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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)

CONNECTED TRANSACTIONS
ACQUISITION OF EQUITY INTERESTS IN
NON-WHOLLY OWNED SUBSIDIARIES OF THE COMPANY

On 21 January 2010, the Company and Lisai Development entered into the Dongjiang Lisai Agreement in which the Company will acquire 29% of equity interest in Dongjiang Lisai from Lisai Development. Dongjiang Lisai is a non-wholly owned subsidiary of the Company in which the Company beneficially currently holds a 51% equity interest.

On 11 December 2009, the Company and Mr. Tang entered into the Shaoguan Green Agreement in which the Company will acquire 10% of equity interest in Shaoguan Green from Mr. Tang. Shaoguan Green is a non-wholly owned subsidiary of the Company in which the Company beneficially currently holds a 50% equity interest.

Lisai Development is a substantial shareholder of Dongjiang Lisai and is therefore a connected person of the Company. As such, the Dongjiang Lisai Agreement constitutes a connected transaction of the Company under the Listing Rules. As each of the applicable percentage ratios under Chapter 20 of the GEM Listing Rules is less than 2.5%, the Dongjiang Lisai Agreement is only subject to the reporting and announcement requirements under the GEM Listing Rules and is exempt from the independent shareholders' approval requirements of the GEM Listing Rules.

Mr. Tang is a substantial shareholder of Shaoguan Green and is therefore a connected person of the Company. As such, the Shaoguan Green Agreement constitutes a connected transaction of the Company under the Listing Rules. As each of the applicable percentage ratios under Chapter 20 of the GEM Listing Rules is less than 2.5%, the Shaoguan Green Agreement is only subject to the reporting and announcement requirements under the GEM Listing Rules and is exempt from the independent shareholders' approval requirements of the GEM Listing Rules.

* For identification purpose only

(1) THE DONGJIANG LISAI AGREEMENT

Date: 21 January 2010

Vendor: Lisai Development

Purchaser: the Company

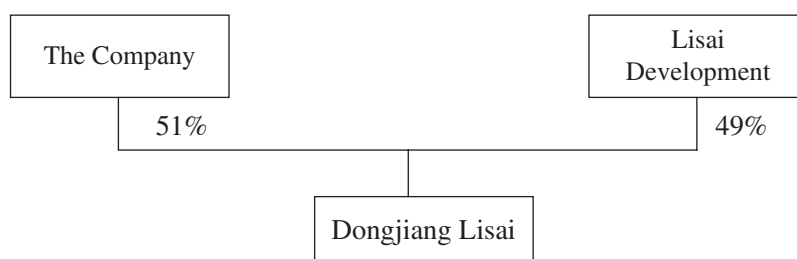
Subject matter: 29% of equity interest in Dongjiang Lisai

Consideration: RMB4,705,102.04 (approximately HK\$5,363,816.33) which will be satisfied in cash. The consideration of RMB1,800,000 (approximately HK\$2,052,000) will be payable by the Company within 15 days after the execution of the Dongjiang Lisai Agreement and the remaining balance of RMB2,905,102.05 (approximately HK\$3,311,816.34) within 15 days after the completion of the registration of the equity transfer under the Dongjiang Lisai Agreement.

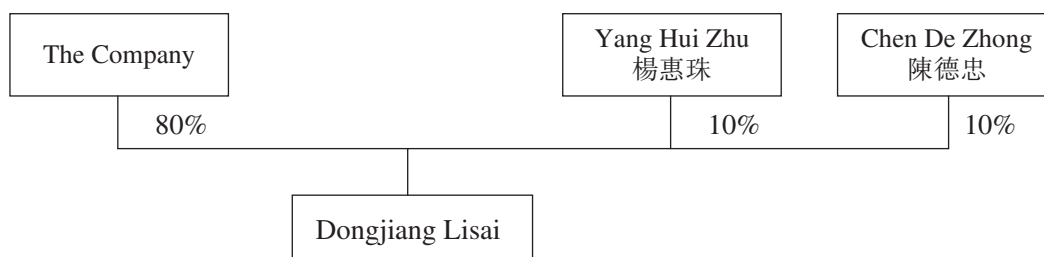
INFORMATION ON DONGJIANG LISAI

Dongjiang Lisai is a company established in the PRC with limited liability between the Company and Lisai Development and was established in May 2008 for the purpose of development and management of Shenzhen Baoan Lao Hu Keng Landfill Methane Utilization Clean Development Mechanism Project (“Lao Hu Keng CDM Project”). The shareholding structure of Dongjiang Lisai before and upon completion of the Dongjiang Lisai Agreement is as follows:

Before completion of the Dongjiang Lisai Agreement:



Upon completion of the Dongjiang Lisai Agreement (to the best of knowledge and information to the Directors, Lisai Development has sold 20% interest of Dongjiang Lisai to other two persons, being Ms. Yang Hui Zhu (楊惠珠) and Mr. Chen De Zhong (陳德忠) at the same time)



Based on the unaudited management accounts of Dongjiang Lisai prepared under generally accepted accounting principles in the PRC, the total assets of Dongjiang Lisai as at 31 January 2010 amounted to approximately RMB4.56 million (approximately HK\$5.20 million) and the net asset value attributable to the shareholders of Dongjiang Lisai as at 31 January 2010 amounted to approximately RMB3.46 million (equivalent to approximately HK\$3.94 million). Dongjiang Lisai has not officially commenced its operation yet as at the date of this announcement and its profit and loss accounts for the financial period ended 31 January 2010 comprised of immaterial administrative expenses.

REASONS FOR ENTERING INTO THE DONGJIANG LISAI AGREEMENT

In September 2007, the Group successfully bid for Lao Hu Keng CDM Project and Dongjiang Lisai was established to implement the Lao Hu Ken CDM Project, which is the Group's second project for methane utilization and is also the first CDM project. Its implementation can help the Group in raising its competitiveness in the renewable energy business and can also provide an advantage for the Group for obtaining similar projects in the future. The Directors consider that the Lao Hu Ken CDM Project will further expand the Company's business scale and competitive advantages in the fields of methane utilization and CDM. Therefore, the Directors consider that the enhancement of ownership and control in the Dongjiang Lisai would be beneficial for the Group. Dongjiang Lisai is a non-wholly owned subsidiary of the Company as at the date of this announcement. The financial results of Dongjiang Lisai will be continued to be consolidated into the Group as a subsidiary upon completion of the Dongjiang Lisai Acquisition.

The Directors (including the independent non-executive directors of the Company) are of the view that the Dongjiang Lisai Agreement and the transaction contemplated thereunder have been entered into, and will be carried out on normal commercial terms which are fair and reasonable and in the interests of the Group and its shareholders as a whole.

BASIS OF CONSIDERATION

The consideration was arrived at after arm's length negotiations between the Company and Lisai Development after taking into account of the assets and the total investments of each parties, the strategic plans of the Company, the future prospects of Dongjiang Lisai.

(2) THE SHAOGUAN GREEN AGREEMENT

Date: 11 December 2009

Vendor: Mr. Tang

Purchaser: The Company

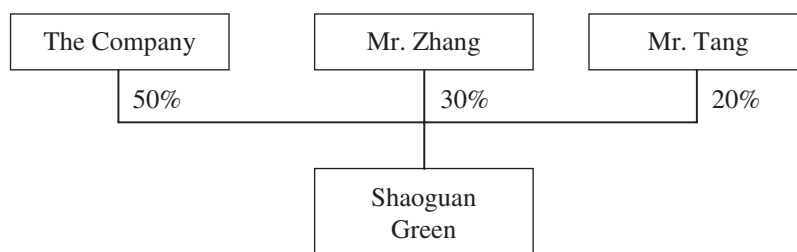
Subject matter: 10% of equity interest in Shaoguan Green

Consideration: RMB17.8 million (approximately HK\$20.29 million) which will be satisfied in cash. The consideration of RMB7.0 million (approximately HK\$8.0 million) will be payable by the Company within 5 days after the execution of the Shaoguan Green Agreement and the remaining balance of RMB10.8 million (approximately HK\$12.3 million) within 10 days after the completion of the registration of the equity transfer under the Shaoguan Green Agreement.

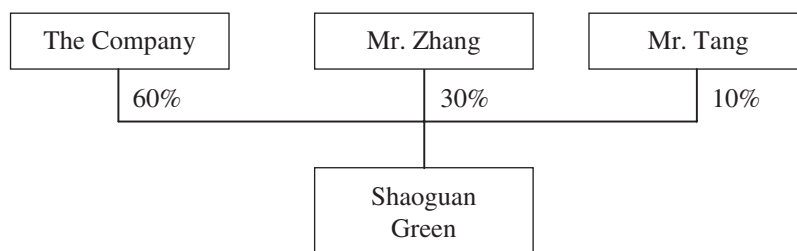
INFORMATION ON SHAOGUAN GREEN

Shaoguan Green is a company established in the PRC with limited liability between the Company, Mr. Zhang and Mr. Tang and was established for the purpose of development and management of the North Guangdong Hazardous Waste Treatment and Disposal Center, details of which is disclosed in the announcement of the Company dated 30 November 2007. The shareholding structure of Shaoguan Green before and upon completion of the Shaoguan Green Agreement is as follows:

Before completion of the Shaoguan Green Agreement:



Upon completion of the Shaoguan Green Agreement:



Based on the unaudited management accounts of Shaoguan Green prepared under generally accepted accounting principles in the PRC, the total assets of Shaoguan Green as at 31 January 2010 amounted to approximately RMB309.0 million (approximately HK\$352.3 million) and the net asset value attributable to the shareholders of Shaoguan Green as at 31 January 2010 amounted to approximately RMB135.4 million (equivalent to approximately HK\$154.4 million). Shaoguan Green has not officially commenced its operation yet as at the date of this announcement and its profit and loss accounts for the financial period ended 31 January 2010 comprised of immaterial administrative expenses.

REASONS FOR ENTERING INTO THE SHAOGUAN GREEN AGREEMENT

Solid waste (including hazardous waste) treatment and disposal is a key area of business for the Group to develop. The Group has been and will continue to establish more treatment and disposal facilities to enlarge its waste treatment capability as part of the strategic planning of the Group. Therefore, further investment in the equity interest of Shaoguan Green is in line with the Group's development strategy, and will greatly enhance the Group's overall competitive strengths and provides an opportunity for the Group to further expand the solid waste treatment business in Guangdong region. Shaoguan Green is a non-wholly owned subsidiary of the Company as at the date of this announcement. The financial results of Shaoguan Green will be continued to be consolidated into the Group as a subsidiary upon completion of the Shaoguan Green Agreement.

The Directors (including the independent non-executive directors of the Company) are of the view that the Shaoguan Green Agreement and the transaction contemplated thereunder have been entered into, and will be carried out on normal commercial terms which are fair and reasonable and in the interests of the Group and its shareholders as a whole.

BASIS OF CONSIDERATION

The consideration was arrived at after arm's length negotiations between the Company and Mr. Tang after taking into account of the assets and the total investments of each parties, the strategic plans of the Company, the future prospects of Shaoguan Green.

CONNECTED TRANSACTIONS

Lisai Development is a substantial shareholder of Dongjiang Lisai and is therefore a connected person of the Company. As such, the Dongjiang Lisai Agreement constitutes a connected transaction of the Company under the Listing Rules. As each of the applicable percentage ratios under Chapter 20 of the GEM Listing Rules is less than 2.5%, the Dongjiang Lisai Agreement is only subject to the reporting and announcement requirements under the GEM Listing Rules and is exempt from the independent shareholders' approval requirements of the GEM Listing Rules.

Mr. Tang is a substantial shareholder of Shaoguan Green and is therefore a connected person of the Company. As such, the Shaoguan Green Agreement constitutes a connected transaction of the Company under the Listing Rules. As each of the applicable percentage ratios under Chapter 20 of the GEM Listing Rules is less than 2.5%, the Shaoguan Green Agreement is only subject to the reporting and announcement requirements under the GEM Listing Rules and is exempt from the independent shareholders' approval requirements of the GEM Listing Rules.

During the course of preparation of financial statements for the year ended 31 December 2009, it has come to the Company's attention that the Dongjiang Lisai Agreement and the Shaoguan Green Agreement has been entered into with the counter parties respectively on 21 January 2010 and 11 December 2009. As at the date of this announcement, both the Dongjiang Lisai Agreement and the Shaoguan Green Agreement has not been completed. However, owing to the misunderstanding of the Company's staffs, the Company failed to comply with the announcement requirements under the GEM Listing Rules in respect of the Dongjiang Lisai Agreement and the Shaoguan Green Agreement when they were being entered into.

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 Lisai”	Shenzhen Dongjiang Lisai Renewable Energy Limited* (深圳市東江利賽再生能源有限公司), established under the laws of PRC and a 51% owned subsidiary of the Company
“Dongjiang Lisai Agreement”	the agreement dated 21 January 2010 entered into between the Company and Lisai Development in relation to the purchase and sale of 29% equity interest of Dongjiang Lisai
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on the GEM
“Group”	The Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Lisai Development”	Shenzhen Lisai Development Limited* (深圳市利賽實業發展有限公司), established under the laws of PRC and a substantial shareholder of Dongjiang Lisai
“Mr. Tang”	Mr. Tang* (唐孝觀), a substantial shareholder of Shaoguan Green
“Mr. Zhang”	Mr. Zhang* (張國顏), a substantial shareholder of Shaoguan Green
“PRC”	The People’s Republic of China

“Shaoguan Green”	Shaoguan Green Recycling Resource Development Company Limited* (韶關綠然再生資源發展有限公司), a company established under the PRC with limited liability
“Shaoguan Green Agreement”	the agreement dated 11 December 2009 entered into between the Company and Mr. Tang in relation to the purchase and sale of 10% equity interest of Shaoguan Green
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

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

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

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.