operating divisions – production and sales of recycled products and provision of waste treatment services, construction and operation of environmental protection systems and trading of chemical products. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

(a) Production and sales of recycled products and the provision of waste treatment services segment engages in production and sales of recycled products, provision of waste collection and treatment services;

(b) Construction and operation of environmental protection systems segment engages in construction contract work as a main contractor or subcontractor, primarily in respect of environmental protection systems; and

(c) Trading of chemical products segment engages in the sales of chemical products to customers in the PRC.

Segment information about these businesses is presented below:

For the year ended 31 December:

	Production and sales of recycled products and the provision of waste treatment services		Construction and operation of environmental protection systems		Trading of chemical products		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	RMB'000	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)
REVENUE								
External sales	**724,018**	675,796	**76,905**	69,762	**22,448**	15,486	**823,371**	761,044
RESULT								
Segment results	**188,116**	151,818	**(14,605)**	(4,988)	**(4,322)**	6,008	**169,189**	152,838
Unallocated operating income and expenses							**(7,036)**	9,688
Finance costs							**(15,812)**	(3,113)
Share of results of associates							**(10)**	(71)
Profit before tax							**146,331**	159,342
Income tax expenses							**(36,186)**	(15,964)
Profit for the year							**110,145**	143,378
OTHER INFORMATION								
Depreciation of property, plant and equipment and amortisation of prepaid lease payments	**30,329**	17,129	**2,318**	1,939	**113**	65	**32,760**	19,133
Amortisation of intangible assets	**80**	21	**–**	–	**–**	–	**80**	21
Amortisaion of concession intangible assets	**5,734**	4,052	**–**	–	**–**	–	**5,734**	4,052
Recovery of allowance for bad and doubtful debts of trade receivables	**(378)**	–	**(376)**	–	**(4)**	–	**(758)**	–
Recovery of allowance for bad and doubtful debts of other receivables	**(350)**	(1,000)	**–**	–	**–**	–	**(350)**	(1,000)
Impairment loss on investment in an associate	**–**	–	**–**	–	**–**	–	**392**	–
Impairment loss on property, plant and equipment	**6,164**	7,217	**–**	–	**–**	–	**6,164**	7,217
Allowance for bad and doubtful debts of other receivables	**214**	2,068	**238**	–	**–**	–	**452**	2,068
Allowance for bad and doubtful debts of trade receivables	**522**	5,065	**47**	–	**–**	440	**569**	5,505
Allowance for slow-moving inventories	**3,992**	–	**–**	–	**–**	–	**3,992**	–
Impairment loss on goodwill	**–**	1,300	**–**	8,450	**–**	–	**–**	9,750
Gain on disposal of property, plant and equipment	**(786)**	(127)	**(48)**	(195)	**(10)**	(17)	**(897)**	(339)
Gain on disposal of prepaid lease payments	**(53)**	–	**–**	–	**–**	–	**(53)**	–
Impairment loss on intangible assets	**–**	160	**–**	–	**–**	–	**–**	160
Discount on acquisition of additional interests in subsidiaries	**–**	(1,842)	**–**	–	**–**	–	**–**	(1,842)
Discount on acquisition of a subsidiary	**–**	(918)	**–**	–	**–**	–	**–**	(918)
Capital expenditure of property, plant and equipment and prepaid lease payments	**193,866**	73,461	**2,997**	36,114	**387**	407	**197,250**	109,982

Included in the revenue of production and sales of recycled products and the provision of waste treatment service segment is contract revenue under concession intangible assets recognised for the year of approximately RMB50,498,000 (2007: RMB77,928,000). The related cost for the year is approximately RMB47,315,000 (2007: RMB79,248,000).

Balance sheet at 31 December

	Production and sales of recycled products and the provision of waste treatment services		Construction and operation of environmental protection systems		Trading of chemical products		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	RMB'000	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)
ASSETS								
Segment assets	**655,733**	311,798	**263,973**	233,450	**10,038**	13,168	**929,744**	558,416
Interests in associates							**277**	679
Unallocated assets							**262,699**	271,350
Consolidated total assets							**1,192,720**	830,445
LIABILITIES								
Segment liabilities	**71,332**	107,327	**73,182**	97,119	**3,973**	5,893	**148,487**	210,339
Unallocated liabilities							**374,548**	150,314
Consolidated total liabilities							**523,035**	360,653

Over 90% of the Group's turnover and results were derived from the PRC and at the balance sheet date, over 90% of the identifiable assets of the Group were located in the PRC. Accordingly, no geographical segment analysis is presented for the year.

5. FINANCE COSTS

	2008	2007
	RMB'000	*RMB'000*
Interest on:		
Bank borrowings wholly repayable within five years	**15,297**	3,113
Finance lease	**515**	–
	15,812	3,113

6. INCOME TAX EXPENSES

	2008	2007
	RMB'000	*RMB'000*
Hong Kong Profits Tax		
– Current	**6**	–
PRC Enterprise Income Tax		
– Current	**37,135**	21,796
– Under-provision in prior years	**160**	237
	37,295	22,033
Deferred taxation *(Note 21)*		
– Current	**397**	(3,433)
– Attributable to a change in tax rate	**(1,512)**	(2,636)
	(1,115)	(6,069)
	36,186	15,964

The Company is located in the Shenzhen Special Economic Zone and subject to the PRC enterprise income tax at a rate of 18% (2007: 15%) of the estimated assessable income determined in accordance with the relevant income tax rules and regulations of the PRC.

The subsidiaries located in the Shenzhen Special Economic Zone are subject to the PRC enterprise income tax at a rate of 18% (2007: 15%). Subsidiaries located in other cities are subject to the PRC enterprise income tax at a rate of 25% (2007: 33%).

In accordance with the relevant income tax rules and regulations of the PRC, the Company's subsidiary, Shenzhen Dongjiang Heritage Technologies Co., Ltd. 深圳東江華瑞科技有限公司 is exempt from PRC enterprise income tax for two years commencing from their first profit-making year, followed by a 50% tax reduction for the next three years. Another two subsidiaries, Shenzhen Donjiang Environmental Recycled Power Limited 深圳市東江環保再生能源有限公司 and Hui Zhou Dong Jiang Veolia Environmental Services Limited 惠州東江威立雅環境服務有限公司 (Formerly known as Huizhou Dongjiang Onyx Solid Waste Treatment Co., Limited 惠州東江奧綠思固體廢物處理有限公司 is exempted from PRC enterprise income tax for two years from the date of commencement of operations and followed by a 50% tax reduction for the next three years.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law"). On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law (the "Implementation"). Pursuant to the New Law and Implementation Regulations, the enterprise income tax for both domestic and foreign-invested enterprises will be unified at 25% effective from 1 January 2008. There will be a transitional period for PRC subsidiaries that currently entitled to preferential tax treatments granted by the relevant tax authorities. PRC subsidiaries currently subject to an enterprise income tax rate lower than 25% will continue to enjoy the lower tax rate and be gradually transitioned to the new unified rate of 25% within five years after 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Hong Kong Profits Tax has been provided for the subsidiaries in Hong Kong at 16.5% on the estimated assessable profits for the year ended 31 December 2008. No Hong Kong Profits Tax has been provided for the year ended 31 December 2007 because the subsidiaries in Hong Kong did not have any assessable profit for that year.

7. DIVIDENDS

The Board does not recommend any dividend for the year ended 31 December 2008 (2007: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the profit for the year attributable to equity holders of the Company of approximately RMB106,477,000 (2007: RMB140,540,000 (restated)), and the weighted average of 627,381,872 (2007: 627,381,872) ordinary shares in issue during the year.

No diluted earnings per share have been presented for the two years ended 31 December 2008 as there were no diluting events existed during both years.

9. TRADE AND OTHER RECEIVABLES

	2008	2007
	RMB'000	*RMB'000*
Trade receivables	**75,794**	73,232
Less: Allowance for bad and doubtful debts of trade receivables	**(10,685)**	(11,117)
	65,109	62,115
Bills receivable	**1,788**	14,457
Prepayment, deposit and other receivables	**129,035**	56,589
Less: Allowance for bad and doubtful debts of other receivables	**(4,838)**	(8,234)
	191,094	124,927

As at 31 December 2008, included in trade receivables amounting to RMB11,000 (2007: RMB8,704,000) are due from a minority shareholder.

The Group allows an average credit period of 90 days to its trade customers, except for new customers, where payment in advance is normally required.

An aged analysis of the trade receivables net of allowance for bad and doubtful debts of trade receivables as at the balance sheet date, based on invoice date, is as follows:

	2008	2007
	RMB'000	*RMB'000*
Within 90 days	**53,944**	35,395
91 to 180 days	**6,587**	6,772
181 to 365 days	**3,027**	17,712
Over 1 year	**1,551**	2,236
Total	**65,109**	62,115

The Group will assess the client's credit before accept any new client and determining the customer's credit limit. Client's limit will be reviewed regularly. Most receivables that are not overdue and no impairment have no adverse repayment records.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB11,165,000 (2007: RMB26,720,000) which were past due at the reporting date and for which the Group has not provided for impairment loss because management is of the opinion the fundamental credit quality of these customers has not deteriorated. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired:

	2008	2007
	RMB'000	*RMB'000*
Within 90 days	**6,587**	6,772
91 to 180 days	**1,514**	17,712
181 to 365 days	**3,064**	2,236
Total	**11,165**	26,720

Movement in the allowance for bad and doubtful debts of trade receivables:

	2008	2007
	RMB'000	*RMB'000*
Balance at beginning of the year	**11,117**	2,193
Arised on acquisition of subsidiaries	**–**	3,695
Allowance for bad and doubtful debts recognised on trade receivables	**569**	5,505
Amounts written off as uncollectible	**(243)**	(276)
Amounts recovered during the year	**(758)**	–
Balance at the end of the year	**10,685**	11,117

Movement in allowance for bad and doubtful debts of other receivables:

	2008	2007
	RMB'000	*RMB'000*
Balance at beginning of the year	**8,234**	4,507
Arised on acquisition of subsidiaries	**–**	2,659
Allowance for bad and doubtful debts recognised on other receivables	**452**	2,068
Amounts written off as uncollectible	**(3,498)**	–
Amounts recovered during the year	**(350)**	(1,000)
Balance at the end of the year	**4,838**	8,234

10. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date, based on payment due date:

	2008	2007
	RMB'000	*RMB'000*
Within 90 days	**39,171**	87,228
91 to 180 days	**756**	4,144
181 to 365 days	**15,151**	17,036
Over 1 year	**15,406**	4,778
	70,484	113,186
Advances from customers	**21,078**	20,191
Other payables	**35,352**	41,706
Accruals	**9,812**	35,037
	66,242	96,934
	136,726	210,120

The average credit period for payment of purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

As at 31 December 2008, included in trade payables amounting to approximately RMB50,000 and RMB1,712,000 (2007: RMB49,000 and RMB3,647,000) are due to an associate and minority shareholders respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The complex and changing external environment, particularly the rapid spread of the impact of the global financial crisis in the fourth quarter, and the grim macroeconomic situation in China adversely affected the Group's business operation in 2008. Faced with difficulties and challenges, the Group took resolute and effective measures to turn the adversity around in a relatively short period of time, and at the same time, to speed up its business transformation and internal integration, and to realign its strategies for market expansion, basically sustained steady development of its businesses.

Industrial Waste Treatment and Disposal

The development in industrial waste treatment and disposal is the main force driving the growth of the Group's business. In respect of market expansion, the Group adhered to its thoughts of development in terms of "integration of waste collection markets" in an effort to build a service brand to enhance comprehensive competitiveness. As the Guangdong hazardous waste treatment Demonstration Center started its trial operation during the year, the Group made more effort in internal resources integration in due course so as to establish a waste collection market system operating under one team, one brand name and one standard, which was necessary for the gradual formation of business platform that featured uniform deployment, management and centralized allocation. In line with the trend of integration, the Group reorganized and expanded its original customer service center and waste relocation center, thus optimized the allocation of the Group's existing market resources. With the structure established, the Group adopted the market strategy of active expansion during the year, setting up several new operation sites in Guangdong Province to concentrate its strength on developing new market and major potential customers.

The 2008 financial crisis adversely affected the Group's market expansion, but on the other hand, it provided the Group with opportunities to speed up the above business transformation. In light of unfavorable market environment, the Group provided more technical support and value-added services to its customers and made timely adjustment to its pricing mechanism and service modes based on the principle of surviving difficulties together with them. In particular, the changes in modes of fee collection gradually broke the vicious cycle of competition existed in the industry in the past which emphasized on resources but neglected environmental protection and service, and created favorable conditions for the Group to implement competition strategies that emphasized on service and branding in the future.

The above strategies stabilized the existing customers and markets effectively, while new market expansion and new businesses mitigated the adverse impact of the economic downturn. With unceasing efforts, the waste collection volume of the Group sustained growth in 2008, of which the income from solid waste treatment amounted to approximately RMB127,279,000, representing an increase of approximately 112.16% as compared to that in 2007. Over 1,000 new customers were acquired and customer satisfactory level reached all-time highs. It was a hard-won achievement given the current depression.

In respect of the waste treatment, the Group had strengthened industrial solid waste storage and treatment capability at each waste treatment in 2008. The construction of chemical/biological plant and ancillary facilities in Huizhou Treatment Base was completed in the second half year and it was in trial operation, which further enhanced the capacity of Huizhou Treatment Base in treating highly concentrated industrial waste water. With the completion of the project in relation to making and expansion of facilities, Kunshan Treatment Base has been put into operation with a brand-new appearance and achieved major breakthrough in market expansion as it secured a large number of quality customers and recorded strong growth in business volume. In addition, operation in the treatment bases remained healthy as they vigorously pushed forward measures of energy saving and emission reduction and cost control, which mitigated the narrowed profit margin due to surging operating costs.

The plunge in prices of raw materials such as metals in the fourth quarter exerted heavy impact on the Group's recycling business. The Group promptly implemented strategies to link the prices in both upstream and downstream markets, to diversify and upgrade its products, which were conductive to enhancing market competitiveness of products and to maintaining reasonable level of profitability in the long run.

The Group continued to push forward the construction of Qingyuan Treatment Base and the North Guangdong Treatment Project in 2008, but made proper adjustment in the construction scale of Qingyuan Project to control construction costs and avoid idling of facilities based on its estimation of market demand. The land clearance for the North Guangdong Project was completed while the planning for the phase-one project was finished.

Municipal Waste Treatment and Disposal

The municipal waste treatment and disposal, a core business newly established by the Group, is in its early developmental stage. The business was relatively less hit by the economic fluctuation with projects in smooth progress, paving the way for its further development.

Xiaping Landfill Gas Power Generation Project, the Group's first landfill gas utilization project, was operating well overall in 2008 with the first three electricity generating units in full load operation. The two new electricity generating units added in 2008 had been fine tuned and started supplying electricity to the power grid. The project recorded an income of approximately RMB8,825,000 for the first complete operating year in 2008. It is expected that there will still be much room for increment in the future with more stabilized gas supply volume and higher utilization rate of electricity generating units.

Clean Development Mechanism ("CDM") projects had achieved promising developments in China in recent years, offering enormous business opportunities. Currently, the Group has secured two projects for methane utilization, one of which is Lao Hu Keng Landfill Methane Utilization CDM Project ("Lao Hu Ken CDM Project") with electricity generating units having a capacity of 3 X 1 megawatt. The preparatory work, such as project proposal and land utilization planning, has been finished and it is expected to complete and commence production in the second half of 2009. The other is Qingdao Xiaojianxi Landfill Gas Collection, Power Generation and Utilization CDM Project ("Qingdao CDM

Project”), a bid won in June 2008, which have a capacity of 3 X 1063KW and is expected to generate a total of 247 gigawatt hour of electricity approximately over the term of 12-year concession right. The project is under construction and is expected to complete and commence production in the second half of 2009.

The above CDM projects will further expand the Group’s business scale with respect to methane utilization and the field of CDM and enhance its competitive advantage. In addition, the Group worked with AES AgriVerde, one of the world’s largest independent power providers, to undertake green house gas emission reduction projects in China and will establish a very favorable international co-operation platform for the Group’s development in the field of CDM.

With accelerated process of urbanization in China in recent years, the domestic waste treatment market will be a promising future. In February 2008, the Group was granted by Hunan Shaoyang Municipal Government 30 years of concession right for investment in, building and operation of “Shaoyang Domestic Waste Landfill” (the “Shaoyang Project”). It is the Group’s first domestic waste treatment project, the designed capacity of which is approximately 700 tons per day. The project is now under construction, which is expected to complete in the second half of 2009 and make it to be the only domestic waste landfill in Shaoyang upon its completion.

Meanwhile, the Group zealously promoted other municipal waste management projects during the year, of which the pilot project of municipal sludge treatment with a daily treatment capacity of 700 tons had completed its construction and commenced trial operation, laying the foundation for the application and industrialization promotion of the Group’s sludge treatment technology. Furthermore, the Group acquired Lik Shun Services Limited (“Lik Shun”) in May 2008, which specializes in waste collection business and is now responsible for municipal waste collection in some of the areas in Hong Kong. Besides, it also supplies waste compressors to 15 waste compressing stations in Hong Kong and provides waste collection services to some industrial districts and schools. The acquisition of Lik Shun enables the Group to venture into the field of municipal waste treatment in Hong Kong and will enhance the Group’s recognition in Hong Kong. Lik Shun had been in smooth operation since it joined the Group and successfully bid for a 5-year government contract in August 2008, which was also the fifth government contract it has secured.

Environmental Engineering

In line with the goal for strategic transformation, the Group focused on the expansion of the environmental engineering business in 2008. It established an environmental services branch company by integrating the Engineering Department and the Operation Department with an aim to promote professional and sizeable development of the business. For the year ended 31 December 2008, this business sector achieved substantial growth in revenue by approximately 10.24% to approximately RMB76,905,000, comparing to year of 2007.

In respect of the environmental engineering operation, while continuing to enlarge the operation scale, the Group also strived to enhance its engineering business management standard and service quality with an emphasis on establishing its corporate and brand image. Meanwhile, profitability was enhanced by continuously reducing operating costs through advancement in technology. With regard to the environmental engineering construction, the business volume recorded satisfactory growth, making it a record high. Furthermore, significant breakthrough was achieved in technological innovation in terms of new practical technology for printed circuit board waste water treatment being successfully developed during the year, which has been applied by a number of circuit boards manufacturers in reconstructions and new constructions to upgrade their waste water treatment facilities.

Beijing Novel Environmental Protection Co., Ltd ("Beijing Novel"), a company acquired by the Group at the end of 2007, had completed its structural adjustment and gradually incorporated into the Group's business chain, making the effect of synergy more apparent. During the year ended 31 December 2008, Beijing Novel went smoothly in its business development by taking advantage of its strengths in terms of broad business network and flexibility with 85 new contracts concluded in relation to environmental engineering and consultancy. It had also provided technical support to the other related businesses of the Group.

Research and Development

The Group continued to push forward research and development ("R&D") on its core businesses in 2008 and achieved progress in stages as the R&D Center launched 23 research projects, 19 of which were fulfilled during the year. In the aspect of technology management, the Group's project on "Comprehensive Treatment and Utilization Technology of PCB (Printed Circuit Board) Waste Liquid (Water)" won the Shenzhen 2008 Technical Innovation Award (industry category) in May, ranking it the first in industry category. It also won the second prize of the 2008 Guangdong Environmental Protection Science and Technology Award in June. And the "Demonstration Project of Waste Water Centralized Treatment and Pollution Control Technology for Electroplating and Circuit Board Industries" was approved as a 2008 State Torch Program project. In addition, the Group's technological advancement and proprietary innovation was further promoted by the fact that several projects, including "Research on the Technology to Produce Electrolyzed Copper from Copper-containing Sludge" (利用含銅污泥生產電積銅技術研究), "Research on Integrated Utilization Technology to Disassemble and Recycle E-Waste" (電子廢物拆解及資源化綜合利用技術研究), and "Recovery and Treatment Work of TBCC&BCC Crystallized Liquid Ammonia and Nitrogen" (TBCC&BCC 結晶母液氨氮回收與治理工程) were supported by research funds granted by the State and governments at various levels.

In order to strengthen its research capability in the field of environmental monitoring, the Group acquired an environment monitoring company, namely Shenzhen Hua Bao Technology Company Limited in April 2008. This company successfully passed the assessment recently, which enlarged its scope of quantitative certification and enabled it to extend its testing capability to four categories and a total of 59 testing projects. That made the Company equivalent to a Grade 3 State Environmental Monitoring Station, laying a solid foundation for the Group to build its central laboratory and environmental analysis and testing center.

Operation Management

The Group made major adjustment to its management structure in the first half of 2008, classifying its businesses into "Industrial Solid Waste Business Division" and "Municipal Solid Waste Business Division", which were managed by two operation teams so as to be in line with the Group's strategies and direction of future development. The adjustment had further promoted the specialization and internal resource integration of business divisions. It is believed that the new management structure will facilitate the implementation of the Group's strategies.

The Group continues to strengthen the function of the environment, health and safety ("EHS") to meet the requirement of business development. The original safety and environmental protection office was upgraded to the EHS Department with more comprehensive functions to take charge of the EHS management. In 2008, besides routine affairs, the EHS Department mainly assisted various business departments of the Group in the professional management of hazardous waste to ensure that the waste operation was conducted properly and safely. Meanwhile, it actively took part in emergency and rescue affairs with three emergency and rescue teams formed in Shenzhen and Huizhou, and completed over ten public emergency and rescue tasks which showed the professional image and quality of the Group and gained favorable recognition from the government and society.

In order to enhance the image of the Group and to promote the circulation and publicity of our shares, the proposed resolution in relation to making application to the China Securities Regulatory Commission (the "CSRC") for the prosposed migration from GEM Board to Main Board (the "Migration") was passed at the extraordinary general meeting and class shareholders' meetings of the Company held on 19 March 2008. The Stock Exchange revised the procedure and requirements of the Migration in May 2008, but the CSRC had not issued the detailed application rules corresponding to such change. As a result, the Group had not any made application to the CSRC with regard to the transfer.

Substantial Investments, Acquisitions and Disposals of Subsidiaries and Associates

(a) The Company has entered into the Capital Contribution Agreement with Mr. Zhang Guo Yan and Mr. Tang Xiao Guan in respect of the joint development of the North Guangdong Hazardous Waste Treatment and Disposal Centre ("North Guangdong Treatment Center") on 30 November 2007. In 2008, the Company invested RMB100,000,000 in Shaoguan Green Recycling Resource Development Co., Ltd (the "Shaoguan Green") to acquire its 50% interest. The Shaoguan Green is responsible for the implementation of the project of North Guangdong Treatment Center. Details of the transaction were set out in the Company's announcement dated 30 November 2007 and circular dated 20 December 2007.

(b) The Company's 95% owned subsidiary named Hunan Dongjiang Environmental Investment & Development Co., Ltd has invested approximately RMB30,000,000 in the Shaoyang Project for its construction up to 31 December 2008.

(c) In April 2008, the Company invested RMB500,000 to acquire 100% interest in Shenzhen Huabao Technology Co., Ltd. (深圳市華保科技有限公司) ("Huabao technology"). Huabao Technology is mainly engaged in the environmental monitoring. This investment will allow the Group to expansion the chain of environmental services and therefore strengthen its competitiveness.

(d) In May 2008, the Group invested RMB2,550,000 to establish a 51%-owned subsidiary, namely Shenzhen Dongjiang Lisai Recycled Power Co., Ltd., which will be mainly responsible for the implementation of Lao Hu Keng CDM Project.

(e) In May 2008, the Group's wholly-owned subsidiary Dongjiang Environmental (HK) Co., Ltd. (the "Dongjiang HK") invested HK$3,600,000 to acquire 100% interest in Lik Shun.

(f) In June 2008, the Group invested RMB15,000,000 to establish a 100%-owned subsidiary, namely Qingdao Dongjiang Environmental Recycled Power Co., Ltd. (青島市東江環保再生能源有限公司) ("Qingdao Dongjiang") in the PRC. Qingdao Dongjiang is mainly responsible of the implementation of Qingdao CDM Project.

(g) In October 2008, the Company invested HK$17,000,000 in the registered capital of a 100%-owned subsidiary, namely Dongjiang HK.

(h) In October 2008, the Company invested RMB15,000,000 in the registered capital of a 50%-owned subsidiary Shenzhen Resource Environmental Technology Co., Ltd. ("Shenzhen Resource"), along with Shenzhen Resource's another shareholder according to their respective shareholding in Shenzhen Resource.

Save as disclosed in this announcement, the Group does not have any substantial investments, acquisitions and disposals of subsidiaries and associates.

Financial Review

Revenue

For the year ended 31 December 2008, the Group's revenue was increased by approximately 8.19% to approximately RMB823,371,000 as compared to 2007 (2007: approximately RMB761,044,000). The increase of revenue mainly results from the growth of waste treatment business.

Profit

For the year ended 31 December 2008, the Group's gross profit increased by approximately 8.24% to approximately RMB322,733,000 (2007: approximately RMB298,166,000).

During the year ended 31 December 2008, the Group's consolidated gross profit margin increase from approximately 39.18% in 2007 to approximately 39.20% in 2008.

For the year ended 31 December 2008, profit attributable to equity holders of the Company was decreased by approximately 24.26% to approximately RMB106,447,000 (2007：approximately RMB140,540,000). The decrease was mainly due to the drop of the recycled products and the increased income tax rate of the Company.

Selling and Distribution Costs

During the year under review, the Group's selling and distribution costs was approximately RMB42,154,000 (2007: approximately RMB31,875,000), represented approximately 5.12% (2007: approximately 4.19%) of the total revenue.

Administrative Expenses

For the year ended 31 December 2008, the Group's administrative expenses was approximately RMB121,182,000 (2007: approximately RMB109,209,000), represented a approximately 14.72% (2007: approximately 14.35%) of the total revenue.

The increase in the administrative expenses is mainly due to the expanding business scale and further investment in the market development of the municipal waste treatment.

Finance Cost

For the year ended 31 December 2008, finance cost of the Group was approximately RMB15,812,000 (2007: approximately RMB3,113,000), representing approximately 1.92% (2007: approximately 0.41%) of the Group's revenue. The increase in finance cost was attributable to the increased bank loans of RMB175,700,000 to finance the project investment of the Group.

Income Tax Expenses

For the year ended 31 December 2008, the Group's income tax expenses was approximately RMB36,186,000 (2007: approximately RMB15,964,000), representing approximately 24.73% of the Group's profit before tax (2007: approximately 10.02%). The increase was mainly due to implementation of the law of the People's Republic of China on Enterprise Income Tax (the "New Law"). Pursuant to the New Law, the income tax rate for the subsidiaries located in Shenzhen increased from 15% to 18%. Meanwhile, the Company ceased to be entitled to a 50% reduction of income tax for 2008 and is subject to the income tax rate of 18% (2007: 7.5%).

Financial Resources and Liquidity

As at 31 December 2008, the Group had net current assets of approximately RMB104,597,000 (2007: approximately RMB167,548,000), including bank balances and cash of approximately RMB247,693,000 (2007: approximately RMB250,996,000).

As at 31 December 2008, the Group had total liabilities of approximately RMB523,035,000 (2007: approximately RMB360,653,000). The Group's gearing ratio was approximately 43.85% (2007: approximately 43.43%) which is calculated based on the Group's total liabilities over total assets. The current liabilities of the Group was approximately RMB390,443,000 (2007: approximately RMB276,903,000). As at 31 December 2008, the Group had outstanding bank loans of approximately RMB310,500,000 (2007: approximately RMB134,800,000).

The Board believes that the Group has stable and strong financial and liquidity position and will have sufficient resources to meet the needs of its operations and future business development.

Details of Future Plans for Material Investments or Capital Assets

Saved as disclosed elsewhere in this announcement, the Group does not have other future plans for material investments or capital assets.

Interest Rate and Exchange Risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of base rate published by People's Bank of China arising from the Group's RMB borrowings.

Currency risk

The Group's functional currency is RMB which most of the transactions are denominated. However, certain bank balances, trade and other receivables and other payables are denominated in currencies other than RMB. Foreign currencies are also used to settle expenses for overseas operations.

Pledge of Assets

As at 31 December 2008, certain assets of the Group were pledged to secure bank borrowings granted to the Group and as follows:

	2008	2007
	RMB'000	*RMB'000*
Property, plant and equipment	**–**	6,234
Prepaid lease payments on land use rights	**2,492**	4,183
Bank deposits	**20,814**	10,842
	23,306	21,259

Information on Employees

As at 31 December 2008, the number of full-time employees stood at 1,140 (2007: 1,256) with a total staff cost of approximately RMB54,457,000 (2007: approximately RMB59,441,000). The Group offered continuing training, remuneration package of additional benefits to its employees, including retirement benefits, housing fund and medical insurance.

Contingent Liabilities

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

Other than as disclosed above, the Group had no significant contingent liabilities at 31 December 2008 and 2007.

Capital Commitment

As at 31 December 2008, the Group had the following capital commitments:

	2008	2007
	RMB'000	*RMB'000*
Capital expenditure contracted, but not provided for in the financial statements in respect of:		
Property, plant and equipment	**34,555**	10,249
Construction in progress	**45,418**	79,824
Addition capital injection in a subsidiary	**–**	7,410
Acquisition of a subsidiary	**–**	100,000
	79,973	197,483

Future Prospects

In 2009, as the impact of the global financial crisis on economic entities becomes more intensive, the operating environment is not optimistic with China's economy facing various uncertainties. However, on the other hand, we witnessed that the China government raised the macro-economic objectives of maintaining growth, expanding domestic demand and adjusting economic structure with a series of adjusting measurements being introduced which were aiming at maintaining a steady and relatively fast economic growth. In the economic-stimulating investment plan of RMB4,000 billion made by the China government, it emphasized on ecological environment construction and, projects of energy saving and emission reduction. The development of environmental protection industry will benefit from the above policies. At the same time, the economic adjustment will also intensify the competition in the industry, which provides opportunities for big enterprises to consolidate the market by carrying out mergers and acquisitions.

In light of opportunities and challenges, on one hand, the Group will continue to carry out various adjustment strategies with full awareness of negative factors to maintain a steady growth of the existing businesses. On the other hand, the Group will take advantage of the policies and opportunities of expanding domestic demand and industrial adjustment, continuing to advance the strategic transformation to develop the projects that boost stable returns and bright prospects. Meanwhile, we will closely monitor the trend of industrial integration, strengthening the market consolidation as well as mergers and acquisitions under the principle of low-cost expansion to accumulate strength for the next round of economic growth.

In 2009, the industrial waste treatment business will face heavy pressure. With two major targets of "innovation" and "profit-earning", the Group will continue to invest resources to expand the solid waste business. Through unified market deployment, the target will be specified to each region, business location and carried out by marketing personnel. Meanwhile, more direct incentive measures will be implemented to achieve the targets. The Group will continue to implement the strategy of competition, which regards good service and brand name as its priority. With the fulfillment of our strength in qualifications, treatment capacity and operating management, we will carry out different service strategies and management modes according to different customers and expand our market share and business scale through co-operations and acquisitions. As to the treatment facilities, we will focus on promoting the ability to store and transfer waste and to improve the operation efficiency through optimized deployment of the capacity of existing treatment bases. In respect of recycling business, we will manage to tackle the risks of market fluctuation through flexible pricing policy and reasonable inventory arrangement. Meanwhile, we will speed up the innovation of products and structure adjustment with an aim to create new recycling modes.

The municipal waste treatment business was relatively less affected by the economic fluctuation. Furthermore, most of its projects are granted by the government and thus are encouraged by the policy of increased investment, more opportunities will appear in 2009. The Group will speed up the construction of projects, the domestic waste treatment, methane power generation and other projects, and put them into operation to generate profit. Besides, we will take advantage of the industrial opportunities to develop new projects with our own strength, especially in the areas of biomass energy untilization and domestic waste treatment, so as to secure more projects with stable returns and risks resistance.

In 2009, the Group will continue to invest more in technical "R&D". First is to strengthen the establishment of the technical system, and to build the advanced technical system by way of optimizing its management structure, integrating internal technical resources, improving the advanced research and technical innovation ability of the production lines, strengthening the management of the science and technology achievements and the construction of a comprehensive platform, as well as bringing in talents.

Second is to strengthen the construction of hardware facilities and software in the research and inspection center, and to advance various research projects that centers on the core businesses which include the development of high value-added copper products, the corrosive solution recycling technology and equipment, the kitchen waste bio-gas and bio-fertilizer production, the sludge dehydration reduction technology and the like. With strong technological strength, the Group is confident in maintaining the steady growth in business and delivering ideal returns to shareholders.

DIVIDENDS

The Board did not recommend the payment of any dividend for the year ended 31 December 2008 (2007: Nil).

PURCHASE, SALE AND REDEMPTION OF SECURITIES

Since the H Shares of the Company commenced trading on GEM on 29 January 2003, the Company has not purchased, sold or redeemed any of its listed securities.

CORPORATE GOVERNANCE

The Company has applied the principles set out in the Code on Corporate Governance Practice stated in Appendix 15 of the GEM Listing Rules (the "Code"). The Company has complied with all the Code provisions throughout the year under review, except for the deviations mentioned below:

Under the code provision A.2.1, the roles of chairman and chief executive officer should not be performed by the same individual. The chairman and chief executive officer of the Company are currently performed by Mr. Zhang Wei Yang ("Mr. Zhang").

Taking into account Mr. Zhang's strong expertise and excellent insight of the environmental protection industry, the Board considered that the chairman and chief executive officer being performed by Mr. Zhang will lead to more effective implementation of the overall strategy and ensure smooth operation of the Group. In order to maintain the good corporate governance and fully comply with code provision, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less than rules 5.48 to 5.67 of the GEM Listing Rules. The Company has made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the Stock Exchange's required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2008.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this announcement, none of the directors or the management shareholders of the Company and their respective associates are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in GEM Listing Rules.

AUDIT COMMITTEE

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

The audit committee comprises three independent non-executive Directors, namely Messrs. Ye Ru Tang, Hao Ji Ming and Liu Xue Sheng. The audit committee has reviewed the Company's financial statements for the year ended 31 December 2008 and has provided advice and comments thereon.

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

26 March 2009
Shenzhen, Guangdong Province, the PRC

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 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*