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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shenzhen Dongjiang Environmental Company Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

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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 with limited liability)

(Stock Code: 8230)

CONTINUING CONNECTED TRANSACTIONS

**Independent Financial Adviser to the Independent Board Committee
and the Shareholders**

CHANCETON CAPITAL

川盟融資有限公司

CHANCETON CAPITAL PARTNERS LIMITED

A letter from the Independent Board Committee is set out on page 5 of this circular.

A letter from Chanceton Capital Partners Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Shareholders is set out on pages 10 to 15 of this circular.

A notice convening an EGM to be held at Office Units A, B, C, D and H, 16th Floor, Shenmao Commercial Center, 59 Xinwen Road, Futian District, Shenzhen, Guangdong Province, the PRC at 2:00 p.m. on Monday, 7 December 2009 is set out on pages 22 to 23 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed reply slip and form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrars, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event for the reply slip, before 17 November 2009, and for the proxy form, not less than 24 hours before the time appointed for the holding of the EGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) should you so wish.

This circular will remain on the GEM website of The Stock Exchange of Hong Kong Limited at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting.

20 October 2009

* For identification purpose only

CHARACTERISTICS OF GEM OF 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.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following words and phrases have the following meanings:

“Announcement”	the announcement dated 29 September 2009 issued by the Company
“associates”	has the meaning ascribed thereto under the GEM Listing Rules
“BCC”	basic copper chloride (including substandard TBCC)
“Board”	the board of Directors
“Caps”	annual maximum total amount of the transactions contemplated under the Sales Agreement
“Company”	深圳市東江環保股份有限公司Shenzhen Dongjiang Environmental Company Limited*, a joint stock limited company established in the PRC with limited liability
“Continuing Connected Transactions”	the transactions contemplated under the Sales Agreement
“Directors”	director(s) of the Company
“DJ Heritage”	深圳東江華瑞科有限公司 Shenzhen Dongjiang Heritage Technologies Company Limited*, a company incorporated in the PRC with limited liability, owned as to 62% by the Company and 38% by the Heritage through its 100% owned subsidiary
“Dongjiang Group”	the Company, its subsidiaries and affiliated companies from time to time
“EGM”	the extraordinary general meeting of the Company to be held at 2:00 p.m. on Monday, 7 December 2009 to consider the ordinary resolution to be proposed to approve the Sales Agreement and the Caps
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Heritage”	Heritage Technologies, LLC, a company incorporated on 25 July 1995 in the State of Indiana of the USA with limited liability

DEFINITIONS

“Heritage Group”	Heritage, its subsidiaries and affiliated companies from time to time
“HK\$”	Hong Kong dollars, the Lawful currency of Hong Kong
“Independent Board Committee”	the independent committee of the Board comprising Mr. Ye Ru Tang, Mr. Hao Ji Ming and Mr. Liu Xue Sheng, which has been established to advise the Shareholders in respect of the Continuing Connected Transactions
“Independent Financial Adviser”	Chanceton Capital Partners Limited, the independent financial advisor to the Independent Board Committee and the Shareholders in relation to the Continuing Connected Transactions and the Caps
“Latest Practicable Date”	16 October 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Previous Sales Agreement”	the sales agreement dated 2 February 2007 entered into between DJ Heritage and Heritage in relation to the sale of Products to Heritage by DJ Heritage
“PRC”	the People’s Republic of China
“Products”	chemical products offered by the Dongjiang Group from time to time
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Agreement”	the supply and purchase agreement dated 29 September 2009 in relation to the sale of Products by the Dongjiang Group to the Heritage Group
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of RMB0.10 each in the share capital of the Company
“Shareholder(s)”	the holders of the share of RMB0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“TBCC” a quality trademarked basic copper chloride product defined by explicit product specifications more narrowly set and tested by Heritage

“US” the United States of America

“%” percentage

* *For identification purpose only*

LETTER FROM THE BOARD



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 with limited liability)

(Stock Code: 8230)

Executive Directors:

Mr. Zhang Wei Yang (*Chairman*)

Mr. Chen Shu Sheng

Mr. Li Yong Peng

Non-executive Directors:

Mr. Feng Tao (*Vice Chairman*)

Mr. Wu Shui Qing

Ms. Sun Ji Ping

Independent non-executive Directors:

Mr. Ye Ru Tang

Mr. Hao Ji Ming

Mr. Liu Xue Sheng

Registered office:

Office Units A, B, C, D and H

16th Floor, Shenmao Commercial Center

59 Xinwen Road

Futian District, Shenzhen

Guangdong Province

The PRC

*Head office and principal place of
business in Hong Kong:*

Suites 06-12, 33rd Floor

Shui On Centre

Nos. 6-8 Harbour Road

Wanchai

Hong Kong

20 October 2009

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

The Directors refer to the Announcement in relation to the Sales Agreement entered into between the Company and Heritage setting out the terms and conditions for the Continuing Connected Transactions. Reference is also made to the announcement of the Company dated 2 February 2007 in relation to Previous Sales Agreement entered into between DJ Heritage and Heritage, pursuant to which Products were sold by DJ Heritage to Heritage. The details of the Previous Sales Agreement had been disclosed in the announcement of the Company dated 2 February 2007 and has been approved by the Shareholders on an extraordinary general meeting held on 12 April 2007.

* *For identification purpose only*

LETTER FROM THE BOARD

The Company and Heritage entered into a joint venture agreement on 16 December 2003 and jointly established a limited liability company in the PRC, DJ Heritage, which were 62% held by the Company and 38% held by Heritage and Heritage subsequently transferred its shares of DJ Heritage to its 100% owned company named Heritage Technologies Asia Limited in December 2008. Accordingly, Heritage is a connected person of the Company under the GEM Listing Rules and the Sales Agreement constitutes a continuing connected transaction of the Company under chapter 20 of the GEM Listing Rules.

As each applicable percentage ratios (other than the profits ratio and the equity capital ratio which are not applicable) of the annual caps of the Continuing Connected Transactions exceed 2.5%, the Continuing Connected Transactions is therefore subject to the reporting, announcement and shareholders' approval requirements pursuant to Rules 20.45 to 20.48 of the GEM Listing Rules. Furthermore, the Company will also comply with the annual review requirements under the GEM Listing Rules 20.37 to 20.40.

An Independent Board Committee has been established to advise the Shareholders as to whether the terms of the Sales Agreement are fair and reasonable so far as the Shareholders are concerned. The Company has appointed the Independent Financial Adviser for the purposes of advising the Independent Board Committee and the Shareholders regarding the Sales Agreement and the related annual caps.

The purposes of this circular are to set out: (a) details of the terms of the Sales Agreement; (b) the recommendation of the Independent Board Committee in respect of the Sales Agreement; (c) letter and recommendation of the Independent Financial Adviser to the Independent Board Committee and the Shareholders; and (d) notice of the EGM to be convened at which ordinary resolution will be proposed to consider, and if thought fit, approving the Sales Agreement and the related annual caps.

THE SALES AGREEMENT

As the Previous Sales Agreement is due to expire on 31 December 2009. The Board announces that on 29 September 2009, the Company entered into the Sales Agreement for a term of three years commencing from 1 December 2009 and ending on 30 November 2012 with Heritage details which are set out as following:

Buyer:	Heritage Group
Seller:	Dongjiang Group
Product:	chemical products offered by the Dongjiang Group from time to time
Shipping cost:	to be paid by the Heritage Group

LETTER FROM THE BOARD

Pursuant to the Sales Agreement, the Dongjiang Group covenants and agrees, during the term of the Sales Agreement, to fulfill purchase orders for shipment directly to the Heritage Group, the price of the Products will be agreed upon by the parties and will be the current fair market value taking into account of the quality level, global market prices of the similar products, shipping rates and import/export tax. The Directors consider that it is fair and reasonable to determine the price of the Products with reference to the similar prices of products in the market. The Directors advised that the same pricing mechanism which has been applied to the independent customers of the Dongjiang Group will be adopted in the Sales Agreement.

Upon the Sales Agreement becoming effective (after the Sales Agreement and the relevant annual caps being approved by Shareholders), the sales and purchase of the products under the Previous Sales Agreement will be discontinued.

ANNUAL CAPS

In considering the annual caps for the Sales Agreement, the Directors have considered a number of factors including: (i) the previous gross sales amounts from products sold by DJ Heritage to the Heritage during the period from 2007 to 2009 under the Previous Sales Agreement of approximately RMB39 million for the year 2007, approximately RMB56 million for year 2008 and approximately RMB14 million for the seven months ended 31 July 2009 ; (ii) the existing scale of the Heritage Group operations and the anticipated growth of the business of the Dongjiang Group; and (iii) the recent prices of similar products in the market. Having considered the above factors, the Directors propose that the annual caps for the Sales Agreement shall be as follows:

From 1 December 2009 to 31 December 2009	RMB 20 million
From 1 January 2010 to 31 December 2010	RMB 189 million
From 1 January 2011 to 31 December 2011	RMB 208 million
From 1 January 2012 to 30 November 2012	RMB 220 million

The Directors (including the independent non-executive Directors) consider that the Sales Agreement is on normal commercial terms and in the ordinary and usual course of business of the Dongjiang Group, the annual caps stated above are fair and reasonable, and the terms of the Sales Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

REASONS FOR ENTERING INTO THE CONTINUING CONNECTED TRANSACTIONS

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

Heritage is principally engaged in recycle of spent etchant, which is an industrial waste generated from the circuit board manufacturing industry, and the provision of improved traditional copper nutritional supplements to the livestock feed industry.

LETTER FROM THE BOARD

Due to the relocation of PCB manufactures away from the US which has in turn decreased the domestic supply of copper-containing wastes in the US in recent years, the production volume of TBCC in the US by the Heritage Group has dropped. As such, the Heritage Group started to source Products such as BCC and TBCC (products manufactured by DJ Heritage over the past few years) in other regions, in particular the PRC. With a view to support the development of DJ Heritage, and recognising the superior quality of the Products manufactured by the Dongjiang Group, Heritage has been sourcing the Products from the Dongjiang Group since 2005.

As approximately 50% of the Products sold under the Sales Agreement will be exported, the Sales Agreement provides an opportunity to the Dongjiang Group to penetrate the overseas market, especially the North America. The Sales Agreement could also expand the customer base of the Dongjiang Group.

LISTING RULES IMPLICATIONS

The Company and Heritage entered into a joint venture agreement on 16 December 2003 and jointly established a limited liability company in the PRC, DJ Heritage, which were 62% held by the Company and 38% held by Heritage and Heritage subsequently transferred its shares of DJ Heritage to its 100% owned company named Heritage Technologies Asia Limited in December 2008. Accordingly, Heritage is a connected person of the Company under the GEM Listing Rules and the Sales Agreement constitutes a continuing connected transaction of the Company under chapter 20 of the GEM Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio and the equity capital ratio which are not applicable) of the annual caps of the Continuing Connected Transactions exceed 2.5%, the Continuing Connected Transactions is therefore subject to the reporting, announcement and shareholders' approval requirements pursuant to Rules 20.45 to 20.48 of the GEM Listing Rules. Furthermore, the Company will also comply with the annual review requirements under the GEM Listing Rules 20.37 to 20.40.

An Independent Board Committee comprising Mr. Ye Ru Tang, Mr. Hao Ji Ming and Mr. Liu Xue Sheng has been established to advise the Shareholders as to whether the terms of the Sales Agreement are fair and reasonable so far as the Shareholders are concerned. The Company has appointed the Independent Financial Adviser for the purposes of advising the Independent Board Committee and the Shareholders regarding the Sales Agreement and the related annual caps.

Save as disclosed herein this circular, neither Heritage nor its shareholders, directors or their respective associates currently holds any shares in the Company and therefore no Shareholders have any material interest in the Sales Agreement. As such, none of the Shareholders will be required to abstain from voting at the EGM to approve the Sales Agreement and the relevant annual caps.

LETTER FROM THE BOARD

EGM

Set out in this circular is a notice convening the EGM which will be held at Office Units A, B, C, D and H, 16th Floor, Shenmao Commercial Center, 59 Xinwen Road, Futian District, Shenzhen, Guangdong Province, the PRC at 2:00 p.m. on Monday, 7 December 2009 for the purpose of considering and, if thought fit, passing an ordinary resolution to approve the Sales Agreement with the related annual caps. The notice of the EGM is set out on pages 22 to 23 of this circular.

The voting of the Shareholders at the EGM must be taken by way of poll. To the best knowledge of the Board, none of the Shareholders has a material interest in the Sales Agreement who will be required to abstain from voting at the EGM in respect of the resolutions relating to the Sales Agreement and the relevant annual caps. The Company will announce the results of the poll in the manner as prescribed under Rule 17.47(5) of the GEM Listing Rules.

Reply slip and form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed reply slip and form of proxy in accordance with the instructions printed thereon to the Company's share registrars, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event for the reply slip, before 17 November 2009, and for the proxy form, not less than 24 hours before the time appointed for the holding of the EGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) should you so wish.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,
On behalf of the Board
Zhang Wei Yang
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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 with limited liability)
(Stock Code: 8230)

20 October 2009

To the Shareholders

Dear Sir or Madam,

We have been appointed as the Independent Board Committee to advise you in connection with the Sales Agreement and the related annual caps, details of which are set out in the Letter from the Board contained in the circular to the Shareholders of the Company dated 20 October 2009 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having taken into account the terms of the Sales Agreement and the related annual caps, the principal factors and reasons considered by the Independent Financial Adviser and its advice in relation thereto as set out on pages 10 to 15 of the Circular, we are of the opinion that the Sales Agreement and the related annual caps, are in the interests of the Company and the Shareholders as a whole and that the terms of the Sales Agreement, are on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned. **We therefore recommend that you vote in favour of the ordinary resolution to be proposed at the EGM to approve the Sales Agreement and the related annual caps.**

Yours faithfully,

Ye Ru Tang

Hao Ji Ming

Liu Xue Sheng

Independent non-executive Director Independent non-executive Director Independent non-executive Director

* *For identification purpose only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter received from the Independent Financial Adviser setting out its opinion to the Independent Board Committee and the Shareholders in this circular.

CHANCETON CAPITAL
川盟融資有限公司
CHANCETON CAPITAL PARTNERS LIMITED

Chanceton Capital Partners Limited
Suite 3306-12 33/F Shui On Centre,
6-8 Harbour Road, Wanchai, Hong Kong

20 October 2009

*To the Independent Board Committee
and to the Shareholders*

Dear Sirs and Madams,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Shareholders in relation to the Continuing Connected Transactions, details of which are contained in the “Letter from the Board” (the “Letter”) contained in the circular to the Shareholders dated 20 October 2009 (the “Circular”), of which this letter forms part. Capitalised terms used herein shall have the same meanings as defined in the Circular.

On 29 September 2009, the Company announced that the Company entered into the Sales Agreement with Heritage in respect of the Continuing Connected Transactions.

The Company and Heritage entered into a joint venture agreement on 16 December 2003 and jointly established a limited liability company in the PRC, DJ Heritage, which were 62% held by the Company and 38% held by Heritage and Heritage subsequently transferred its shares of DJ Heritage to its 100% owned company named Heritage Technologies Asia Limited in December 2008. Accordingly, Heritage is a connected person of the Company under the GEM Listing Rules and entering into the Sales Agreement constitutes a continuing connected transaction of the Company under chapter 20 of the GEM Listing Rules.

As the relevant percentage ratios (other than the profits ratio and the equity capital ratio which are not applicable) calculated with the aggregate annual amount of the Continuing Connected Transactions are expected to exceed 2.5%, pursuant to Rules 20.45 to 20.48 of the GEM Listing Rules, the Continuing Connected Transactions are subject to the reporting, announcement and independent shareholders’ approval requirements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all three independent non-executive Directors, namely Mr. Ye Ru Tang, Mr. Hao Ji Ming and Mr. Liu Xue Sheng, has been established to consider the terms of the Sales Agreement and the transactions contemplated thereunder and to advise the Shareholders as to whether the terms of the Agreements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

We, Chanceton Capital Partners Limited, have been appointed to advise the Independent Board Committee and the Shareholders as to whether or not the terms of the Sales Agreement are fair and reasonable and are in the interests of the Shareholders and the Company so far as the Shareholders are concerned.

BASES AND ASSUMPTION OF THE ADVICE

We have relied on the information and facts supplied, and the opinions expressed by the Directors, which we have assumed to be true and accurate at the time they were made and continue to be true and accurate at the date of the despatch of the Circular and shall continue to be true, accurate and complete at the date of the EGM. In formulating our advice, we have reviewed the information of the Company including, inter alia, the annual report of the Company for the year ended 31 December 2008 and its interim report for the six months ended 30 June 2009, the monthly sales report of the Products sold to the Heritage Group by the Company for the year ended 31 December 2007 and 2008 and the seven months ended July 2009, the price of Products, the Sales Agreement and the budgets prepared by the management in relation to the Continuing Connected Transactions. We have been advised by the Directors that no material facts have been omitted from the information supplied and opinions expressed by them. We have been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors or that any material facts have been omitted or withheld. We have not, however, conducted an independent in-depth investigation into the businesses and affairs of the Dongjiang Group.

Our opinion is necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations and opinions made available to us as of, the Latest Practicable Date. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Shareholders as to whether or not the terms of the Sales Agreement are fair and reasonable and are in the interests of the Shareholders and the Company so far as the Shareholders are concerned, we have taken the following principal factors and reasons into consideration:

THE REASONS FOR, AND BENEFITS OF, THE CONTINUING CONNECTED TRANSACTIONS

As mentioned in the Letter, the Dongjiang Group principally engaged in (i) the collection, detoxification and recycle of industrial wastes and sale of recycle products; (ii) the provision of environmental services; and (iii) the development of environmental protection-related products. Heritage is principally engaged in recycle of etchant, which is an industrial waste generated from the circuit board manufacturing industry, and the provision of improved traditional copper nutritional supplements to the live stock industry in the US.

According to the management of the Company, due to the relocation of PCB manufactures away from the US which has in turn decreased the domestic supply of copper-containing wastes in the US in recent years, the production volume of TBCC in the US by the Heritage Group has dropped. As such, the Heritage Group started to source Products such as BCC and TBCC (products manufactured by DJ Heritage over the past few years) in other regions, in particular the PRC, with a view to support the development of DJ Heritage, and recognising the superior quality of the Products manufactured by the Dongjiang Group, Heritage has been sourcing the Products from the Dongjiang Group since 2005.

As stated in the Letter, as approximately 50% of the Products sold under the Sales Agreement will be exported, the Sales Agreement provides an opportunity to the Dongjiang Group to penetrate the overseas market, especially the North America. We concur with the Directors that it would be in the interest of the Company and its shareholders as a whole to continue with the established cordial relationship with the Heritage Group. In view of the long established business relationship with the Heritage Group during the past years of cooperation and that the Sales Agreement could expand the customer base of the Dongjiang Group and diversity its source of income geographically, we consider that the entering into the Sales Agreement is in the interest of the Company and the Shareholders as a whole.

TERMS OF THE SALES AGREEMENT

Pricing Mechanism

As stated in the Letter, the price of the Products under the Sales Agreement will be agreed upon by the parties and will be the current fair market values taking into account of the quality level, global market prices of the similar products, shipping rates and import/export tax.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Upon inquires to the Directors, we noted that the selling price of Products between the Dongjiang Group and the Heritage Group is determined on an order-by-order basis after arm's length negotiations and is based on the current fair market prices of similar quality. When there is no open market price for the Products (such as BCC and TBCC) as there is no unique and transparent market or exchange where the Products are traded, each order price is determined after taking into account of the monthly average copper price as quoted on the Shanghai Futures Exchange, prices of copper containing supplement such as copper sulfate and the degree of the copper concentration of the Products.

We considered that as advised by the Director, copper is a major component in the Products. The Directors advise that Products produced by the Dongjiang Group contains around 55% to 58% copper concentration. Due to the high concentration of copper in Products and the absence of the open market price of Products, we considered that it is reasonable for the Dongjiang Group to price Products sold to the Heritage Group with reference to, among other things, the open market price of copper. Therefore, a large extent of the selling price of the Products sold to Heritage Group will be determined with reference to the open market price of copper pursuant to the pricing mechanism discussed above. We have examined the monthly sale record prepared by the Dongjiang Group illustrating the sales by the Dongjiang Group to other independent customers and noticed that the pricing of such sales to independent customers were also based on the similar price mechanism of the Sales Agreement. Given pricing mechanism imposed on the sales to the Heritage Group is similar to that has been imposed on the sales to other independent customers, we consider that the price of Products sold to the Heritage Group is no less favorable to the Dongjiang Group than those available from other independent customers.

Settlement

According to the Sales Agreement, the sale of Products will be pay within one month after delivery. We have inspected the samples of sales contracts of similar Products by the Dongjiang Group to other independent customers and note that the above settlement terms are comparable to that to other independent customers of the Dongjiang Group.

Based on the above, we concur with the Directors that the Sales Agreement is entered into in the ordinary course of business of the Company and is based on normal commercial terms. On the basis that (i) the Sales Agreement is entered in the ordinary course of business of the Company and is based on normal commercial terms; (ii) the Directors confirmed that the price and settlement terms of Products offered by the Dongjiang Group to the Heritage Group is no more favourable than those offered to other independent customers; and (iii) the pricing mechanism offered by the Dongjiang Group to the Heritage Group and other independent customers are similar, we consider that the Continuing Connected Transactions will be entered into on terms no more favourable to the Heritage Group than those available to other independent customers of the Dongjiang Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASES OF THE RELATED ANNUAL CAPS

According to the Circular, the cap amounts of the Continuing Connected Transactions commencing from 1 December 2009 and ending on 30 November 2012 will not exceed the following amounts:

From 1 December 2009 to 31 December 2009	RMB20 million
From 1 January 2010 to 31 December 2010	RMB189 million
From 1 January 2011 to 31 December 2011	RMB208 million
From 1 January 2012 to 30 November 2012	RMB220 million

In determining the annual caps in relation to the Continuing Connected Transactions, we understand that the Directors have considered a number of factors including: (i) the previous gross sales from products sold by DJ Heritage to the Heritage Group during the period from 2007 to 2009 under the Previous Sales Agreement, (ii) the existing scale of operations of the Heritage Group and the anticipated growth of the business of the Dongjiang Group, and (iii) the recent prices of similar products in the market.

We have discussed with the management on the basis and assumptions to the forecast and we noted that the business outlook and prospects of industrial wastes treatment and sales of environmental protection-related products of the global market are positive. As stated in the annual report of the Company for year 2008, the income from solid waste treatment and disposal of Dongjiang Group sustained a 112.16% increase compared to its 2007 level. Over 1,000 new customers were acquired during the financial year 2008.

We noted that as the result of the financial tsunami where the global market has experienced a significant downturn, the monthly gross sales to the Heritage Group has been lower than the previous year in the first half of 2009. However, as stated in the interim report 2009 of the Company, Dongjiang Group has record a growth of over 70% and over 250% in the Group's revenues and net profits respectively for the second quarter of 2009 as compared to that of the first quarter of 2009. It indicated a significant rebound of the business of the Dongjiang Group and also signified the recovery of global demand of environmental products.

On the basis of the above-mentioned factors illustrating a recovery and the buoyant mood in the global demand of the Group's environmental products, the management budgeted monthly sales to the Heritage Group is estimated to be 500 tons for the year 2010. The management of the Company, having considered the recent rebound in the business of the global market, has assumed a 10% growth and a 15% growth for the year 2011 and 2012 respectively. We have discussed with the management and noted that the management have implemented a strategy of strengthening the geographical expansion and deployment of industrial waste treatment business and invested more resources in developing customer base of service which will have a positive impact on general business growth and also the sales growth to the Heritage Group and we are of the view that the growth rate assumption is reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted that the latest price of similar Products sold by the Dongjiang Group and we also noted that the management has provisioned a buffer of 15% due to costs variation due to factors such as inflation, the prices of copper and other raw materials. Prices of copper and other raw materials have increased substantially over the past few years and we are of the view that the buffer of 15% is justifiable. Having considered the above and having reviewed the internal management forecasts prepared by the Dongjiang Group, we considered the proposed cap amounts of the Continuing Connected Transactions commencing from 1 December 2009 and ending on 30 November 2012 are justifiable and is in the interest of the Company and the Shareholders as a whole.

REGULATIONS OF THE PROPOSED ANNUAL CAPS IN RELATION TO THE CONTINUING CONNECTED TRANSACTIONS

The proposed annual caps of the Sales Agreement will be subject to the annual review by the independent non-executive Directors, details of which must be included in the Company's subsequent published annual report and accounts. In addition, pursuant to the GEM Listing Rules, the auditors of the Company must provide a letter to the Board confirming, among others, that the Continuing Connected Transactions are conducted in accordance with their terms and that the relevant annual caps not being exceeded. Moreover, pursuant to the GEM Listing Rules, the Company shall publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or its auditors will not be able to confirm the terms of such transactions or the relevant annual caps not being exceeded. We are of the view that there are appropriate measures in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Shareholders.

RECOMMENDATION

Having considered that (i) the Sales Agreement represents a continuation with the established cordial relationship with the Heritage Group, (ii) the Continuing Connected Transactions could expand the customer base of the Company and diversify its source of income geographically, (iii) the Sales Agreement is entered in the ordinary course of business of the Company and is based on normal commercial terms, (iv) pricing mechanism imposed on the sales to the Heritage Group is similar to that has been imposed on the sales to other independent customers, (v) the proposed Caps are justifiable and is in the interest of the Company and the Shareholders as a whole, we consider the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and that the terms of the Sales Agreement and the related annual caps are on normal commercial terms and are fair and reasonable so far as the Company and the Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend the Shareholders to vote in favour of the ordinary resolution to be approved at the EGM.

Yours faithfully
For and on behalf of

Chanceton Capital Partners Limited

Johnny Wong
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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: (i) the information contained in this circular is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this circular misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

Name	Capacity	Number and class of shares	Approximately percentage of shareholding in relevant class of securities	Approximately percentage of shareholding in the entire share capital of the Company
Mr. Zhang Wei Yang	Beneficial Owner	233,651,966 domestic shares (L)	51.98%	37.24%
Mr. Li Yong Peng	Interest of a controlled corporation (<i>Note 2</i>)	35,389,750 domestic shares (L)	7.87%	5.64%
Mr. Chen Shu Sheng	Interest of a controlled corporation (<i>Note 3</i>)	30,781,384 domestic shares (L)	6.85%	4.91%

Notes:

- (1) The letter "L" denotes the party/entity's long interests in the shares of the Company.
- (2) These shares are held by Shenzhen Fang Yuan Petrochemical Industries Co., Ltd., 90% of which is owned by Mr. Li Yong Peng.
- (3) These shares are held by Shenzhen Wen Ying Trading Limited, 90% of which is owned by Mr. Chen Shu Sheng.

Save as disclosed therein, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Stock Exchange and the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

(b) Substantial Shareholders' and other persons' interests in shares and underlying shares of the Company

As at the Latest Practicable Date, so far as is known to the Directors, supervisors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of the issued share capital of the Company carrying rights to vote in all circumstances at general meetings of any member of the Dongjiang Group or are required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name of shareholder	Capacity	Number and class of shares	Approximately percentage of shareholding in relevant class of securities	Approximately percentage of shareholding in the entire share capital of the Company
Shanghai New Margin Venture Capital Co., Ltd (<i>Note 2</i>)	Beneficial owner	61,566,558 domestic shares (L)	13.70%	9.81%
Shenzhen Fang Yuan Petrochemical Industries Co., Ltd., (<i>Note 3</i>)	Beneficial owner	35,389,750 domestic shares (L)	7.87%	5.64%
Shenzhen Wen Ying Trading Limited (<i>Note 4</i>)	Beneficial owner	30,781,384 domestic shares (L)	6.85%	4.91%
Ms. Cai Hong	Beneficial owner	28,232,184 domestic shares (L)	6.28%	4.50%
China Environmental Fund 2002, LP	Beneficial owner	11,500,000 H shares (L)	6.46%	1.83%
Leading Environmental Solutions and Services	Interest of a controlled corporation (<i>Note 5</i>)	11,500,000 H shares (L)	6.46%	1.83%

Notes:

1. The letter “L” denotes the party/entity’s long interests in the shares of the Company.
2. Shanghai New Margin Venture Capital Co., Ltd is owned as to 25% by The Foundation of Science and Technology for Development of the State Planning Committee, State Economic and Trade Commission and China Science Academy, a state-owned entity, as to 25% by Shanghai Alliance Investment Ltd., a state-owned enterprise and as to 50% equally held by Motorola (China) Investments Limited, Kingland Overseas Development Inc. and Asiagrowth Investments Limited. To the best knowledge of the Directors, these five companies are independent of and not connected with the directors, chief executive, substantial shareholder or management shareholder of the Company or an associate of any of them.
3. These shares are held by Shenzhen Fang Yuan Petrochemical Industries Co., Ltd., 90% of which is owned by Mr. Li Yong Peng.
4. These shares are held by Shenzhen Wen Ying Trading Limited, 90% of which is owned by Mr. Chen Shu Sheng.
5. Leading Environmental Solutions and Services owns approximately 76.92% of China Environment Fund 2002, LP, which holds 11,500,000 H shares of the Company. To the best knowledge of the Directors, these parties are independent of and not connected with the directors, chief executive, substantial shareholders or management shareholders of the Company or an associate of any of them.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other person (other than the Directors and chief executive of the Company) who has interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the registered required to be kept by the Company under Section 336 of the SFO.

3. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of the Director, the management Shareholders and their respective associates has interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Dongjiang Group which falls to be disclosed under the GEM Listing Rules.

4. DIRECTOR’S SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors has any existing or proposed contract of service with any member of the Dongjiang Group which is not expiring or terminable within one year without payment of compensation (other than statutory compensation).

5. MATERIAL ADVERSE CHANGE

Save as disclosed herein, there has been no material adverse change in the financial or trading position of the Dongjiang Group since 31 December 2008, being the date to which the Dongjiang Group’s latest published audited accounts were made up.

6. EXPERT'S CONSENT AND QUALIFICATION

The following is the qualification of the professional adviser who has given opinion or advice which is contained in this circular:

Name	Qualification
Chanceton Capital Partners Limited	A licensed corporation for type 6 regulated activity under the SFO

Chanceton Capital Partners Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and all references to its name in the form and context in which they appear.

As at the Latest Practicable Date, Chanceton Capital Partners Limited was not beneficially interested in the share capital of any member of the Dongjiang Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Dongjiang Group nor did it have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Dongjiang Group.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and so far as the Directors are aware, no litigation or claims of material importance are pending or threatened by or against the Company or any of its subsidiaries.

8. MISCELLANEOUS

- (a) There is no contract or arrangement entered into by any member of the Dongjiang Group subsisting at the date hereof in which any Director is materially interested and which is significant in relation to the business of the Dongjiang Group.
- (b) None of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of or leased to, or which are proposed to be acquired, disposed of or leased to, the Company or any of its subsidiaries since 31 December 2008, the date to which the latest published audited accounts of the Dongjiang Group were made up.
- (c) The secretary of the Company is Mr. Lo Wah Wai, an associate member of The Institute of Chartered Secretaries and Administrators and an associate member of the Hong Kong Institute of Company Secretaries.
- (d) The compliance officer of the Company is Mr. Zhang Wei Yang, the chairman of the Company.

- (e) The registered office of the Company is situated at Office Units A, B, C, D and H, 16th Floor, Shenmao Commercial Center, 59 Xinwen Road, Futian District, Shenzhen, Guangdong Province, The PRC.
- (f) The share registrars of the Company is Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (g) The Company has established an audit committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules. The audit committee is mainly responsible for overseeing the Company's internal audit system and its implementation; reviewing the Company's financial information and its disclosure; reviewing the Company's internal control system; auditing major connected transactions; and communication, supervision and verification of the Company's internal and external audit. The audit committee comprises the independent non-executive Directors, namely Ye Ru Tang, Hao Ji Ming and Liu Xue Sheng.

YE Ru Tang (葉如棠), aged 69, is an independent non-executive director of the Company graduated from Tsinghua University majoring in architectonics in 1965. From 1985 to 2000, he has acted as Minister of The Ministry of Urban-Rural Construction and Environment Protection, the PRC and Deputy Minister of the Ministry of Construction, the PRC, Mr. Ye has been Vice Director Member of the Ninth and Tenth Committee of Environment and Resource Protection of the National People's Congress (the "NPC") from February 2001 to March 2008, and the Standing Member of the NPC from March 2003 to March 2008. Mr. Ye is now the Vice Chamber of the China International Institute of Multinational Corporations, honorary director of Architectural Society of China. He is also a director of Youngor Group Co.,Ltd. (listed on the Shanghai Stock Exchange (Stock Code: 600177)). Saved as disclosed above, Mr. Ye did not hold any directorship held in listed public companies in the last three years and he does not hold any other position in the Dongjiang Group.

HAO Ji Ming (郝吉明), aged 62, is an independent non-executive director of the Company and an academician of the Chinese Academy of Engineering. Mr. Hao graduated from the Water Supply and Sewage Engineering Department of Tsinghua University in 1970 with a bachelor degree. In 1984, Mr. Hao obtained a doctorate degree in Environment Engineering Department from the University of Cincinnati, US. Since 1970, Mr. Hao has been working at Tsinghua as lecturer, professor and the Dean of the Environment Science and Engineering Department. He is now the director of the Research Institute of Environmental Science and Engineering of Tsinghua University. Mr. Hao did not hold any directorship held in listed public companies in the last three years and he does not hold any other position in the Dongjiang Group.

LIU Xue Sheng (劉雪生), aged 45, is an independent non-executive director of the Company and a Certificated Public Accountant of the PRC. Mr. Liu graduated from Jiangxi University of Finance & Economics with a bachelor degree in 1989 and graduated from Shanghai University of Finance & Economics majoring in accounting and obtained a master degree in economics in 1992. From 1992 to 1999, Mr. Liu worked as an accountant with 華僑城集團 (the OTC Group). Since 1999, Mr. Liu has been working with Shenzhen Institute of Certified Public Accountants (“AICPA”) and is the Deputy Secretary General of the AICPA. Mr. Liu did not hold any directorship held in listed public companies in the last three years and he does not hold any other position in the Dongjiang Group.

- (h) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) at Office Units A, B, C, D and H, 16th Floor, Shenmao Commercial Center, 59 Xinwen Road, Futian District, Shenzhen, Guangdong Province, the PRC from the date of this circular up to and including 7 December 2009 and at the EGM:

- (a) the letter from Chanceton Capital Partners Limited, the text of which is set out on pages 10 to 15 of this circular;
- (b) the written consent from Chanceton Capital Partners Limited referred to in paragraph 6 of this appendix;
- (c) the letter of recommendation from the Independent Board Committee to the Shareholders, the text of which is set out on page 9 of this circular; and
- (d) the Sales Agreement.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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 with limited liability)

(Stock Code: 8230)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Shenzhen Dongjiang Environmental Company Limited (the "Company") will be held at Office Units A, B, C, D and H, 16th Floor, Shenmao Commercial Center, 59 Xinwen Road, Futian District, Shenzhen, Guangdong Province, the PRC on Monday, 7 December 2009 at 2:00 p.m. for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

- (1) the Sales Agreement entered into between the Company and Heritage Technologies, LLC (copies of which have been produced to this meeting and marked "A" and signed by the Chairman in this meeting for the purpose of identification)), be and are hereby approved, confirmed and ratified; and

the maximum aggregate annual value arising from the continuing connected transactions under the Sales Agreement for a term of three years commencing from 1 December 2009 and ending 30 November 2012, to be as following:

From 1 December 2009 to 31 December 2009	RMB20 million
From 1 January 2010 to 31 December 2010	RMB189 million
From 1 January 2011 to 31 December 2011	RMB208 million
From 1 January 2012 to 30 November 2012	RMB220 million

be and are hereby approved and confirmed.

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

Shenzhen, the PRC, 20 October 2009

* *For identification purpose only*

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered Office:

Office Units A, B, C, D and H
16th Floor, Shenmao Commercial Center
59 Xinwen Road
Futian District, Shenzhen
Guangdong Province
The PRC

Notes:

- (a) The register of members of the Company in Hong Kong will be closed from Saturday, 7 November 2009 to Monday, 7 December 2009 (both days inclusive) during which period no transfer of shares can be effected. For the identification of Shareholders who are qualified to attend and vote at the EGM, all transfer document accompanied by the relevant share certificates must be lodged with the H Shares registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (for holder of H Shares) and with the Company's registered office at Units A, B, C, D and H, 16th Floor, Shenmao Commercial Center, 59 Xinwen Road, Futian District, Shenzhen, Guangdong Province, PRC (for holders of Domestic Shares) not later than 4:00 p.m. on Friday, 6 November 2009.
- (b) A form of proxy for use at the meeting is enclosed herewith. In the case of a joint holding, the form of proxy may be signed by any joint holder, but if more than one joint holder is present at the meeting, whether in person or by proxy, that one of the joint holders whose name stands first on the register of members in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.
- (c) In order to be valid, the proxy form must be deposited by hand or post, for holders of H Shares, to the Company's H Shares registrar of the Company at Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong and, for holders of Domestic Shares, to the registered address of the Company at Units A, B, C, D and H, 16th Floor, Shenmao Commercial Center, 59 Xinwen Road, Futian District, Shenzhen, Guangdong Province, PRC not less than 24 hours before the time for holding the EGM. If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form.
- (d) Shareholders and their proxies should produce identity proof when attending the EGM.
- (e) The EGM is not expected to last for more than half a day. Shareholders and their proxies shall be responsible for their own traveling and accommodation expenses for attending the meeting.

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