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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

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 GEM 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 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 2009, together with the comparative figures of the year ended 31 December 2008 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 RMB'000	2008 RMB'000
Turnover	3	**930,654**	823,371
Cost of sales		**(625,019)**	(500,638)
Gross profit		**305,635**	322,733
Other income	5	**36,965**	19,572
Selling and distribution costs		**(33,378)**	(42,154)
Administrative expenses		**(123,430)**	(121,182)
Other operating expenses		**(10,451)**	(16,816)
Finance costs		**(17,756)**	(15,812)
Share of results of associates		**(277)**	(10)
Share of result of a jointly controlled entity		**(1,350)**	–
Profit before tax	6	**155,958**	146,331
Income tax expenses	7	**(24,534)**	(36,186)
Profit for the year		**131,424**	110,145
Other comprehensive (loss) income			
Exchange differences arising on translation		**(8)**	944
Total comprehensive income for the year, net of tax		**131,416**	111,089
Profit for the year attributable to:			
Owners of the Company		**116,154**	106,477
Minority interests		**15,270**	3,668
		131,424	110,145
Total comprehensive income attributable to:			
Owners of the Company		**116,146**	107,421
Minority interests		**15,270**	3,668
		131,416	111,089
Earnings per share – basic and diluted	9	**RMB0.1851**	RMB0.1697

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Notes	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment		**462,214**	299,794
Investment properties		**51,468**	3,727
Prepaid lease payments		**47,541**	38,561
Goodwill		**26,884**	33,884
Concession intangible assets		**241,718**	192,405
Intangible assets		**362**	309
Interests in associates		**–**	277
Interests in a jointly controlled entity		**42,550**	–
Available-for-sale investment		**1,800**	1,800
Prepayment for acquisition of property, plant and equipment		**34,161**	59,318
Deposit paid for acquisition of additional interests in a subsidiary		**7,000**	–
Other non-current assets		**92,158**	57,421
Deferred tax assets		**10,866**	10,184
		1,018,722	697,680
Current assets			
Inventories		**140,476**	30,881
Prepaid lease payments		**1,055**	848
Amounts due from customers for contract works		**28,811**	21,502
Trade and other receivables	*10*	**258,994**	191,094
Investments held for trading		**6,111**	3,022
Amount due from a jointly controlled entity		**17,443**	–
Pledged bank deposits		**31,240**	20,814
Bank balances and cash		**212,459**	226,879
		696,589	495,040

	Notes	2009 *RMB'000*	2008 *RMB'000*
Current liabilities			
Trade and other payables	*11*	**198,129**	136,726
Amounts due to customers for contract works		**719**	686
Derivative financial instruments		**447**	–
Income tax payable		**17,790**	16,713
Obligations under finance leases		**3,475**	3,318
Interest-bearing bank borrowings		**317,037**	233,000
		537,597	390,443
Net current assets		**158,992**	104,597
Total assets less current liabilities		**1,177,714**	802,277
Non-current liabilities			
Deferred revenue		**53,863**	47,029
Obligations under finance leases		**5,459**	7,757
Interest-bearing bank borrowings		**316,700**	77,500
Provision		**541**	–
Deferred tax liabilities		**3,676**	306
		380,239	132,592
Total net assets		**797,475**	669,685
Capital and reserves			
Share capital		**62,738**	62,738
Reserves		**565,252**	449,106
Equity attributable to owners of the Company		**627,990**	511,844
Minority interests		**169,485**	157,841
Total equity		**797,475**	669,685

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Attributable to owners of the Company								
	Share capital *RMB'000*	Share premium *RMB'000*	Reserve funds *(Note ii)* *RMB'000*	Translation reserve *RMB'000*	Retained earnings *RMB'000*	Dividend reserve *RMB'000*	Total *RMB'000*	Minority interests *RMB'000*	Total equity *RMB'000*
At 1 January 2008	62,738	30,309	61,630	(394)	250,140	–	404,423	65,369	469,792
Profit for the year	–	–	–	–	106,477	–	106,477	3,668	110,145
Other comprehensive income for the year	–	–	–	944	–	–	944	–	944
Total comprehensive income for the year	–	–	–	944	106,477	–	107,421	3,668	111,089
Contribution from minority shareholders	–	–	–	–	–	–	–	17,428	17,428
Disposal of a subsidiary	–	–	–	–	–	–	–	(293)	(293)
Adjustment to acquisition consideration *(Note i)*	–	–	–	–	–	–	–	2,500	2,500
Acquisition of subsidiaries	–	–	–	–	–	–	–	69,169	69,169
Transfer from retained earnings	–	–	9,529	–	(9,529)	–	–	–	–
At 31 December 2008 and 1 January 2009	62,738	30,309	71,159	550	347,088	–	511,844	157,841	669,685
Profit for the year	–	–	–	–	116,154	–	116,154	15,270	131,424
Other comprehensive loss for the year	–	–	–	(8)	–	–	(8)	–	(8)
Total comprehensive income for the year	–	–	–	(8)	116,154	–	116,146	15,270	131,416
Contribution from minority shareholders	–	–	–	–	–	–	–	390	390
Deregistration of a subsidiary	–	–	–	–	–	–	–	(216)	(216)
Dividend paid to minority shareholders	–	–	–	–	–	–	–	(3,800)	(3,800)
Transfer from retained earnings	–	–	3,067	–	(3,067)	–	–	–	–
Proposed 2009 final dividend	–	–	–	–	(31,369)	31,369	–	–	–
At 31 December 2009	62,738	30,309	74,226	542	428,806	31,369	627,990	169,485	797,475

Note:

i) 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 had confirmed that the payment of the proposed dividend would 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 would be adjusted upwards by RMB2,500,000 and net assets attributable to minority shareholder of Shenzhen Resource was increased by RMB2,500,000. During the year ended 31 December 2009, the Company had paid the additional consideration of RMB2,500,000 to the then minority shareholders.

ii) Pursuant to the relevant laws and regulations, the Group's subsidiaries established and operated in the People's Republic of China ("PRC") are required to appropriate at the discretion of their board of directors at least 10% of their after-tax net profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of the registered capital, any further appropriation is optional. The transfer to this reserve must be made before distribution of a dividend to equity owners.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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 addresses of the registered office and principal place of business of the Company are 1st Floor, 3rd Floor, North of 8th Floor, 9th Floor, 10th Floor, 11th Floor, 12th Floor, Dongjiang Environmental Building, No.9 Langshan Road, North Zone of Hi-tech Industrial Park, Nanshan District, Shenzhen.

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

The principal activities of the Group are processing and sale of recycled products, provision of waste treatment services, construction and provision of environmental system and services, production of renewable energy and trading of chemical products.

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

In the current year, the Group has applied the following new and revised standards, amendments to standards and interpretations ("INTs") (herein collectively referred to as ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning of after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
Hong Kong Accounting Standard ("HKAS 1") (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-INT 9 & HKAS39 (Amendments)	Embedded derivatives
HK(IFRIC) - INT 13	Customer Loyalty Programmes
HK(IFRIC) - INT 15	Agreements for the Construction of Real Estate
HK(IFRIC) - INT 16	Hedges of a Net investment in a Foreign Operation
HK(IFRIC) - INT 18	Transfer of Assets from Customers

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) - Presentation of Financial Statements
HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 7 - Improving Disclosures about Financial Instruments
The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

HKFRS 8 - Operating Segments
HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

New and revised HKFRSs affecting the reporting results and/or financial position

HKAS 23 (Revised 2007) - Borrowing costs
In previous year, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all the borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. The Group has applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009 in accordance with the transitional provisions in HKAS 23 (Revised 2007). As the revised accounting policy has been applied prospectively from 1 January 2009, this change in accounting policy has not resulted in restatement of amounts reported in respect of prior accounting periods.

In the current year, borrowing costs of RMB6,487,000 were capitalised as part of the cost of construction in progress.

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)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC)-INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC)-INT 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-INT 19	Extinguishing Financial Liabilities with Equity Instruments[5]

[1] Effective for annual periods beginning on or after 1 July 2009.
[2] Amendments those are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1 January 2010.
[4] Effective for annual periods beginning on or after 1 February 2010.
[5] Effective for annual periods beginning on or after 1 July 2010.
[6] Effective for annual periods beginning on or after 1 January 2011.
[7] Effective for annual periods beginning on or after 1 January 2013.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combinations for which the acquisition date is on or after the beginning of the first 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.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of *HKAS 39 Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of *HKFRS 9* might affect the classification and measurement of the Group's financial assets.

In addition, as part of *Improvements to HKFRSs (2009),* HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to *HKAS 17*, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. TURNOVER

Turnover represents the net amounts received and receivables for processing and sale of recycled products, provision of waste treatment services, construction and provision of environmental services, production of renewable energy, and trading of chemical products by the Group to outside customers, less trade discounts during the year.

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

	2009	2008
	RMB'000	*RMB'000*
Processing and sale of recycled products	**511,206**	540,348
Collection, treatment and disposal of industrial waste	**142,753**	105,006
Collection treatment and disposal of municipal waste	**86,394**	18,752
Construction and provision of environmental services	**148,346**	128,048
Generation of renewable energy	**22,007**	8,769
Trading of chemical products	**19,948**	22,448
	930,654	823,371

4. SEGMENT INFORMATION

The Group has adopted *HKFRS 8 Operating Segments* with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard *(HKAS 14 Segment Reporting)* required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In prior years, segment information reported externally was analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions (i.e, processing and sale of recycled products, provision of waste treatment services, construction and provision of environmental system and services, production of renewable energy, and trading of chemical products). However, information reported to the chief operating decision maker is more specifically focused on the category of customer for each type of goods and services. The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

(a)	Processing and sale of recycled products	Processing and sale of recycled products
(b)	Provision of waste treatment services	Collection, processing treatment and disposal of industrial waste as well as solid waste landfill
(c)	Construction and provision of environmental system and services	Construction contract work as a main contractor or subcontractor in respect of environmental services, such as design and construction of environmental projects; operation of environment protection facilities, assessment of environmental impact, environment monitor and consulting
(d)	Production of renewable energy	Operation of methane-to-energy power plants
(e)	Trading of chemical products	Sales of chemical products in the PRC

Information regarding the above segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

Segment information about these reportable segments is presented below:

For the year ended 31 December:

SEGMENT REVENUE AND RESULTS

	Processing and sale of recycled products		Provision of waste treatment service		Construction and provision of environmental system and services		Production of renewable energy		Trading of chemical products		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue												
External sales	**511,206**	540,348	**229,147**	123,758	**148,346**	128,048	**22,007**	8,769	**19,948**	22,448	**930,654**	823,371
Segment results	**97,480**	167,687	**66,174**	28,234	**(1,879)**	(12,553)	**7,428**	(9,867)	**2,147**	(4,232)	**171,350**	169,269
Unallocated operating income and expenses											**(13,765)**	(22,928)
Share of results of associates											**(277)**	(10)
Share of results of a jointly controlled entity											**(1,350)**	–
Profit before tax											**155,958**	146,331
OTHER SEGMENT INFORMATION												
Amounts included in the measure of segment profit or loss or segment assets:												
Addition to non-current assets *(note)*	**155,085**	148,208	**85,655**	43,213	**100,258**	24,733	**14,441**	31,207	**302**	387	**355,741**	247,748
Allowance for bad and doubtful debts of other receivables	**2,137**	–	**–**	214	**6,797**	238	**–**	–	**–**	–	**8,934**	452
Allowance for bad and doubtful debts of trade receivables	**2,918**	503	**446**	19	**–**	47	**–**	–	**–**	–	**3,364**	569
Allowance for slow-moving inventories	**–**	3,992	**–**	–	**–**	–	**–**	–	**–**	–	**–**	3,992
Amortisation of intangible assets	**12**	–	**34**	35	**6**	45	**–**	–	**–**	–	**52**	80
Amortisaion of concession intangible assets	**–**	–	**13,890**	5,734	**–**	–	**–**	–	**–**	–	**13,980**	5,734
Depreciation of property, plant and equipment and amortisation of prepaid lease payments	**16,567**	15,107	**11,920**	15,633	**2,594**	2,832	**6,276**	75	**146**	113	**37,503**	32,760

	Processing and sale of recycled products		Provision of waste treatment service		Construction and provision of environmental system and services		Production of renewable energy		Trading of chemical products		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Loss on deregistration of a subsidiary	**600**	–	**–**	–	**–**	–	**–**	–	**–**	–	**600**	–
Impairment loss on goodwill	**7,000**	–	**–**	–	**–**	–	**–**	–	**–**	–	**7,000**	–
Impairment loss on property, plant and equipment	**–**	6,164	**–**	–	**–**	–	**–**	–	**–**	–	**–**	6,164
Unrealised loss of derivative financial instruments	**447**	–	**–**	–	**–**	–	**–**	–	**–**	–	**447**	–
Recovery of allowance for bad and doubtful debts of other receivables	**–**	(350)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(350)
Reversal of write down of inventories	**(3,534)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(3,534)**	–
(Gain) loss on disposal of property, plant and equipment	**(166)**	(786)	**(142)**	–	**(240)**	(48)	**–**	–	**5**	(10)	**(543)**	(844)
Gain on disposal of a subsidiary	**(3,768)**	–	**–**	–	**–**	(278)	**–**	–	**–**	–	**(3,768)**	(278)
Recovery of allowance for bad and doubtful debts of trade receivables	**–**	(382)	**–**	–	**–**	(376)	**–**	–	**–**	–	**–**	(758)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:												
Interests in associates	**–**	277	**–**	–	**–**	–	**–**	–	**–**	–	**–**	277
Interests in a joint controlled entity	**42,550**	–	**–**	–	**–**	–	**–**	–	**–**	–	**42,550**	–
Share of results of associates	**277**	10	**–**	–	**–**	–	**–**	–	**–**	–	**277**	10
Share of result of a jointly controlled entity	**1,350**	–	**–**	–	**–**	–	**–**	–	**–**	–	**1,350**	–
Impairment loss on investment in an associate	**–**	392	**–**	–	**–**	–	**–**	–	**–**	–	**–**	392
Bank interest income	**(1,007)**	(1,112)	**(416)**	(315)	**(332)**	(476)	**(42)**	(58)	**(8)**	(18)	**(1,805)**	(1,979)
Interest expense	**4,959**	2,044	**5,744**	5,310	**7,053**	8,458	**–**	–	**–**	–	**17,756**	15,812
Income tax expenses	**14,359**	25,031	**1,850**	2,280	**8,325**	8,875	**–**	–	**–**	–	**24,534**	36,186

Note: Non-current assets exclude financial instruments and deferred tax assets.

Segment profit (loss) represents the profit earned by/loss from each segment without allocation of central administration costs, fair value change in investment properties, change in fair value of investment held for trading, rental income, gain on disposal of investment held for trading, gain on disposal of subsidiaries, directors' and supervisors' salaries, share of results of associates and a jointly controlled entity, bank interest income and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

At 31 December

	Processing and sale of recycled products		Provision of waste treatment service		Construction and provision of environmental system and services		Production of renewable energy		Trading of chemical products		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
ASSETS												
Segment assets	**531,307**	328,899	**388,684**	326,236	**273,061**	211,860	**158,443**	50,061	**7,322**	8,961	**1,358,817**	926,017
Unallocated assets											**356,494**	266,703
Consolidated total assets											**1,715,311**	1,192,720
LIABILITIES												
Segment liabilities	**53,691**	58,174	**90,545**	78,733	**96,601**	46,887	**14,526**	7,747	**7,270**	3,975	**262,633**	195,516
Unallocated liabilities											**655,203**	327,519
Consolidated total liabilities											**917,836**	523,035

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments, other than interest in associates, investment properties, interests in a jointly controlled entity, available-for-sale investment, deferred tax assets, investment held for trading and bank balances and cash.

- all liabilities are allocated to reportable segments, other than current and deferred tax liabilities and bank borrowings.

Geographical information

Over 90% of the Group's turnover and results were derived from the PRC and at the end of reporting period, over 90% of the non-current assets other than financial instruments and deferred tax assets of the Group were located in the PRC. Accordingly, no geographical information is presented for the year.

Information about major customer

Turnover from customer of the corresponding year contributing over 10% of the total turnover of the Group are as follows:

	2009 *RMB'000*	2008 *RMB'000*
Customer A[1]	**141,691**	N/A[2]

1 Revenue from processing and sale of recycled products.

2 The corresponding turnover did not contribute over 10% of the total turnover of the Group in the respective year.

5. OTHER INCOME

	2009 *RMB'000*	2008 *RMB'000*
Government subsidies *(note 1)*	**11,844**	–
Government grants *(note 2)*	**8,283**	10,663
Increase in fair value of investment held for trading	**5,811**	–
Gain on disposal of subsidiaries	**3,768**	278
Increase in fair value of investment properties	**2,237**	–
Bank interest income	**1,805**	1,979
Interest income from a jointly controlled entity	**54**	–
Gain on disposal of property, plant and equipment	**543**	844
Net rental income (less: direct outgoings of RMB89,000 (2008: nil))	**132**	142
Gain on disposal of investment held for trading	**93**	2,245
Recovery of allowance for bad and doubtful debts of trade receivables	**–**	758
Recovery of allowance for bad and doubtful debts of other receivables	**–**	350
Gain on disposal of prepaid lease payments	**–**	53
Others	**2,395**	2,260
	36,965	19,572

Notes:

1. Pursuant to Cai Shui [2008] No. 157 issued by the State Council, the Company is subject to value-added tax ("VAT") at a rate of 17% on sales of renewable products, and is granted VAT refund of 70% of the actual VAT paid for the year ended 31 December 2009.

2. Included in government grants were government subsidies of RMB1,926,000 (2008: nil) on research and development of environmental projects and construction services under the concession arrangement which were transferred from deferred revenue during the year. The remaining government grants were received from several local government authorities for the Group's contribution to the environment protection, of which there are no unfulfilled conditions or contingencies relating to those grants.

6. PROFIT BEFORE TAX

	2009	2008
	RMB'000	*RMB'000*
Profit before tax has been arrived at after charging (crediting):		
Staff costs including directors' emoluments:		
– Salaries, wages and other benefits	**72,438**	57,783
– Retirement benefits scheme contributions	**6,647**	6,539
Total staff costs	**79,085**	64,322
Allowance for bad and doubtful debts of other receivables (included in administrative expenses)	**8,934**	452
Allowance for bad and doubtful debts of trade receivables (included in administrative expenses)	**3,364**	569
Allowance for slow-moving inventories (included in cost of sales)	**–**	3,992
Amortisation of intangible assets (included in other operating expenses)	**52**	80
Amortisation of prepaid lease payments	**894**	711
Amortisation of concession intangible assets (included in cost of sales)	**13,980**	5,734
Auditor's remuneration	**600**	500
Decrease in fair value of investment properties	**–**	169
Cost of inventories recognised as an expense	**572,939**	446,686
Decrease in fair value of investment held for trading	**–**	6,911
Depreciation of property, plant and equipment	**36,609**	32,049
Loss on deregistration of a subsidiary	**600**	–
Impairment loss on goodwill (included in other operating expenses)	**7,000**	
Impairment loss on investment in an associate	**–**	392
Impairment loss on property, plant and equipment (included in other operating expenses)	**–**	6,164
Minimum lease payments under operating leases: office premises, plant and staff quarters	**5,264**	5,565
Realised loss of derivative financial instruments	**2,386**	–
Research and development costs	**10,961**	10,735
Unrealised loss of derivative financial instruments	**447**	–
Reversal of write down of inventories (included in cost of sales)	**(3,534)**	–

7. INCOME TAX EXPENSES

	2009	2008
	RMB'000	*RMB'000*
Hong Kong Profits Tax		
– Current	**–**	6
PRC Enterprise Income Tax		
– Current	**29,169**	37,135
– (Over) under-provision in prior years	**(7,323)**	160
	21,846	37,295
Deferred taxation		
– Current	**834**	397
– Attributable to changes in tax rate	**1,854**	(1,512)
	2,688	(1,115)
	24,534	36,186

The change in tax rates was arising from the concessionary tax rate granted by the tax authority in the PRC.

The Company was subject to the PRC enterprise income tax at a rate of 15% (2008: 18%) as the Company was classified as new technology enterprise.

The subsidiaries located in the Shenzhen Special Economic Zone are subject to the PRC enterprise income tax at a rate of 20% (2008: 18%).

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT" Law) and Implementation Regulation of the EIT Law, the tax rate of the other PRC subsidiaries is ranging from 20% to 25% from 1 January 2008 onwards.

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 Dongjiang Environmental Renewable Energy Limited 深圳市東江環保再生能源有限公司 and Hui Zhou Dong Jiang Weiliya Environmental services Limited 惠州東江威立雅環境服務有限公司 are exempted from PRC enterprise income tax for two years from the date of generation of taxable income and followed by a 50% tax reduction for the next three years. One subsidiary, Shao Guan Green Recycling Resource Development Co. Ltd. 韶關綠然再生資源發展有限公司, is exempted from PRC enterprise income tax for three years from the date of generation of taxable income and followed by a 50% tax deduction for the next three years.

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. No tax is payable on the profit for the year ended 31 December 2009 arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

Hong Kong Profits Tax has been provided for the subsidiary in Hong Kong at 16.5% on the estimated assessable profits for the year ended 31 December 2008.

8. DIVIDENDS

The final dividend of RMB0.05 per share has been proposed by the Board and is subject to approval by the shareholders in the forthcoming annual general meeting of the Company (2008: nil).

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the profit for the year attributable to owners of the Company of approximately RMB116,154,000 (2008: RMB106,477,000), and the weighted average of approximately 627,382,000 (2008: approximately 627,382,000) ordinary shares in issue during the year.

Diluted earnings per share was same as basic earnings per share for the two years ended 31 December 2009 as there were no diluting events existed during both years.

10. TRADE AND OTHER RECEIVABLES

	2009	2008
	RMB'000	*RMB'000*
Trade receivables	**121,065**	75,794
Bills receivable	**690**	1,788
Less: allowance for bad and doubtful debts	**(11,668)**	(10,685)
	110,087	66,897
Payment in advance to suppliers	**77,905**	54,805
Deposit and other receivables	**83,774**	74,230
Less: allowance for bad and doubtful debts	**(12,772)**	(4,838)
	258,994	191,094

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. The Group does not hold any collateral over trade receivables.

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

	2009	2008
	RMB'000	*RMB'000*
Within 90 days	**104,645**	55,603
91 to 180 days	**4,345**	6,716
181 to 365 days	**502**	3,027
Over 1 year	**595**	1,551
Total	**110,087**	66,897

11. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the end of reporting period, based on invoice date:

	2009	2008
	RMB'000	*RMB'000*
Current to 90 days	**75,445**	39,171
91 to 180 days	**1,686**	756
181 to 365 days	**2,563**	15,151
Over 1 year	**9,622**	15,406
	89,316	70,484
Advances from customers	**42,416**	21,078
Other payables	**39,903**	35,352
Accruals	**26,494**	9,812
	108,813	66,242
	198,129	136,726

12. COMMITMENTS

Capital commitments

	2009	2008
	RMB'000	*RMB'000*
Capital expenditure contracted, but not provided for in the consolidated financial statements in respect of:		
– Property, plant and equipment	**26,940**	34,555
– Construction in progress	**31,915**	45,418
– Concession intangible assets	**98,971**	–
– Establishment of an associate	**16,734**	–
	174,560	79,973

13. 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 2009 and 2008.

14. COMPARATIVE FIGURES

Reclassification of comparative figures have been made in respect of property, plant and equipment and other non-current assets to conform with current year's presentation, no consolidated statement of financial position as at 1 January 2008 has been represented as the reclassifications were related to the subsidiary acquired during the year ended 31 December 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2009, confronted with the global economic crisis and changes in market environment, the Group continued to further its adjustment policies and reinforce the management that focused on cost control, all of which have eased and defused the impact of the financial crisis. Meantime, with capitalizing on the opportunities brought about by the Chinese Government's economic stimulating package and industry restructuring policies, the Group accelerated its strategic transformation and revitalize its business gradually, finally realizing recovery growth in operating results. For the year ended 31 December 2009, the Group's turnover was increased by approximately 13.03% to RMB930,654,000 as compared to 2008, and the profit attributable to the equity holders of the Company increased by 9.09% to RMB116,154,000 as compared to 2008.

Industrial Waste Treatment and Disposal

Treatment and disposal of industrial wastes as the core business of the Group mainly include treatment, disposal and recylcing of various industrial wastes. In the first half of 2009, in order to address the rapidly changing economic situation and to coordinate the strategy of business transformation, the Group focused its efforts on geographical expansion and deployment of the upstream market of waste collection, intensified its input in developing the paid service oriented market and customer resources, which effectively weathered the unfavorable situation with customers' under-operating rate and reduced business volume. Along with the economic recovery in the second half of 2009, the Group, based on early-stage adjustment and integration of market, adhered to its thoughts of development in terms of integration of waste collection markets, kept enhancing market expansion, and gave full play to its overall synergistic advantage in qualification, disposal capability as well as operation management, resulting in an remarkable monthly increase in business volume. For the year ended 31 December 2009, the Group recorded a turnover of RMB142,753,000 in industrial waste treatment and disposal, representing an increase of approximately 35.95% as compared to 2008. The marketing team has developed over 1,300 new customers. With a scale development of customer basis, the Group has embarked on establishing a more effective customer management and service system to ensure a sustained improvement in services and promotion in brand strength.

During the year ended 31 December 2009, each treatment base of the Group was well operated. The Group's treatment base at Kunshan made a breakthrough in market expansion at the upper and lower stream and the volume of business maintained a strong growth which went on track for its development. For the year ended 31 December 2009, Kunshan Treatment Base recorded a turnover of RMB148,533,000, representing an increase of approximately 135.87% as compared with that of 2008. Guangdong Hazardous Waste Treatment Demonstration Center constantly optimized its functions and technical workmanship in its trial operation and has treated a total of approximately 28,000 tons of hazardous wastes and recorded a turnover of approximately RMB48,340,000. In addition, measures to broaden source of income and reduce expenditure, as well as measures to unearth potential and improve efficiency were implemented in each treatment base. Treatment costs were reduced effectively and the value of waste was maximized in each treatment base of the Group through innovative thinking and technological breakthrough whereby waste was used to treat waste. In respect of recycling business, the Group manage to tackle the risks of market fluctuation through flexible pricing policy and reasonable inventory arrangement. Meanwhile, we speed up the innovation of products and structure adjustment with an aim to create new recycling modes.

To cope with the expansion of the waste collection market and the growth for future business volume, the Group further increased its investment in waste treatment facilities during the year ended 31 December 2009. These included the completion of extension and construction on the facilities of the Shajing Treatment Base, which proceeded to the stage of trial operation and technical testing. It can improve its treatment ability of copper containing waste liquid and produce more types of recycled products including copper oxide, electroplating copper sulphate, ammonia chloride after putting into operation. The industrial waste treatment project at Langfang, Hebei province invested and built by Shenzhen Resource Environmental Technology Co., Ltd., a subsidiary of the Group, has commenced trial operation in the fourth quarter of 2009. This project will be able to treat approximately 30,000 tons of industrial waste per year after its formal operation. To expand its business scope and suit the new market environment, the Group adjusted timely the planning for Phase I Project of Qingyuan Treatment Base with a newly added disassembly demonstration line that can treat 10,000 tons of worn-out household appliance per year. In addition, the Group accelerated the planning work for Longgang hazardous waste treatment and disposal project and the construction of the hazardous waste treatment and disposal center in north Guangdong to put them into function as soon as possible.

The Group has been searching for new ways of waste treatment in recent years. In light of the international advanced waste management experience that proves the cement production process an effective method of waste treatment and disposal, the Group paid special attention to opportunities in this field and has acquire 50% interest of a cement company for an innovation plan on its traditional cement production facilities with our experience and technology in waste treatment to make them suitable for waste treatment and disposal and to realize fully use of resources. The Group will implement this project gradually in a most feasible way and believes that if it is successfully carried out, it will reduce the cost for waste treatment substantially, improve the disposal capability and further optimize the business chain of waste treatment and disposal and recycling.

Municipal Waste Treatment and Disposal

Municipal waste treatment and disposal is a newly established pillar business of the Group with main development fields including the treatment and disposal of domestic waste, the utilization of renewable energy and the development of Clean Development Mechanism ("CDM") project, the treatment and disposal of municipal sludge, construction waste and recylcing as well as the comprehensive utilization of kitchen waste. Currently, this business is in its early developmental stage, but it has opened up a sound situation in which all its projects are in smooth progress.

As to the business of municipal waste treatment and disposal, the municipal sludge treatment project that has already been put into operation is running well. In 2009, it has treated approximately 300,000 tons of sludge with a turnover of approximately RMB60,306,000. The construction for the landfill area of Hunan Shaoyang Domestic Waste Landfill, the Group's first domestic waste landfill project, has been completed and was qualified for receiving waste. Its supporting facilities including the infiltration treatment system is now under construction. In addition, the Company undertook the landfill, disinfection and sewage plant management for Shenzhen Xiaping garbage landfill ground for five months ended 31 December 2009 and has established a favorable situation for further expansion of operation management business for domestic waste treatment projects.

In 2009, the Group was proceeding well with business of application of renewable resources and CDM. Xiaping Landfill Gas Power Generation Project was operating extremely well with seven electricity generating units in full load operation and has contributed a turnover of approximately RMB22,007,000 for the year ended 31 December 2009, representing an increase of approximately 150.96% as compared to 2008. The Qingdao Landfill Gas Utilization Project ("Qingdao Project") has completed its major construction and installment and has been approved by the National Development and Reform Commission ("NDRC") as a CDM project, while the Lao Hu Keng project has also filed the relevant application with the NDRC. In addition, the latest progress the Group has made in the development of CDM projects includes the Chongqing Song Zao Coal Mine Ventilation Air Utilization Project which was carried out in cooperation with AES Corporation, one of the world's largest independent power generators. It is to reduce the greenhouse gas emission by capturing and eliminating methane contained in ventilation air discharged by coal bed through method of High Temperature Oxidation Technology. This project has been carried out in accordance to the CDM under the United Nations Framework Convention on Climate and is estimated to reduce the emission of greenhouse gas by 200,000 tons of carbon dioxide each year. The construction of this project was expected to commenced in the first quarter in 2010 and finished by the end of 2010.

Environmental Engineering and Services

To coordinate with the implementation of strategic transformation, the Group continued enhancing input and development of environment engineering and consulting services which mainly include such related services as design and construction of environment and municipal projects, operation of environment protecting facilities and assessment of environmental impact, environmental monitoring, and consulting, which had a turnover of RMB91,892,000 for the year ended 31 December 2009, increased by 17.65% compared with 2008.

The Group continued to capture the opportunity in the "Optimization and Upgrade Plan for Environmental Protection Facilities" led by government authorities and to assist its customers in implementing the upgrade of environmental protection facilities. Meanwhile, the waste water operation business got on track for a healthy development and turned losses into gains for the existing operation sites by adopting a more flexible and reasonable operation rate pricing mechanism. In addition, Beijing Novel Environmental Protection Co., Ltd, a subsidiary of the Group, continued to strengthen its advantageous businesses such as environmental evaluation, engineering design and operation, and broaden the scope of services. It signed up 107 projects in 2009 with a contract sum of approximately RMB57,893,000.

Research and Development

In 2009, the Group continued its research and development ("R&D") in its core business. In respect of new technology development, the R&D Center of the Group furnished ten new technology development reports such as *Research on Technology of Making Copper Oxide of High Purity and Reactivity from Copper-containing Waste* and *Research on Reclamation Technology of Heavy Metal-containing Sludge with Wet Metallurgy*. For technology management, we had, during the year ended 31 December 2009, 12 science and technology achievements which were passed expert authentication and registered for the same, including *Making Copper Oxide from Copper-containing Sludge and Waste Cupric Liquor, New Technology of Nitrogen-containing Wastewater Disposal in Circuit Board Factories, Collecting and Utilizing Technology of Landfill Gas in Domestic Waste Landfill Sites*, and so on. Because of its leading technology exploring level, the Company was certified as a national hi-tech enterprise and was supported by several specified science and technology development funds. Meanwhile, the Group accelerated the transformation from technology achievement to application, among others, the new technology research on recycling of cupric chloride etchant wastewater has entered its pilot phase and the application of which will have significant effect on the advancement of recycling technology and product structure adjustment of the Group.

To harmonize with business development of the Group, the Inspection Center of the Group is determined on talent team building and laboratory construction. In 2009, the Inspection Center re-planned and re-designed the function and layout of the laboratory with the addition of several large-scale analysis and detection instruments to upgrade the laboratory. In order to promote its inspecting capability and level, the inspection center has initiated its efforts to pass national laboratory certification and to further enlarge the quantitative certification. It is expected that the inspection to be broadened from general items like water and wastewater, air and exhaust gas, to such wider scopes as soil, solid waste and products.

Operation Management

In 2009, adhering to the philosophy of "Fine Management and Continuous Improvement" in inner management, the Group continually strengthened professional production and operation management and implemented and perfected the performance appraisal system to establish a more direct and effective incentive and result appraisal system, especially for the market development team, which was conducive to market and business development. In addition, in the light of the severe business situation in 2009, the Group has unfolded an all-out "Specialized Activity of Cost Control" since the beginning of 2009, which has yielded markedly results and helped form a sound sense of cost control, paving the way for further enhancement of operational effectiveness. In respect of human resources, the Group intensified team training continually and timely carried out qualification training in systems like technology, marketing, production, finance and administration and the like to meet the needs of business development.

In order to enhance the image of the Group and to promote the circulation and publicity of the shares of the Company, the proposed resolution in relation to making application to the China Securities Regulatory Commission (the "CSRC") for the proposed 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 Company has made the application regarding the Migration to the CSRC and has obtained the application acceptance letter from CSRC. Currently, the application is under the process of approval by CSRC.

Financial Review

Turnover

For the year ended 31 December 2009, the Group's turnover was increased by approximately 13.03% to approximately RMB930,654,000 as compared to 2008 (2008: approximately RMB823,371,000). The increase of turnover mainly results from the growth of businesses of waste treatment and disposal, renewable energy and environmental engineering and services. Due to the impact of the financial crisis, the turnover of recycled products decrease 5.39% compared to 2008.

Profit

For the year ended 31 December 2009, the Group's gross profit was decreased by approximately 5.30% to approximately RMB305,635,000 (2008: approximately RMB322,733,000). The decrease in gross profit was mainly due to the drop in the selling price of the recycled product.

For the year ended 31 December 2009, the Group's gross profit margin was approximately 32.84% (2008: approximately 39.20%). The decrease in gross profit margin was mainly due to decrease of the gross profit of sales of recycled products. The sold price of the Group's recycled products was affected substantially by the financial crisis resulting in a fast drop of the net profit margin. The Group took a series of measures to control the costs of raw materials and production, and finally maintained the gross profit margin above 30%.

For the year ended 31 December 2009, profit attributable to owners of the Company was increased approximately 9.09% to approximately RMB116,154,000 (2008: approximately RMB106,477,000). The increase was mainly because the Group strengthened the control of the cost during the year ended 31 December 2009. In addition, the Company was awarded as National High-tech Enterprise in 2009, as a result, the income tax rate was reduced to 15% (2008:18%).

Selling and Distribution Costs

For the year ended 31 December 2009, the Group's selling and distribution costs was approximately RMB33,378,000 (2008: approximately RMB42,154,000), representing approximately 3.59% (2008: approximately 5.12%) of the turnover.

Administrative Expenses

For the year ended 31 December 2009, the Group's administrative expenses was approximately RMB123,430,000 (2008: approximately RMB121,182,000), representing a approximately 13.26% (2008: approximately 14.72%) of the total turnover. The increase in the administrative expenses was is mainly because that more resources were put into the R&D in 2009 and several projects completed the construction and entered into the phase of trial run which caused more administrative expenses.

Finance Cost

For the year ended 31 December 2009, finance cost of the Group was approximately RMB17,756,000 (2008: approximately RMB15,812,000), representing approximately 1.91% (2008: approximately 1.92%) of the Group's turnover. The increase in finance cost was attributable to the net increased bank loans of RMB323,237,000 to finance the project investment of the Group.

Income Tax Expenses

For the year ended 31 December 2009, the Group's income tax expenses was approximately RMB24,534,000 (2008: approximately RMB36,186,000), representing approximately 15.73% of the Group's profit before tax (2008: approximately 24.73%). The decrease in income tax expenses was because the Company was awarded as National High-tech Enterprise in 2009; as a result, the income tax rate was reduced to 15% (2008:18%).

Financial Resources and Liquidity

As at 31 December 2009, the Group had net current assets of approximately RMB158,992,000 (2008: approximately RMB104,597,000), including bank balances and cash of approximately RMB243,699,000 (2008: approximately RMB247,693,000).

As at 31 December 2009, the Group had total liabilities of approximately RMB917,836,000 (2008: approximately RMB523,035,000). The Groups gearing ratio was approximately 53.51% (2008: approximately 43.85%) which is calculated based on the Groups total liabilities over total assets. The current liabilities of the Group was approximately RMB537,597,000 (2008: approximately RMB390,443,000). As at 31 December 2009, the Group had outstanding bank loans of approximately RMB633,737,000 (2008: approximately RMB310,500,000).

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.

Substantial Investments, Acquisitions and Disposals of Subsidiaries and Associates

(a) In April 2009, the Company invested RMB7,410,000 in the registered capital of a 95% owned subsidiary of the Company, namely Hunan Dongjiang Environmental Investment and Development Co., Ltd ("Hunan Dongjiang").

(b) In September 2009, to cope with the demand of the business structural adjustment, the Company disposed 100% equity interest of Shenzhen Lishan Environmental Protection Materials Co., Ltd at a consideration of RMB12,766,575.

(c) In October 2009, the Company invested RMB43,900,000 to acquire 50% interest in Huizhou Huiyang Shuangxin Cement Co., Ltd. ("Shuangxin Cement"). Shuangxin Cement mainly produce and sell the general cement. Investment to Shuangxin Cement was mainly for the purpose of implementing the business strategy of the Group of applying new technology on the traditional cement production to treat wastes.

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

At at 31 December 2009, certain assets of the Group were pledged to secure bank borrowings and letter of credit facilities granted to the Group, as follows:

	2009	2008
	RMB'000	*RMB'000*
Property, plant and equipment	**6,204**	–
Prepaid lease payments on land use rights	**–**	2,492
Bank deposits	**31,240**	20,814
Inventories	**94,981**	–
	132,425	23,306

Information on Employees

As at 31 December 2009, the number of full-time employees stood at 1,467 (2008: 1,140) with a total staff cost of approximately RMB79,085,000 (2008: approximately RMB64,322,000). 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 2009.

Capital Commitments

As at 31 December 2009, the Group had the following capital commitments:

	2009	2008
	RMB'000	*RMB'000*
Capital expenditure contracted, but not provided for in the consolidated financial statements in respect of:		
– Property, plant and equipment	**26,940**	34,555
– Construction in progress	**31,915**	45,418
– Concession intangible assets	**98,971**	–
– Establishment of an associate	**16,734**	–
	174,560	79,973

Future Prospects

In the future, the environmental industry, as an emerging industry with the brightest prospect, will be benefited by the economic growth of China and support from the government's policy for sustainable development and therefore the Company maintains a rapid development momentum. As a comprehensive professional environmental protection enterprise and a leader of the environmental protection industry in China, the Group is bound to be benefited by the rapid growth of this industry. The Group will take full advantage of the opportunities and adhere to the principle of "exerting advantages with best utilization of resources". By focusing on the two major business sectors of treatment and disposal of industrial and municipal solid waste, the Group will vigorously expand the market and source of income and seek development in projects with both steady revenue and promising prospect.

Meantime, the Group will proceed with its strategic transformation with an aim to enhance its comprehensive competence in providing environment related services. In the course of business and market expansion, the Group will attach importance to coordination between its business units and the integration of their resources to establish a corporate public information platform as well as the management system for customer relationship so as to realize the transformation of operation model and to establish the brand for a professional environmental service and enhance its overall competitiveness. In 2010, the Group will speed up the construction of its new project, improve its capability in waste treatment, seek to gain more concession and built-operation-transfer (BOT) projects and will continue to make substantial breakthrough in its inter-regional market expansion and operation management services through acquisition and merger to achieve a new phase of scaled development. To meet the demand of resource integration, the Group will carry on with the construction of information platform in 2010 to realize an overall improvement in the corporate operation efficiency as well as an effective integration and utilization of information.

In the coming year, the Group will constantly increase investment in R&D, push forward the transformation of scientific and technological results into benefits and establish a development mechanism for corporate innovation. “Medium-and-Long Term Strategic Development Plan for Technology” will be implemented in all aspects to provide technological support for marketing, production as well as service. On the other hand, cooperation and introduction of technology as well as R&D will be carried out in areas including the disassembling and intensive application of worn-out household appliance, the treatment and application of bio-waste, the treatment and utilization of mineral waste of heavy metal, development of new workmanship for renewable energy as well as the intensive treatment and recycling of industrial liquid waste. Technological engineering centers in various areas will be established and the cooperation in R&D with senior scientific research institutions will be encouraged. Efforts in talent introduction and training will be strengthened and an incentive mechanism of technicians as well as a management system for scientific and technological results will both be optimized. The group will build a research base to accelerate the transformation of technological results into benefits and enhance its technological innovation and core competitiveness.

In respect of corporate development, as the Group has conformed to the financial requirements for listing in the main board of the Stock Exchange, the Group will continue to advance the listing of the Company’s H shares to the main board from the GEM. It is believed that this will help promote the Group’s image and win a broader space for its development.

DIVIDENDS

The final dividend of RMB0.05 per share in respect of the year ended 31 December 2009 has been proposed by the Board and is subject to approval by the shareholders in annual general meeting (2008: nil).

BONUS ISSUE OF SHARES

The Board proposes to issue bonus shares to the shareholders of the Company whose names appear on the register of members of the Company as at a specified date to be decided on the basis of one bonus share for each existing share held by them (the “Bonus Issue”) by converting RMB31,369,093.6 in the capital reserve fund and by capitalizing RMB31,369,093.6 of distributable retained profits. The amount standing in the capital reserve fund account of the Company as at 31 December 2009 was approximately RMB104,535,000 and the remaining balance in the capital reserve fund account after the above proposed conversion will be approximately RMB73,166,000.

The completion of Bonus Issue is conditional upon the following:

(i) the passing of a special resolution to approve the Bonus Issue by the shareholders of the Company at each of the Company’s annual general meeting (the “AGM”) and separate class meetings for holders of domestic shares and H shares;

(ii) the approval of the Bonus Issue by the relevant governmental authorities of the People’s Republic of China (if necessary); and

(iii) the GEM Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new bonus H shares.

Based on the number of issued shares of the Company, being 627,381,872 shares (including 449,481,872 domestic shares and 177,900,000 H shares) of RMB0.10 each, upon completion of the Bonus Issue, an additional 627,381,872 new shares (including 449,481,872 new domestic shares and 177,900,000 new H shares) of RMB0.10 each shall be issued. In relation to the calculation of the number of new shares to be issued, the shareholders of the Company are hereby informed that the issue price for each new share shall be nominal vale of RMB0.10 each.

It is uncertain as to how prompt the approval of the Bonus Issue by the relevant authorities would be. Investors should exercise caution in their dealings in the securities of the Company.

Proposed Amendments to the Articles of Association

The Directors proposed that the articles of association of the Company be amended to reflect the increase in the registered capital and change in the share capital structure of the Company following the completion of the Bonus Issue.

Based on the number of shares in issue of the Company, being 627,381,872 shares (including 449,481,872 domestic shares and 177,900,000 H shares) of RMB0.10 each, upon completion of the Bonus Issue, the registered capital of the Company shall be increased from RMB62,738,187.2 to RMB125,476,374.4. The shareholding structure of the Company will be as follows: the total number of ordinary shares of the Company is 1,254,763,744, comprising of 898,963,744 domestic shares which represent 71.64% of the total number of issued shares of the Company, and 355,800,000 H shares which represent 28.36% of the total number of issued shares of the Company.

The coming into effect of such proposed amendments to the articles of association of the Company is conditional upon:

(i) the passing of a special resolution to approve the amendments by the shareholders of the Company at the AGM; and

(ii) the completion of the Bonus Issue.

CHANGE OF BOARD LOT SIZE

The Board has also resolved that, upon the Bonus Issue becoming effective, the board lot size for trading in the H shares will be changed from 10,000 H shares to 2,000 H shares. The Board expects that the reduced board lot size may improve the trading liquidity of the shares and enable the Company to attract more investors, thus broadening its shareholder base. The closing price per H share as at the date of this announcement was HK$5.00. Based on such closing price, the value of each board lot of H shares would be HK$10,000. The Directors expect that there will not be odd lots of H shares arising from the Bonus Issue and so odd lot matching services will not be provided.

PURCHASE, SALE AND REDEMPTION OF SECURITIES

Since the H shares of the Company commenced trading on GEM on 29 January 2003, neither the Company nor any of its subsidiaries has 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 2009.

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 the GEM Listing Rules.

AUDIT COMMITTEE

The Company has set up an audit committee (the "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 auditor, 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 control 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 2009 and has provided advice and comments thereon.

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

25 March 2010
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*