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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

On 4 March 2010, Dongjiang Veolia, a non-wholly owned subsidiary of the Company in which the Company beneficially holds 51% equity interest, entered into the Waste Treatment Agreement with SHWTS. As SHWTS beneficially holds 50% equity interest in Shenzhen Resource, SHWTS is a connected person of the Company under the GEM Listing Rules and the Waste Treatment Agreement constitutes continuing connected transactions of the Company under the GEM Listing Rules.

As applicable percentage ratios in respect of the aggregate value of the annual cap of the Waste Treatment Agreement is less than 2.5%, the Waste Treatment Agreement is only subject to the reporting and announcement requirements under the GEM Listing Rules and is exempt from the independent shareholders' approval requirements pursuant to the GEM Listing Rules.

INTRODUCTION

The Previous Waste Treatment Agreement was entered into on 30 April 2009 between Dongjiang Veolia, a non-wholly owned subsidiary of the Company, in which the Company beneficially holds 51% equity interest, and SHWTS, pursuant to which Dongjiang Veolia provided waste treatment services to SHWTS. The details of the Previous Waste Treatment Agreement had been disclosed in the announcement of the Company dated 30 April 2009.

THE WASTE TREATMENT AGREEMENT

Principal terms

As the Previous Waste Treatment Agreement expired on 31 December 2009, the Company announces that on 4 March 2010, Dongjiang Veolia entered into the Waste Treatment Agreement with SHWTS, pursuant to which SHWTS has engaged Dongjiang Veolia to provide waste treatment services for wastes such as waste organic solvent, waste printing ink, waste paint and other wastes, at a term commencing from 4 March 2010 and ending on 31 December 2010. Pursuant to the Waste Treatment Agreement, the price payable by SHWTS for the waste treatment services will be determined with reference to prevailing market prices

charged by Dongjiang Veolia in line with those of services of the same kind offered to the Independent Third Parties.

Reasons for the Waste Treatment Agreement

Dongjiang Veolia is engaged in treatment and disposal of hazardous wastes through methods of incineration, stabilization and security landfill. SHWTS is engaged in hazardous waste treatment and disposal. SHWTS, incidental to its ordinary and normal business, collected large quantities of waste chemicals. Such waste chemicals must be treated and disposed properly under the Environmental Protection Law of the PRC. Dongjiang Veolia has the necessary permits and licenses, and the facilities and technological standard to be engaged in the treatment of these chemical wastes and the Waste Treatment Agreement is in the ordinary and usual course of business of the Dongjiang Veolia and the Group.

Proposed annual cap and its basis

The proposed annual cap of RMB10 million (equivalent to HK\$ 11.4 million) under the Waste Treatment Agreement for the year ending 31 December 2010 was determined with reference to (i) the prevailing market rates charged by Dongjiang Veolia for similar services offered to the Independent Third Parties; (ii) the expected transaction volume and value; and (iii) the forecasted demand of SHWTS. The Directors are of the view that such annual cap allows buffer when business opportunities arise for Dongjiang Veolia.

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

GEM LISTING RULES IMPLICATIONS

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

The applicable percentage ratios in respect of the aggregate value of the annual cap of the Waste Treatment Agreement is less than 2.5%, the Waste Treatment Agreement is only subject to the reporting and announcement requirements under the GEM Listing Rules and is exempt from the independent shareholders' approval requirements under the GEM Listing Rules. Details of the transactions will be included properly in the next published annual report and accounts of the Company.

GENERAL

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

DEFINITIONS

“Board”	the board of Directors
“Company”	Shenzhen Dongjiang Environmental Company Limited, a joint stock limited company established in the PRC with limited liability
“Directors”	director(s) of the Company
“Dongjiang Veolia”	惠州東江威立雅環境服務有限公司(Huizhou Dongjiang Veolia Environmental Services Company Limited*), a non-wholly owned subsidiary of the Company in which the Company beneficially holds 51% equity interest
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Parties”	a party who, together with its ultimate beneficial owner(s), to the best knowledge, information and belief of the Directors after having made all reasonable enquiries, is not a connected person of the Company and is also independent of the Company and its connected persons
“PRC”	the People’s Republic of China
“Previous Waste Treatment Agreement”	the agreement dated 30 April 2009 entered into between Dongjiang Veolia and SHWTS in relation to the provision of waste treatment services
“RMB”	Renminbi, the lawful currency of the PRC
“Shenzhen Resource”	深圳市萊索思環境技術有限公司(Shenzhen Resource Environmental Technology Company Limited*), a joint venture company established in Shenzhen, the PRC, in which 50% owned by the Company and 50% owned by SHWTS

“SHWTS”	深圳市危險廢物處理站有限公司 (Shenzhen Hazardous Waste Treatment Station Company Limited*)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Waste Treatment Agreement”	the agreement dated 4 March 2010 entered into between Dongjiang Veolia and SHWTS in relation to the provision of waste treatment services

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

Shenzhen, Guangdong Province, the PRC
4 March 2010

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

This announcement, for which the Directors 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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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

** For identification purpose only*

For the purpose of this announcement, conversion of RMB into HK\$ or vice versa has been calculated by using an exchange rate of RMB1 to HK\$1.14.