DONGJIANG ENVIRONMENTAL COMPANY LIMITED*

東江環保股份有限公司

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 00895)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

ANNUAL RESULTS

The board of directors (the "Board") of 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 2010, together with the comparative figures of the year ended 31 December 2009 are as follows:

(Unless specified otherwise, the financial information of the Company was stated in RMB Yuan)

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Note	**2010**	2009 (Restated)
Total operating revenue	*4*	**1,152,358,350.49**	834,988,782.99
Total operating costs		**970,125,006.44**	715,661,895.48
Cost of operation		**750,036,591.81**	544,929,593.14
Sales tax and levies		**8,007,009.41**	5,050,779.18
Selling expenses		**35,531,956.09**	32,832,745.87
Administrative expenses		**154,541,420.51**	100,091,753.73
Finance costs	*6*	**22,168,812.87**	11,021,940.33
Impairment loss for assets	*7*	**(160,784.25)**	21,735,083.23
Gain on fair value changes		**2,388,466.04**	4,086,880.14
Investment loss from associates and jointly-controlled entities		**(2,257,368.60)**	(1,213,254.64)
Other investment income (loss)		**(2,374,540.97)**	4,859,342.40
Operating profit		**179,989,900.52**	127,059,855.41
Add: non-operating income	*8*	**19,257,088.74**	21,522,504.74
Less: non-operating expenses		**2,375,816.12**	344,812.72
Total profit		**196,871,173.14**	148,237,547.43
Less: income tax expenses	*10*	**32,685,893.60**	28,719,212.63
Net profit		**164,185,279.54**	119,518,334.80
Other comprehensive income		**(141,430.99)**	(7,033.69)
Total comprehensive income		**164,043,848.55**	119,511,301.11

	Note	2010	2009 (Restated)
Net profit attributable to:			
Shareholders of the Company		**155,855,982.56**	108,314,531.32
Minority interests		**8,329,296.98**	11,203,803.48
		164,185,279.54	119,518,334.80
Total comprehensive income attributable to:			
Shareholders of the Company		**155,714,551.57**	108,307,497.63
Minority interests		**8,329,296.98**	11,203,803.48
		164,043,848.55	119,511,301.11
Earnings per share			
Basic earning per share	*11*	**1.24**	0.86
Diluted earning per share		**1.24**	0.86
Dividends	*12*	**31,369,093.60**	–

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

	Note	2010	2009 (Restated)
Current assets			
Cash and bank balances		**178,654,812.40**	230,360,564.53
Held-for-trading financial assets		**4,511,646.00**	6,286,090.00
Bills receivables		**52,407,555.18**	690,000.00
Accounts receivables	*13*	**158,038,481.61**	120,509,018.09
Prepayments		**66,875,351.10**	109,290,612.82
Other receivables		**69,116,661.93**	80,023,133.98
Inventories		**282,481,876.70**	139,164,003.82
Total current assets		**812,086,384.92**	686,323,423.24
Non-current assets			
Long-term equity investments		**118,491,720.88**	71,645,089.41
Investment properties		**53,952,089.00**	51,468,059.00
Fixed assets		**378,101,272.84**	268,742,041.72
Construction in progress		**322,338,261.31**	356,484,848.61
Intangible assets		**59,968,007.02**	65,816,896.49
Goodwill		**26,883,677.58**	26,883,677.58
Long-term prepayments		**181,500.00**	360,000.00
Deferred income tax assets		**10,074,535.27**	9,334,757.77
Total non-current assets		**969,991,063.90**	850,735,370.58
Total assets		**1,782,077,448.82**	1,537,058,793.82

	Note	2010	2009 (Restated)
Current liabilities			
Short-term borrowings		**288,000,000.00**	309,736,635.00
Held-for-trading financial liabilities		**–**	447,000.00
Accounts payables	*14*	**145,704,548.17**	79,111,924.19
Receipts in advance		**55,346,052.98**	42,416,177.25
Accrued staff salaries		**16,439,339.14**	25,141,829.29
Tax payable		**(3,705,441.77)**	6,868,810.38
Other payables		**34,868,399.03**	36,211,218.25
Non-current liabilities repayable within one year		**112,450,022.02**	–
Other current liabilities		**2,506,883.08**	–
Total current liabilities		**651,609,802.65**	499,933,594.36
Non-current liabilities			
Long-term borrowings		**265,587,320.00**	249,000,000.00
Long-term payables		**2,743,746.44**	5,459,345.33
Deferred income tax liabilities		**1,403,846.70**	1,051,181.48
Other non-current liabilities		**21,902,527.71**	20,779,297.38
Total non-current liabilities		**291,637,440.85**	276,289,824.19
Total liabilities		**943,247,243.50**	776,223,418.55
Shareholders' equity			
Share capital		**125,476,374.40**	62,738,187.20
Capital reserve		**–**	35,476,560.53
Surplus reserve		**70,754,552.84**	71,159,092.84
Undistributed profits		**546,976,075.36**	457,499,139.98
Exchange difference on translation of financial statements denominated in foreign currency		**401,836.23**	543,267.22
Equity attributable to shareholders of the Company		**743,608,838.83**	627,416,247.77
Minority interests		**95,221,366.49**	133,419,127.50
Total shareholders' equity		**838,830,205.32**	760,835,375.27
Total liabilities and shareholders' equity		**1,782,077,448.82**	1,537,058,793.82
Net current assets		**160,476,582.27**	186,389,828.88
Total assets less current liabilities		**1,130,467,646.17**	1,037,125,199.46

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2010

2010

	Attributable to shareholders of the Company							
	Share capital	Capital reserves	Surplus reserves	Undistributed profits	Exchange reserves	Sub-total	Minority interests	Total shareholders' equity
Balance at beginning of year	**62,738,187.20**	**35,476,560.53**	**71,159,092.84**	**457,499,139.98**	**543,267.22**	**627,416,247.77**	**133,419,127.50**	**760,835,375.27**
Net profit	–	–	–	155,855,982.56	–	155,855,982.56	8,329,296.98	164,185,279.54
Other comprehensive income	–	–	–	–	(141,430.99)	(141,430.99)	–	(141,430.99)
Total comprehensive income	–	–	–	155,855,982.56	(141,430.99)	155,714,551.57	8,329,296.98	164,043,848.55
Contribution from shareholders and reduction of capital	–	–	–	–	–	–	–	–
Injections from shareholders	–	–	–	–	–	–	1,000,000.00	1,000,000.00
Disposal of interests in subsidiaries	–	–	–	–	–	–	(27,683,090.10)	(27,683,090.10)
Acquisition of additional interest in subsidiaries	–	(4,107,466.93)	(404,540.00)	(3,640,859.98)	–	(8,152,866.91)	(14,573,967.89)	(22,726,834.80)
Sub-total	–	(4,107,466.93)	(404,540.00)	(3,640,859.98)	–	(8,152,866.91)	(41,257,057.99)	(49,409,924.90)
Profit appropriation	–	–	–	–	–	–	–	–
Dividend paid to shareholders	–	–	–	(31,369,093.60)	–	(31,369,093.60)	–	(31,369,093.60)
Dividend paid to minority shareholders	–	–	–	–	–	–	(5,270,000.00)	(5,270,000.00)
Sub-total	–	–	–	(31,369,093.60)	–	(31,369,093.60)	(5,270,000.00)	(36,639,093.60)
Transfers	–	–	–	–	–	–	–	–
Transfer of capital reserves to share capital	31,369,093.60	(31,369,093.60)	–	–	–	–	–	–
Transfer of undistributed profit to share capital	31,369,093.60	–	–	(31,369,093.60)	–	–	–	–
Sub-total	62,738,187.20	(31,369,093.60)	–	(31,369,093.60)	–	–	–	–
Increase(decrease) for the year	**62,738,187.20**	**(35,476,560.53)**	**(404,540.00)**	**89,476,935.38**	**(141,430.99)**	**116,192,591.06**	**(38,197,761.01)**	**77,994,830.05**
Balance at end of year	**125,476,374.40**	**–**	**70,754,552.84**	**546,976,075.36**	**401,836.23**	**743,608,838.83**	**95,221,366.49**	**838,830,205.32**

2009 (Restated)

	Attributable to shareholders of the Company							
	Share capital	Capital reserves	Surplus reserves	Undistributed profits	Exchange reserves	Sub-total	Minority interests	Total shareholders'equity
Balance at beginning of year (originally stated)	62,738,187.20	35,476,560.53	71,159,092.84	346,450,177.15	550,300.91	516,374,318.63	157,622,542.30	673,996,860.93
Add: changes in accounting policies	–	–	–	6,956,086.01	–	6,956,086.01	(6,956,086.01)	–
Correction of errors of prior years	–	–	–	(4,221,654.50)	–	(4,221,654.50)	(24,824,452.50)	(29,046,107.00)
Balance at beginning of year (restated)	62,738,187.20	35,476,560.53	71,159,092.84	349,184,608.66	550,300.91	519,108,750.14	125,842,003.79	644,950,753.93
Net profit	–	–	–	108,314,531.32	–	108,314,531.32	11,203,803.48	119,518,334.80
Other comprehensive income	–	–	–	–	(7,033.69)	(7,033.69)	–	(7,033.69)
Total comprehensive income	–	–	–	108,314,531.32	(7,033.69)	108,307,497.63	11,203,803.48	119,511,301.11
Contribution from shareholders and reduction of capital	–	–	–	–	–	–	–	–
Injections from shareholders	–	–	–	–	–	–	390,000.00	390,000.00
Others	–	–	–	–	–	–	(216,679.77)	(216,679.77)
Sub-total	–	–	–	–	–	–	173,320.23	173,320.23
Profit appropriation	–	–	–	–	–	–	–	–
Dividend paid to minority shareholders	–	–	–	–	–	–	(3,800,000.00)	(3,800,000.00)
Sub-total	–	–	–	–	–	–	(3,800,000.00)	(3,800,000.00)
Increase(decrease) for the year	–	–	–	108,314,531.32	(7,033.69)	108,307,497.63	7,577,123.71	115,884,621.34
Balance at end of year	62,738,187.20	35,476,560.53	71,159,092.84	457,499,139.98	543,267.22	627,416,247.77	133,419,127.50	760,835,375.27

1. General

The Company is a joint stock limited company incorporated in the People's Republic of China (the "PRC"). Its H shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and were switched from the Growth Enterprise Market to the Main Board during the year. The addresses of the registered office and principal place of business of the Company are 1st Floor, 3rd Floor, North of 8th Floor, 9th-12th Floor, Dongjiang Environmental Building, No.9 Langshan Road, North Zone of Hi-tech Industrial Park, Nanshan District, Shenzhen the PRC.

The reporting currency of the Company is Renminbi ("RMB"). The reporting currency for the oversea subsidiaries is the currency of the respective country in which they operate.

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. Basis for preparation of financial statements

The Company's financial statements were used to be prepared in accordance with accounting principles generally accepted in Hong Kong ("HKGAAP") for disclosure purposes. According to the "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" published by the Stock Exchange in December 2010, with effect from this financial year, the Company decided to prepare its financial statements in accordance with the "Accounting Standards for Business Enterprises" and other related regulations issued by the China Ministry of Finance ("PRC Accounting Standards"). The adoption of PRC Accounting Standards has been applied retrospectively and the comparative financial information for the year ended 31 December 2009 is converted in accordance with PRC Accounting Standards.

The Group's financial statements have been prepared on a going concern basis and based on the actual transactions and matters incurred; in accordance with the PRC Accounting Standards, Information Disclosure Rule 15 of Public Offerings Company - Financial Reporting General Provisions (2010 Amendments) issued by China Securities Regulatory Commission ("CSRC") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) ("Hong Kong Companies Ordinance"); and the accounting policies and estimates of the Group.

3. Changes in accounting policies, accounting errors and their effect

1). Pursuant to the requirements of《Enterprises Accounting Standards Explanation Note No. 4 - 企業會計準則解釋第4號》(財會[2010]15號) ("Explanation Note No. 4"), where the share of loss for the period borne by the minority shareholders of a subsidiary exceeded their share of the opening equity balance in the consolidated financial statements, the excess should be deducted from the minority shareholders' equity. Explanation Note No. 4 needs to be applied retrospectively. Accordingly, the share of such loss originally borne by the Company is taken up by the minority shareholders of the subsidiaries. This change in accounting policies was approved by the Board. The new accounting policy was applied retrospectively resulting in the increase of profit attributable to shareholders of the Company for the year ended 31 December 2009 by RMB2,634,409.03 and the decrease of profit attributable to minority interest by the same amount; and the increase in the undistributed profits as at 1 January 2009 by RMB6,956,086.01 and at 31 December 2009 by RMB9,590,495.04 and the decrease of minority interests by the same amount.

2). It was found that the individually significant accounts receivables that have been individually assessed for impairment and for which no impairment were made had not been re-assessed for impairment on the credit risk characteristics protfolio basis in the years of 2007 to 2009. On approval of the Board, the error was corrected retrospectively in the financial statements for the year ended 31 December 2010. The correction results in the decrease in undistributed profits as at 1 January 2009 by RMB5,640,530.01 and as at 31 December 2009 by RMB8,501,913.88, the decrease in net profit for the year ended 31 December 2009 by RMB2,861,383.87 and the increase in the balance of provision of bad debts as at 1 January 2009 by 5,640,530.01 and at 31 December 2009 by RMB8,501,913.88.

3). It was found that the subsidiary, Huizhou Dongjiang Veolia Environmental Services Company Limited (惠州東江威立雅環境服務有限公司) ("Dongjiang Veolia") where the Group owns 51% equity interest and has 50% voting rights, was mistakenly incorporated into the consolidated financial statements of the Group for the year 2007 to 2009. With the approval of the Board, the error was corrected retrospectively in the financial statements for the year ended 31 December 2010. Dongjiang Veolia was excluded from the consolidation scope and accounted for as an associated company under equity method. The correction results in the increase of retained profits as at 1 January 2009 by RMB1,234,523.72 and 31 December 2009 by RMB1,098,924.32 and the decrease in minority interests by RMB23,405,576.99 and the decrease of the net profit for the year ended 31 December 2009 by RMB135,599.40 and the profit attributable to minority interest by RMB350,405.00.

The effect on basis and diluted earning per share resulting from the matters mentioned above are as follow:

Basis and diluted earning before adjustment *(Note)*	0.84
Prior period adjustments	0.02
Basis and diluted earning after adjustment	0.86

(Note: Figures for the number of shares has been adjusted for effect of bonus issue on 30 April 2010 and the share consolidation taken place after the balance sheet date.)

4. Operating revenue

Operating revenue represents the net amounts received and receivables for goods sold and services rendered by the Group to outside customers, less trade discounts during the year.

Analysis of the Group's operating revenue during the year is as follows:

	2010	2009 (Restated)
Industrial waste recycling	**678,413,051.43**	417,199,036.90
Industrial waste treatment and disposal	**131,273,151.52**	95,123,588.75
Municipal waste treatment and disposal	**120,653,782.62**	86,394,045.65
Renewable energy utilization	**30,760,458.28**	22,148,252.44
Environmental engineering and services	**106,828,773.61**	94,005,724.61
Trading and others	**84,429,133.03**	120,118,134.64
Total	**1,152,358,350.49**	834,988,782.99

5. Segment information

In accordance with the disclosure requirements of《Enterprise Accounting Standards No. 35 - Segment Reporting 企業會計準則第35號－分部報告》, operating segment has been identified on the basis of internal organization structure, management requirements and internal reporting policies. The reporting segments are determined on the basis of operating segments. An operating segment represents a component of the Group that satisfied both of the following criteria: 1) it engages in business activities from which it may earn revenue and incur expenses; and 2) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The price of intra-segment transactions is determined on market rates. Expenses incurred for more than one segment, other than those which is unable to be allocated reasonable, are allocated between segments on the basis of revenue. The segments are:

Operating segment	**Principle activities**
Industrial waste recycling	Processing and sale of recycled products
Industrial waste treatment and disposal	Collection, treatment and disposal of industrial services waste
Municipal waste treatment and disposal	Collection, treatment and disposal of municipal waste
Renewable energy utilization	Operation of methane-to-energy power plants
Environmental engineering and services	Construction contract work as a main contractor or subcontractor system and services in respect of environmental services, such as design and construction of environmental projects; operation of environment protection facilities, assessment of environmental impact, environment monitoring and consulting
Trading and others	Sales of chemical products and leasing activities

The segment information is as follows:

i) 2010

	Industrial waste recycling	Industrial waste treatment and disposal	Municipal waste treatment and disposal	Renewable energy utilization	Environmental engineering and services	Trading and others	Unallocted amounts	Elimination	Total
Operating revenue	693,536,039.65	132,910,370.86	124,029,969.97	30,760,458.28	108,788,773.61	133,092,302.33	–	(70,759,564.21)	1,152,358,350.49
Including: revenue from external transactions	678,413,051.43	131,273,151.52	120,653,782.62	30,760,458.28	106,828,773.61	84,429,133.03	–	–	1,152,358,350.49
Revenue from intra-segment transactions	15,122,988.22	1,637,219.34	3,376,187.35	–	1,960,000.00	48,663,169.30	–	(70,759,564.21)	–
Operating expenses	569,488,268.47	59,555,568.20	101,390,194.42	20,151,639.61	95,173,634.49	125,788,994.40	68,630,484.21	(70,053,777.36)	970,125,006.44
Gain from changes in fair value	–	–	–	–	–	–	2,388,466.04	–	2,388,466.04
Investment earnings	522,697.17	3,020.63	(127,561.23)	(64,584.26)	126,894.49	–	4,792,608.14	(9,884,984.51)	(4,631,909.57)
Operating profit	124,570,468.34	73,357,823.29	22,512,214.33	10,544,234.40	13,742,033.61	7,303,307.93	(61,449,410.03)	(10,590,771.35)	179,989,900.52
Total assets	944,836,625.51	58,306,247.55	90,597,682.52	174,572,164.66	106,161,950.65	6,511,659.22	953,340,597.30	(552,249,478.59)	1,782,077,448.82
Total liabilities	178,789,133.19	5,588,389.81	42,231,789.99	134,248,168.27	100,310,808.74	(15,127,285.73)	289,800,800.14	(292,594,560.91)	943,247,243.50
Supplementary information									
Depreciation and amortization	3,719,945.14	16,793,962.15	18,294,463.54	7,042,161.05	615,410.33	177,871.43	1,940,593.84	–	48,584,407.48
Capital expenditure	135,901,814.97	48,723,554.00	3,413,459.43	48,247,585.35	1,134,543.00	499,809.70	6,507,597.88	–	244,428,364.33
Assets impairment losses	(1,110,459.21)	(720,301.53)	1,364,954.93	1,112,729.59	(1,076,631.54)	54,134.54	214,788.97	–	(160,784.25)
Non-cash expenses other than depreciation and assets impairment	3,311,576.00	–	–	–	2,834,630.59	–	800,000.00	(3,010,130.59)	3,936,076.00

ii) 2009 (restated)

	Industrial waste recycling	Industrial waste treatment and disposal	Municipal waste treatment and disposal	Renewable energy utilization	Environmental engineering and services	Trading and others	Unallocted amounts	Elimination	Total
Operating revenue	418,030,916.85	95,225,641.26	86,394,045.65	22,148,252.44	95,009,418.59	141,955,717.72	–	(23,927,710.12)	834,988,782.99
Including: revenue from external transactions	417,199,036.90	95,123,588.75	86,394,045.65	22,148,252.44	94,005,724.61	119,965,634.04	–	–	834,988,782.99
Revenue from intra-segment transactions	831,879.95	102,052.51	–	–	1,003,693.98	21,990,083.68	–	(23,927,710.12)	–
Operating expenses	330,969,476.35	44,326,849.86	82,334,341.46	13,858,286.46	78,948,074.30	140,447,887.29	48,262,208.89	(23,485,229.14)	715,661,895.48
Gain from changes in fair value	–	–	–	–	–	–	4,086,880.14	–	4,086,880.14
Investment earnings	(602,407.30)	285,630.91	547,928.76	201,221.86	–	–	124,085,694.44	(120,871,980.91)	3,646,087.76
Operating profit	86,611,533.80	51,184,422.31	4,607,632.95	8,491,187.83	16,061,344.29	1,507,830.43	79,910,365.69	(121,314,461.89)	127,059,855.41
Total assets	1,003,082,778.06	137,446,726.40	106,852,076.50	117,407,286.27	70,891,971.91	77,747,011.30	928,461,295.85	(904,830,352.47)	1,537,058,793.82
Total liabilities	360,712,935.42	98,314,387.83	96,286,081.08	31,035,993.33	71,553,918.12	47,474,491.02	740,178,221.36	(669,332,609.61)	776,223,418.55
Supplementary information									
Depreciation and amortization	16,370,789.81	8,176,544.99	12,483,421.15	6,144,641.91	512,317.68	145,807.74	1,817,670.15	–	45,651,193.43
Capital expenditure	181,786,804.84	41,217,589.90	23,418,804.37	33,603,588.87	1,715,936.98	302,246.35	75,227,352.00	(856,512.82)	356,415,810.49
Assets impairment losses	–	3,252,345.82	1,824,434.10	–	1,796,919.44	–	14,861,383.87	–	21,735,083.23
Non-cash expenses other than depreciation and assets impairment	2,371,346.42	–	–	–	1,032,300.00	–	527,188.98	(2,334,483.48)	1,596,351.92

6. Finance costs

	2010	2009 (restated)
Interest expenses	**25,062,268.55**	13,155,688.39
Less: Interest income	**(3,909,568.24)**	(1,980,905.07)
Add: Exchange difference	**675,879.27**	(312,470.04)
Add: Other expenses	**340,233.29**	159,627.05
Total	**22,168,812.87**	11,021,940.33

Breakdown of interest expenses is as follows:

	2010	2009 (restated)
Interest on bank loans		
— wholly repayable within 5 years	**33,212,914.70**	19,393,177.32
— not wholly repayable within 5 years	**–**	2,576,023.72
Finance leases charges	**806,472.45**	938,785.37
	34,019,387.15	22,907,986.41
Less: amount capitalised	**(8,957,118.60)**	(2,576,023.72)
Total	**25,062,268.55**	20,331,962.69

Borrowing cost capitalized during the year is calculated by applying a capitalization rate of 1.47% (2009: 0.67%) per annum to expenditure on qualifying assets.

7. Assets impairment losses

	2010	2009 (restated)
Provision(reversal) of provision for bad debts	**(2,441,443.39)**	14,715,449.23
Impairment loss on inventories	**45,350.03**	–
Impairment loss on fixed assets	**2,235,309.11**	19,634.00
Impairment loss on goodwill	**–**	7,000,000.00
Total	**(160,784.25)**	21,735,083.23

8. Non-operating revenue

	2010	2009 (restated)
Gain on disposal of fixed assets	**125,097.39**	619,014.91
Gain on disposal of intangible assets	**2,323,000.29**	–
Gain on disposal of non-current assets	**2,448,097.68**	619,014.91
Government grants	**16,323,967.14**	18,729,361.08
Waiver of accounts payable	**–**	919,485.86
Others	**485,023.92**	1,254,642.89
Total	**19,257,088.74**	21,522,504.74

9. Total profit

	2010	2009 (restated)
Total profit has been arrived at after charging (crediting):		
Staff costs (including director's remuneration)		
— Wages, salaries and other benefits	**103,028,606.06**	66,402,592.69
— Retirement scheme contribution	**7,344,952.14**	6,110,962.27
Total staff costs	**110,373,558.20**	72,513,554.96
Amortisation of intangible assets	**1,510,889.81**	1,143,825.11
Amortisation of intangible assets — BOT projects (included in cost of operation)	**9,007,895.04**	8,232,952.18
Auditors remuneration (included in administrative expenses)	**600,000.00**	600,000.00
Recognised cost of inventories	**750,036,591.81**	544,929,593.14
Decrease in fair value of held-for-trading investments	**1,552,020.00**	–
Depreciation on fixed assets	**38,065,622.63**	36,274,416.14
Loss on disposal of a subsidiary	**–**	600,000.00
Minimum lease payment in respect of office, plant and staff quarter	**5,401,277.66**	5,263,761.07
Research and development expenses (Included in administrative expenses)	**18,209,276.27**	10,960,540.53
Reversal of provision for impairment for inventories (included in selling expenses)	**–**	(3,534,000.00)
Loss(Gain) on disposal of fixed assets	**13,264.31**	(559,282.41)
Increase in fair value of investment properties	**(2,484,030.00)**	(2,236,516.18)

10. Income tax expenses

	2010	2009 (restated)
Current income tax		
— PRC	**37,122,778.65**	27,124,495.75
— Hong Kong	**210,143.37**	–
Over-provision in prior years		
— PRC	**(4,264,015.52)**	–
	33,068,906.50	27,124,495.75
Deferred tax expenses	**(383,012.90)**	1,594,716.88
Total	**32,685,893.60**	28,719,212.63

The Company was subject to the PRC enterprise income tax at a rate of 15% (2009: 15%) 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 22% (2009: 20%).

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. One subsidiary, Shenzhen Dongjiang Environmental Renewable Energy Limited (深圳市東江環保再生能源有限公司) is 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. Another 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.

Hong Kong Profits Tax has been provided for the subsidiary in Hong Kong at 16.5% on the estimated assessable profits.

11. Earnings per share

The calculation of basic earnings per share for the year is based on the net profit for the year attributable to shareholders of the Company of RMB155,855,982.56 (2009: RMB108,314,531.32), and the weighted average of approximately 125,476,374 (2009: 125,476,374) ordinary shares in issue during the year after taken into account of the effect of the bonus issue during the year and the share consolidation taken place after the balance sheet date.

Diluted earnings per share was same as basic earnings per share for the two years ended 31 December 2010 as there were no diluting events existed during both years.

12. Dividends

	2010	2009 (restated)
Dividends recognised and distributed during the year RMB0.05 per share	**31,369,093.60**	–

The Board does not recommend the payment of any dividends for the year (2009: RMB0.05 per share).

13. Accounts receivables

	2010	2009 (restated)
Accounts receivables	**171,965,694.20**	136,407,590.13
Provision for bad debts	**(13,927,212.59)**	(15,898,572.04)
Total	**158,038,481.61**	120,509,018.09

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 accounts receivables.

The following is an aged analysis of accounts receivables net of provision for bad debts:

	2010	2009 (restated)
Within 90 days	**120,039,542.87**	100,840,903.39
91 to 180 days	**16,704,603.41**	7,563,713.40
181 to 365 days	**12,267,935.94**	4,585,416.56
1-2 year	**7,842,886.21**	7,334,974.99
2-3 years	**1,167,487.18**	184,009.75
Over 3 years	**16,026.00**	–
Total	**158,038,481.61**	120,509,018.09

14. Accounts payables

The following is an aged analysis of accounts payables:

	2010	2009 (restated)
Within 90 days	**100,156,306.82**	65,294,871.00
91 to 180 days	**23,748,123.98**	1,685,613.08
181 to 365 days	**16,743,699.35**	2,563,078.90
Over 1 year	**5,056,418.02**	9,568,361.21
Total	**145,704,548.17**	79,111,924.19

15. Commitment

As at 31 December 2010, the Group has the capital expenditure commitment as follows:

	2010	2009 (restated)
Contracted for but not provided for :—		
Construction in progress	**28,335,880.38**	31,915,000.00
Accquisition of equipment	**26,617,102.60**	26,940,000.00
Intangible assets — BOT projects	**88,809,004.20**	98,971,000.00
Establishment of an associate	**–**	16,734,000.00
Total	**143,761,987.18**	174,560,000.00

As at 31 December 2010, the commitments of Group (as a lessee) for future minimum lease payments under non-cancallable operating leases (as a lesser) and financial leases in respect of office building and motor vehicles as follows:

	Operating leases	**Finance leases**
In one year	**3,423,146.03**	2,748,406.21
In 1-2 years	**2,635,118.60**	1,760,566.17
In 2-3 years	**2,245,318.40**	990,873.00
After 3 years	**1,833,618.00**	208,082.56
Total	**10,137,201.03**	5,707,927.94

16. Contingent liabilities

As at 31 December 2010, financial guarantee provided by the Group was RMB31,400,000 (2009: RMB28,900,000) to banks for securing banking facilities granted to Dongjiang Veolia. The maximum amount during the year was RMB33,900,000 (2009: RMB32,500,000).

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 2010.

17. Post - balance sheet events

i) Proposal of issuing A shares

On 20 September 2010, the Company announced that in relation to apply to the relevant regulatory authorities in the PRC for the allotment and issue of not more than 250,000,000 A Shares with a nominal value of RMB0.10 each or, subject to the implementation of the share consolidation, 25,000,000 A Shares with a nominal value of RMB1.00 each (subject to any adjustment resulting from any change to the issued share capital of the Company up to the completion of the issue of A Shares) to natural persons, legal persons and other institutional investors recognized by the China Securities Regulatory Committee ("CSRC"), who maintain A share account with the Shanghai Stock Exchange or the Shenzhen Stock Exchange (as the case may be) (except those prohibited by PRC laws and regulations, and other regulatory requirements to which the Company is subject to), and to apply to the Shanghai Stock Exchange or the Shenzhen Stock Exchange (to be decided by the Board depending on the requirements of relevant regulatory authorities in the PRC) for the listing of, and permission to deal in, the A Shares. The proposed issue of A Shares was approved by the Shareholders at the extraordinary general meeting of the Company held on 9 December 2010, the class meeting for holders of Domestic Shares held on 9 December 2010.

The application for administrative permission for initial public offer of A shares was accepted by CSRC and assigned with an acceptance notification.

ii) Proposal of issuing short-term commercial papers

At the extraordinary general meeting of the Company held on 21 October 2010, approval has granted by the Shareholders of the Company to issue short-term commercial papers in an aggregate amount not exceeding RMB300,000,000. The interest rate of the commercial papers will be determined according to the relevant regulatory rules and the market rates. The proceeds from the issue is intended to be applied to supplement the general working capital and to proposed repay outstanding repay indebtedness of the Group.

iii) Shares consolidation

As authorized by an extraordinary general meeting and a class general meeting of the Company held on 9 December 2010, the Board resolved to consolidate the issued or unissued share of the Company at the rate of every 10 ordinary shares of RMB0.1 each into 1 ordinary share of RMB1 each. After consolidation, the amount of the registered capital remains unchanged at RMB125,476,374 while the number of domestic shares and H Shares will be changed to 89,896,374 and 35,580,000 shares respectively; and the number of H Shares for each lot for trading is changed from 2,000 to 200. The above share consolidation became effective on 20 January 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2010, the Chinese government continued its efforts to implement macro-control policies, accelerated transformation of economic growth modes, and proposed to vigorously develop green economy, low-carbon economy and circular economy. In the Decision on Speeding up the Cultivation and Development of Strategic Emerging Industries issued by the China's State Council in October 2010, the industry of energy saving and environmental protection was ranked first among the seven strategic emerging industries. During the period under review, the Group kept underpinning core business competences by grabbing opportunities to bolster strategic transformation, proactively expand market presence, and dynamically promote technical innovation. For the year ended 31 December 2010, the Group's total operating revenue was increased by approximately 38.01% to RMB1,152,358,350 as compared to 2009, and the net profit attributable to the shareholders of the Company increased by approximately 43.89% to RMB155,855,983 as compared to 2009.

Industrial Waste Treatment

As the core business of the Group, industrial waste treatment business focused on reduction processing and detoxification disposal of wastes including waste liquid, sludge and waste residue through chemical, physical and biologic means, to convert substances with reuse value from wastes into recycled products. In 2010, the Group put efforts in developing industrial waste treatment business, and made admirable achievements in terms of market expansion, potential unearthing and innovation and industry layout. For the year ended 31 December 2010, the Group recorded an operating revenue of approximately RMB809,686,203 in industrial waste treatment and disposal, representing an increase of approximately 58.04% as compared to 2009.

During the period under review, the Group extended its business coverage to 17 major cities in Guangdong and industrial centers including Suzhou and Wuxi in Jiangsu and developed approximately 2,200 new customers by consolidating business segment markets and customer resources, implementing "Integrated" environmental protection mode and further sharpening competitive edges in the light of proactive market expansion strategies.

During the period under review, impressive results were achieved by way of waste treatment technology renovation, recycling value maximization of wastes and product optimization and upgrade in the Group's industrial waste treatment bases in operation through measures including technical innovation and effect maximization, potential unearthing and efficiency improvement.

Shajing Treatment Base

As the first industrial waste treatment base invested and built by the Group in Shenzhen, Guangdong in 1999, Shajing Treatment Base has currently grown into one of the largest treatment bases for copper containing waste in China. During the period under review, through technological renovation of production process and upgrade of recycled products, the industrial copper oxide products were launched based on the production of copper sulphate and alkaline copper products in Shajing Treatment Base, winning recognition from the market. Besides, the recycling of ammonium chloride of high concentration ammonia nitrogen wastewater through international leading multi-effect evaporation facilities reduced wastewater treatment cost and enhanced waste resource utilization efficiency as well. For the year ended 31 December 2010, Shajing Treatment Base recorded an operating revenue of approximately RMB361,534,038, representing an increased of approximately 51.65% as compared to 2009.

Dongjiang Heritage TBCC Project

Being the project in respect of recycling jointly built by the Group and Heritage Technologies, LLC, Dongjiang Heritage TBCC project adopted U.S. advanced technology to produce the new recycled product, tri-basic copper chloride ("TBCC"). Boasting advantages of a high bioavailability, low vitamin churn rate, miscibility with feeds and low impact on environment, TBCC is a new kind of copper source feed additive. During the period under review, as to the project, technical innovation was aggressively boosted, production process was continuously improved, and premium product quality was maintained as always, winning recognition from numerous customers. For the year ended 31 December 2010, TBCC's sales was increased by approximately 80.34% to RMB101,377,785 as compared to 2009.

Huizhou Treatment Base

Huizhou Treatment Base was an industrial waste treatment base invested and built by the Group in Huizhou, Guangdong in 2002. The principal operations of the base is treatment of industrial wastes including waste etching solution containing copper, heavy metal-containing sludge and high concentration industrial wastewater and production of recycled products including copper sulphate, basic cupric chloride and nickel sulphate. During the period under review, Huizhou Treatment Base made use of heavy metal-containing sludge treatment facilities, and comprehensively used high concentration inorganic waste acid as leaching sludge through innovative process and achieved the effect of using waste to treat waste. In addition, with drastic improvement of the utilization ratio of the physiochemical plant, the treatment capacity of high concentration industrial wastewater was significantly enhanced, which brought about favourable economic results. For the year ended 31 December 2010, Huizhou Treatment Base recorded an operating revenue of approximately RMB21,134,066, representing an increased of approximately 85.01% as compared to 2009.

Kunshan Treatment Base

Kunshan Treatment Base was an industrial waste treatment base invested by the Group in Kunshan, Jiangsu according to the regional strategic layout. The principal operation of the base is treatment of industrial wastes including waste etching solution containing copper, tin-stripping waste liquid and waste liquid containing nickel, and production of recycled products including copper sulphate, cupric oxide and semi-finished nickel salt. During the period under review, treatment facilities of Kunshan Treatment Base basically maintained steadily full load operation. In 2010, an operating revenue of approximately RMB218,592,966 was achieved in total, representing an increase of approximately 47.17% as compared to 2009. To improve the treatment capacity, many expansion projects and resource recycle projects were carried out in Kunshan Treatment Base. Various attempts were made in intensive processing of products, including completion of the pilot production workshop of electroplating copper sulfate and addition of water recycling equipment. Moreover, with stress on technical innovation, Kunshan Treatment Base Research and Development Center was established and was accredited as a national hi-tech enterprise.

Guangdong Integrated Hazardous Waste Treatment Demonstration Center

As a hazardous waste treatment center invested and built in Huizhou jointly the Group and Veolia Environment, Guangdong Integrated Hazardous Waste Treatment Demonstration Center (the "Demonstration Center") enjoyed a term of concession right of 30 years as authorized by government authorities in accordance with National Plan on Establishing Hazardous and Iatric Wastes Treatment Facilities. During the period under review, the Demonstration Center passed the full completion acceptance; being granted Hazardous Waste Operation License issued by the Ministry of Environmental Protection of the PRC ("MEP"), it was officially put into commercial operation. Treatment facilities of the Demonstration Center included safe landfill, stabilization and solidification units, physiochemical and wastewater treatment units and inceneration units, and could treat and dispose of 45 of 49 kinds of hazardous wastes in National Hazardous Waste List (2008), with an annual treatment capacity of 80,000 tons. In 2010, the Demonstration Center treated 43,900 tons of wastes in total, representing an increase of approximately 56.68% as compared to 2009.

To reinforce and expand industrial waste treatment business, the Group constantly promoted the expansion and extension of industrial waste treatment industry chain, sped up the growth of solid waste treatment business segment including mineral waste treatment and worn-out electric appliance dissembling based on consolidation of traditionally superior business including heavy metal-contained liquid waste and sludge treatment. During the period under review, the Group planned and built the industrial waste treatment base as follows:

Shenzhen Longgang Hazardous Industrial Waste Treatment Base

Shenzhen Longgang Hazardous Industrial Waste Treatment Base was a provincial designated hazardous waste center planned by Longgang District of Shenzhen in accordance with the conspectus of Guangdong Environmental Protection Planning (2006-2020). The Group obtained the concession right of investment, design, construction and maintenance of the project, with a term of 22 years (inclusive of 2-year construction period). Covering an area of 145,000 square meter, the base's planned construction facilities included physics/chemical treatment workshop, stabliazaiton/sodification treatment and safety landfill disposal workshop, and annually treated of approximately 19,350 tons of hazardous wastes. During the period under review, the preliminary work was completed for the base construction, including environmental influence assessment, geological survey and engineering design, field leveling, which laid a solid foundation for the subsequent construction.

The North Guangdong Hazardous Waste Treatment and Disposal Center

The North Guangdong Hazardous Waste Treatment and Disposal Center, located in Shaoguan city, Guangdong Province, would serve as a large scale full functional industrial center for hazardous waste treatment, disposal and recycling and also the exclusive hazardous waste comprehensive treatment center in north Guangdong Province. In 2007, the Group acquired the concession right of the Center with a term of 30 years. During the period under review, the North Guangdong Hazardous Waste Treatment and Disposal Center had completed the construction of "Lead-zinc Tailing Comprehensive Utilization Project", and land leveling and engineering design of the sewage treatment workshop, which were expected to commence for operation in 2011.

Worn-out Electric Appliance and Comprehensive Utilization Project

Qingyuan worn-out electric appliance and comprehensive utilization base was a worn-out appliance treatment base planned and built by the Group to capture vast business opportunities emerged in worn-out household completed appliance treatment industry. Phase 1 of the project could treat and comprehensively utilize 10,000 tons of worn-out appliances per year. During the period under review, Phase 1 project has installation and commissioning work of the disassembly demonstration line and recycling production line of refrigerators, air-conditioners, washing-machines and computers, and was expected to commence for operation at the first half of 2011. The scale of Phase 2 of the project was expanded to 80,000 tons of dissembling and comprehensively utilizing worn-out electric appliance per year. Currently, the planning was completed and the project would be implemented in stages in the light of operation of Phase 1. Besides, the Group successfully won the bid by way of public tender for Designated Disassembly and Treatment Enterprise for Household Appliances Replacement in Hubei Province in September 2010, obtaining the designated disassembly of the household appliance replacement and treatment enterprise qualification in Hubei Province. The Company was executing preliminary work of projects for construction currently.

Municipal Waste Treatment

Municipal waste treatment was another pillar business of the Group with main development fields including the removal and treatment of domestic waste, landfill gas power generation, treatment of municipal sludge, and construction waste and kitchen waste as well as recycling. The Group made full use of internal relations between business units. Capitalizing on business mix innovation, the Group organically integrated the treatment of municipal waste and utilization of renewable energy and adopted the operation strategy of "promoting overall work through the experience from pilot projects" so as to quickly popularize the integrated mode. During the period under review, all projects of the municipal waste treatment and disposal were well under way, with a good momentum. For the year ended 31 December 2010, the Group recorded an operating revenue of approximately RMB151,414,241 in municipal waste treatment and disposal, representing an increase of approximately 39.50% as compared to 2009.

Municipal Waste Collection and Transportaiton

Hong Kong Lik Shun Services Limited ("Lik Shun") was an environmental protection service company engaged in waste collection business, being acquired by the Group in May 2008. Lik Shun now is responsible for municipal waste collection in some of the areas of Sha Tin, Tai Po, Kwai Tsing and Sai Kung. Besides, it also provides waste collection services to some industrial districts and school. During the period under review, Lik Shun recorded an operating revenue of RMB27,607,591, representing an increased of approximately 6.44% as compared to 2009.

Municipal Waste Treatment

During the period under review, the Group's municipal waste treatment business continuously grew. With saturated business, Shenzhen Xiaping Municipal Sludge Treatment Project treated 326,000 tons of municipal sludge in total, and achieved an operating revenue of approximately RMB65,813,435, representing an increase of 9.13% over 2009. The Group also contrived to expand domestic waste treatment operation project, and won the bid for the landfill service project of Shenzhen Xiaping Landfill. Thus, the Group obtained overall operation business of Xiaping Landfill for a term of one year since 1 January 2010, with the contract amount of approximately RMB27,298,000. During the period under review, the project was in smooth operation and the Group was negotiating with the government in respect of the contract renewal. Furthermore, Shaoyang Domestic Waste Landfill Project invested and built by the Group had passed the governmental acceptance and would be put into trial operation in the first half of 2011.

Construction Waste Treatment and the Recycling

The Group has been paying attention to the expansion opportunity in the treatment and the recycling of construction waste and has achieved breakthrough in June 2010 as the Group was selected as the implementation unit of the Comprehensive Treatment Demonstration Project of Construction Waste in the Western Area of Kunming by Kunming Municipal Government. The Group will conduct the investment, construction and operation of the Project by cooperating with the local government. After completion, the Project will be responsible for the disposal and comprehensive utilization of construction waste produced in Wuhua District, Xishan District and High-Tech Development Zone in Kunming. Phase 1 of the Project is expected to treat and utilize 1,000,000 tons of construction waste. The Project signifies that the Group has taken a crucial step in the expansion and layout of the municipal waste treatment and disposal business, creating favorable conditions for further procurement of recycling and comprehensive utilization projects of construction waste in the future.

Renewable Energy Utilization

During the period under review, the Group was proceeding well with business of renewable energy utilization, which recorded an increase of approximately 38.88% in operating revenue to RMB30,760,458 for the year ended 31 December 2010 as compared to 2009. Shenzhen Xiaping Landfill Gas Power Comprehensive Utilization Project maitained operating at maximum capacity with sufficient landfill gas supplied, and planned to add more power generating units to expand the capacity. With three sets of 1MW power generating units, the landfill gas power generation and CDM project of the Qingdao Xiaojianxi Domestic Waste Landfill was completed and put into trial operation, to be put into official operation in 2011. Relevant CDM project has been registered with the UN's CDM Executive Council. During the period under review, with three sets of 1MW power generating units, installation and commissioning of the landfill gas power generation and CDM project of the Shenzhen Laohukeng Domestic Waste Landfill were completed, to be officially put into operation in 2011. Relevant CDM project has been verified by the National Development and Reform Commission ("NDRC").

Besides, Chongqing coal mine ventilation air and emission reduction project jointly invested by the Group and AES Corporation is verified as the CDM project by the NDRC, to be officially completed for operation at the first half of 2011. The project is to reduce greenhouse gas emissions by seizing, damaging and using ventilation air methane emitted by the coal mine.

Environmental Engineering and Service

To cope with the development of a full-functional environmental service platform, in recent years, the Group proactively expanded environmental engineering and services business, and provided one-stop envrionmental services to vaiouse customers by efficiently integrating resources in design, construction, equipment installation, commissioning and operation of environmental engineering as well as other services such as environmental impact assessment("EIA") and environmental inspection. In 2010, as to this business, remarkable achievements were made in terms of market expansion, technical and operation mode innovation, driving relevant results to steadily grow. For the year ended 31 December 2010, this business recorded an operating revenue of approximately RMB106,828,774, representing an increased of approximately 13.64% as compared to 2009.

Environmental Engineering Construction, Operation and Consultancy

The Group mainly carried out operations including design, construction and operation management of environmental protection facilities and provision of EIA and environmental inspection services through its Engineering Service Branch and subsidiary named Beijing Novel Environmental Protection Co., Ltd ("Novel Environmental Protection"). To follow the trend of industrial upgrade and shift, the Group's Engineering Service Branch flexibly adjusted operation strategies, strengthened the expansion of markets out of Shenzhen, and obtained various environmental protection construction projects during the year. Meanwhile, the Group took initiatives to innovate operation modes, and tried to participate in resource online recovery engineering and wastewater treatment engineering in pursuit of profit drivers other than traditional operation modes. To cope with the increasingly rigorous environmental protection emission standard of the State, the Group's Engineering Service Branch has currently mastered all pollutant factor treatment processes in industries including electroplating and printed-circuit board ("PCB") by putting more efforts in environmental protection engineering and operation, technology development and introduction. During the period under review, the Group's Engineering Service Branch undertook 8 construction projects and had 28 wastewater operation points, increasing by 10 operation points as compared to 2009. In 2010, the number of Novel Environmental Protection's projects totaled 81 and contract amount achieved RMB110,536,000, representing an increase of approximately 90.93% as compared to 2009, which is owing to the full exertion of wide business scopes and design strength in the environmental engineering segment and ideal business expansion.

Environmental Inspection Services

Shenzhen Huabao Technology (深圳市華保科技有限公司) ("Huabao Technology"), a subsidiary of the Group, was an environmental protection company specializing in environmental inspection. During the period under review, Huabao Technology established a set of scientific and applicable laboratory management system in the light of international general practices and such system was reviewed and approved by China National Accreditation Service for Conformity Assessment ("CNAS"), and the reports issued by Huabao Technology were mutually accepted by 37 countries. Also, following project expansion work of CMA, CMA certification inspection projects were increased from 59 projects to 214 projects, and thus, its inspection ability was improved dramatically. Capitalizing on solid inspection strength and credibility, Huabao Technology participated in Air Quality Monitoring for Guangdong Asian Games and assumed one third of Shenzhen's monitoring workload, and its monitoring quality was recognized and lauded by governmental agencies.

Research and Development ("R&D")

To achieve the change in operation mode from "resource orientation" to "technical orientation", and further highlight the strategic position of technical development, the Group established the Technical Research & Development Department during the year with the purpose of perfecting the technical talent motivation mechanism and technical results management system, and erecting a better development platform for technical R&D work. In 2010, the Group's Technical Research & Development Department's work centered on the improvement of recycled product upgrade and comprehensive environmental service capability, completed new technical research on ten projects including preparation of cuprous oxide with copper sulphate, preparation of copper-clad iron powder, and wastewater containing nitrogen treatment. The Group's application of 12 patents including a Kind of Highly Active Electroplating Cupric Oxide Production Process and Ammonia Nitrogen Wastewater Treatment Methods of the PCB Plant was accepted for handling, and 7 patents were authorized. Meanwhile, the Group accelerated the execution of technical cooperation on industry-academy-research, established a joint research center with Tsinghua University, entered into the technical taskforce agreement with Tianjin University, and established project cooperation relationship with institutions with China National Electric Apparatus Research Institute and Dalian University of Technology, laying a foundation for further promotion of the corporate technical upgrade and product mix adjustment.

Corporate Development

In 2010, adhering to the philosophy of "Fine Management and Continuous Improvement" in internal management, the Group continually strengthened the professional training and management of the team, and implemented and perfected the performance appraisal and incentive system. In respect of human resource, Human Resource Department. organized a workshop on talent strategy, and introduced and cultivated talents in urgent need in modules including business, technology, management and production. During the period under review, the Group continued reinforcing environment and environmental protection work, and set up the Environmental, Health and Saftly ("EHS") Department to comprehensively manage the whole Group's EHS work, and formulated an appropriate development plan.

In respect of corporate development, the Company transferred its listing of H shares from the Growth Enterprise Market to the Main Board of the Stock Exchange in September 2010, so as to improve the Group's corporate image and reputation and provide a better listing platform for its longstanding development. To widen financing channels and sharpen the Group's comprehensive competitive edges, in September 2010, the Board proposed to apply for issuing A shares in China, which was approved by shareholders. The Group has made relevant application to China's securities regulatory authorities and obtained the application acceptance. Currently, the application is under the process of approval.

FINANCIAL REVIEW

Total Operating Revenue

For the year ended 31 December 2010, the Group's total operating revenue was increased by approximately 38.01% to approximately RMB1,152,358,350 (2009: approximately RMB834,988,783) as compared to the corresponding period in 2009. The increase was mainly due to the proactive expansion of various businesses of the Group by seizing the opportunities arising from the rebound of the economy of China. For the industrial waste recycling, which recorded an increase of approximately 62.61% to RMB678,413,051 (2009: approximately RMB417,199,037) in operating revenue was achieved as compared with that of 2009 due to the rise in the output, sales volume and average price of the recycled products.

Profit

For the year ended 31 December 2010, the Group's gross profit was increased by approximately 38.70% to approximately RMB402,321,759 (2009: approximately RMB290,059,190). Among which, the gross profit from the industrial waste recycling recorded an increase of approximately 43.79% to approximately RMB232,211,939 (2009: approximately RMB161,496,911), while the gross profit from industrial waste treatment and disposal recorded an increase of approximately 40.78% to approximately RMB95,619,216 (2009: RMB67,923,141).

For the year ended 31 December 2010, the Group's gross profit margin was approximately 34.91% (2009: approximately 34.74%).

For the year ended 31 December 2010, profit attributable to shareholders of the Company increased approximately 43.89% to approximately RMB155,855,983 (2009: approximately RMB108,314,531). The increase was mainly because the Group's existing waste treatment bases and projects were running well with business volume rising steadily, meanwhile, the Group continued to strength the control of the procurement and production cost as well as various expenses.

Selling Expenses

For the year ended 31 December 2010, the Group's selling expenses was approximately RMB35,531,956 (2009: approximately RMB32,832,746), representing approximately 3.08% (2009: approximately 3.93%) of the total operating revenue.

Administrative Expenses

For the year ended 31 December 2010, the Group's administrative expenses was approximately RMB154,541,421 (2009: approximately RMB100,091,754), representing a approximately 13.41% (2009: approximately 11.99%) of the Group's total operating revenue. The increase in administrative expenses was mainly resulted from the Group's increasing investment in R&D in 2010. Moreover, the implementation of the transfer of listing of the Company's H shares from GEM to Main Board of the Stock Exchange and the proposed issue of A shares in China also gave rise to the increasing expenses.

Finance Costs

For the year ended 31 December 2010, the Group's finance cost was approximately RMB22,168,813 (2009: approximately RMB11,021,940), representing approximately 1.92% (2009: approximately 1.32%) of the Group's total operating revenue. The increase in finance cost was primarily attributable to the net increase in bank loans of RMB107,300,707 to finance the project investment of the Group.

Income Tax Expenses

For the year ended 31 December 2010, the Group's income tax expenses was approximately RMB32,685,894 (2009: approximately RMB28,719,213), representing approximately 16.60% of the Group's total profit before tax (2009: approximately 19.37%). The increase in income tax expenses was mainly due to the growth of the Group's total profit.

Financial Resources and Liquidity

As at 31 December 2010, the Group had net current assets of approximately RMB160,476,582 (2009: approximately RMB186,389,829), including cash and cash equivalent of approximately RMB178,654,812 (2009: approximately RMB230,360,565).

As at 31 December 2010, the Group had total liabilities of approximately RMB943,247,244 (2009: approximately RMB776,223,419). The Group's gearing ratio was approximately 52.93% (2009: approximately 50.50%) which is calculated based on the Groups total liabilities over total assets. The current liabilities of the Group was approximately RMB651,609,803 (2009: approximately RMB499,933,594). As at 31 December 2010, the Group had outstanding bank loans of approximately RMB666,037,342 (2009: approximately RMB558,736,635).

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

In March 2010, the Company invested RMB17,800,000 to purchase 10% equity interest of a then 50% owned subsidiary of the Company, namely Shaoguan Green Recycling Resource Development Company Limited (韶關綠然再生資源發展有限公司).

In March 2010, the Company invested RMB4,705,102.40 to purchase 29% equity interest of a then 51% owned subsidiary of the Company, namely Shenzhen Dongjiang Lisai Renewable Energy Limited (深圳市東江利賽再生能源有限公司).

In May and November 2010, the Company equally invested RMB8,367,000 in the registered capital of a 51% owned associate of the Company, namely Chongqing Dongjiang Songzao Renewable Energy Development Co., Ltd.

In June 2010, the Company invested RMB200,000 to purchase 10% equity interest of a 90% owned subsidiary of the Company, namely Qingyuan Dongjiang Environmental Technology Co.,Ltd.

In August 2010, the Company invested RMB10,000,000 to establish a company, namely Yunnan Dongjiang Environmental Technology Co., Ltd in Kunming, Yunnan Province, 100% equity interest of which is owned by the Company.

In November 2010, the Company invested RMB6,284,250 to acquire 35% equity interest of a company, namely Zhuhai Qingxin Industry Environmental Co., Ltd.

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

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 due to fixed interest rate bank borrowings. Currently, the Group does not have any interest rate hedging policy. However, the interest rate risk is monitored by the management, and in case any expected material risk, the management will consider taking any necessary actions.

The Group is also exposed to cash flow interest rate risk due to floating interest rate bank borrowings. The Group's policy is to maintain the floating interest rate bank borrowings in order to reduce the risk of cash flow interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated in the fluctuation of the interest rate basis announced by the People's Bank of China generated from the Group's borrowings in Renminbi.

Foreign Exchange Risk

The Group's working currency is Renminbi and most transactions are denominated in Renminbi. However, certain bank balances tradings and other receivables and payables are denominated in currencies other than Renminbi. The expenses of the Group's overseas business are also settled in foreign currencies.

Pledge of Assets

At at 31 December 2010, certain assets of the Group were pledged to secure bank borrowings and letter of credit facilities granted to the Group, as follows:

	2010	2009
	RMB'000	*RMB'000*
		(restated)
Property, plant and equipment	**15,893,000**	6,204,000
Prepaid lease payments of land	**2,736,000**	–
Bank deposits	**–**	31,240,000
Inventories	**107,900,000**	94,981,000
Total	**126,529,000**	132,425,000

Information on Employees and Remuneration Policies

As at 31 December 2010, the number of full-time employees stood at 1,960 (2009: 1,542) with a total staff cost of approximately RMB110,373,558 (2009: RMB72,513,555). The Group offered continuing training, remuneration package of additional benefits to its employees, including retirement benefits, housing fund and medical insurance.

Contingent Liabilities

As at 31 December 2010, financial guarantee provided by the Group was RMB31,400,000 (2009: RMB28,900,000) to banks for securing banking facilities granted to Dongjiang Veolia. The maximum amount during the year was RMB33,900,000 (2009: RMB32,500,000).

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 2010.

Future Prospects

Looking ahead, China is expected to become one of the world's largest environmental protection industry markets. In November 2010, the Development Plan on Energy Saving and Environmental Protection prepared by the NDRC and the MEP was approved by the State Council. In accordance with the aforesaid plan, the environmental protection industry is expected to witness tremendous market space during the period of the Twelfth Five-Year Plan.

In face of unprecedented growth opportunities, in 2011, the Group will continue to focus on waste treatment to develop a full functional solid waste treatment platform and achieve leapfrog development by combining value-added business including waste treatment and disposal, recycling and environment engineering and service, and leveraging the strength of the complete industry chain.

Industrial Waste Treatment Business

Based on industrial waste treatment bases built in developed industrial regions including Guangdong and Yantze River Delta and regional business distribution, the Group will strengthen waste treatment facilities construction and business mode innovation, and consolidate its competitive strengths in the industrial waste business segment and leading position in the industry by:

(1) focusing on the construction of waste treatment and disposal facilities, and expanding market presence; maximizing the recycling value through innovation of waste treatment and disposal service mode by way of technical R&D; constructing waste pre-treatment facilities and transit warehouse to slash operation costs;

(2) consolidating and developing industrial waste recycling business, proactively adopting the strategy of merger & acquisition for regional market expansion; improving recycled products' quality and added value through technical R&D, and promoting resource utilization efficiency of wastes; extending from the business of heavy metal containing hazardous industrial waste to comprehensive utilization business of heavy metal containing tailings and mineral waste, establishing the upstream and downstream resource channel and product sales channel, and forming an integrated resource recycling system; and

(3) accelerating the construction of worn-out household appliance and comprehensive utilization base, grasping domestic leading dissembling technology, integrated equipment and operation mode; establishing strategic alliance with household producers and worn-out household appliance recycle enterprises, setting up worn-out household appliance resource channels, and steadily impelling the outreach of worn-out household appliance dissembling and comprehensive utilization business.

Municipal Waste Treatment Business

The Group will focus on the strategic layout with highlights on the Pearl River Delta, Bohai Economic Rim, Central China and Southwest China by constantly implementing the operation strategy of promoting overall work through the experience from pilot projects; based on consolidating existing projects, the Group will develop new business around the nearby regions:

(1) intensifying and developing the existing business of Xiaping and Shaoyang domestic waste landfills, building a high-caliber operation team of municipal waste landfill, and shaping the "Dongjiang" brand of domestic waste treatment and disposal service; soundly promoting concession business of other cities' waste landfills in China, popularizing the concept of the environmental protection park construction of municipal waste, and achieving the dynamic integration of municipal domestic waste treatment and disposal service and other municipal waste business;

(2) leveraging the Company's existing resource advantage, rapidly making inroads into the construction waste treatment and recycling area by way of cooperation or merger and acquisition, speeding up the construction of Kunming construction waste recycling project, and developing China's state-of-the-art comprehensive recycling technology, integrated equipment and operation mode; developing high value-added recycling building products, establishing the upstream waste resource collection channel and downstream recycled product sales channel, and then steadily boosting the expansion of other municipal construction waste treatment and recycling projects; and

(3) reinforcing the existing renewable energy utilization business, improving the collection ratio and power generation efficiency of landfill gas through technical R&D; achieving the comprehensive utilization of landfill gas resource through R&D of utilization technology of flue gas waste heat; extending the single landfill gas collection and utilization business to a comprehensive business system integrating domestic waste landfill operation and renewable energy utilization.

Value-added Supporting Service

To harmonize with core business of solid waste treatment, the Group is well positioned to share customer resources with industry and municipal waste treatment business and execute the synergy mechanism by constantly improving the capability of value-added supporting service including environmental engineering; the Group will satisfy customers' various demands by developing energy saving, clean production and wastewater recycling technology; the Group will build up professional echelon personnel to shape a replicable environmental engineering and service operation mode and brand.

DIVIDENDS

The Board does not recommend the payment of any dividends for the year. (2009: RMB0.05 per share).

CHANGE OF REGISTERED OFFICE OF THE COMPANY

On 3 February 2010, the Company announced that the registered office of the Company in the PRC has been changed to 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 with effect from 27 January 2010. As approved by the shareholders of the Company at the extraordinary general meeting held on 18 January 2010, amendments were made to the articles of association of the Company to reflect the changes of the registered office and scope of business of the Company.

BONUS ISSUE OF SHARES AND CHANGE OF BOARD LOT SIZE

A bonus share issue regarding allotment and issue of 177,900,000 H Shares of RMB0.10 each as bonus Shares on the basis of one bonus H Share for every one existing H Share held, and 449,481,872 domestic Shares of RMB0.10 each as bonus Shares on the basis of one bonus domestic Share for every one existing domestic Share held was approved at the annual general meeting held on 31 May 2010 and completed on 11 June 2010. The articles of association of the Company was amended to reflect the change of the share structure of the Company.

TRANSFER OF LISTING

On 18 August 2010, application was made by the Company to the Stock Exchange for the transfer of listing of the Company's H Shares from the Growth Enterprise Market of the Stock Exchange ("GEM") to the Main Board of the Stock Exchange.

The Company was granted an approval-in-principle from the Stock Exchange for the H Shares to be listed on the Main Board and de-listed from GEM according to Rule 9A.09(6) of the GEM Listing Rules. The Company has also obtained the approval from the China Securities Regulatory Commission in connection with the implementation of the transfer of listing on 9 August 2010.

The last day of dealings in the H Shares on GEM was 27 September 2010. Dealings in the H Shares on the Main Board on the Stock Exchange commenced at 9:30 a.m. on 28 September 2010. The H Shares was then traded on the Main Board on the Stock Exchange under the new stock code "00895".

The Directors believe that the listing of the H Shares on the Main Board will enhance the profile and corporate image of the Group, and could improve the trading liquidity of the H Shares. The Directors consider that the listing of the H Shares on the Main Board will be beneficial to the future growth, financing flexibility and business development of the Group.

PROVISIONS OF GUARANTEES AND ISSUE OF SHORT-TERM COMMERCIAL PAPERS

At the extraordinary general meeting of the Company held on 21 October 2010, it was to provide guarantees to independent third parties of the Group to secure bank facilities in an aggregate amount of RMB466,000,000 for certain of its subsidiaries; and (ii) to issue the short-term commercial papers in the aggregate principal amount not exceeding RMB300,000,000 in the PRC.

PROPOSED ISSUE OF A SHARES

On 20 September 2010, the Company announced that in relation to apply to the relevant regulatory authorities in the PRC for the allotment and issue of not more than 250,000,000 A Shares with a nominal value of RMB0.10 each or, subject to the implementation of the share consolidation, 25,000,000 A Shares with a nominal value of RMB1.00 each (subject to any adjustment resulting from any change to the issued share capital of the Company up to the completion of the issue of A Shares) to natural persons, legal persons and other institutional investors recognized by the China Securities Regulatory Committee ("CSRC"), who maintain A share account with the Shanghai Stock Exchange or the Shenzhen Stock Exchange (as the case may be) (except those prohibited by PRC laws and regulations, and other regulatory requirements to which the Company is subject to), and to apply to the Shanghai Stock Exchange or the Shenzhen Stock Exchange (to be decided by the Board depending on the requirements of relevant regulatory authorities in the PRC) for the listing of, and permission to deal in, the A Shares. The proposed issue of A Shares was approved by the Shareholders at the extraordinary general meeting of the Company held on 9 December 2010, the class meeting for holders of Domestic Shares held on 9 December 2010.

PURCHASE, SALE AND REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the reporting period.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles set out in the Code on Corporate Governance Practice contained in Appendix 14 of the Listing Rules (the "Code"). The Company has complied with all the code provisions throughout the year under review, except for the deviation of code provision A.2.1 mentioned in the paragraphs below.

The division of the association of responsibilities of the chairman and chief executive officer of the Company are clearly set out in the articles of the Company.

Under code provision roles of A.2.1, the roles of chairman and chief executive officer should not be performed by the same individual. The roles of 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 roles of 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 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.

SCOPE OF WORK OF SHINEWING CERTIFLED PUBLIC ACCOUNTANTS

The figures contained this announcement of the Group's results for the year have been agreed by the Group's auditor, SHINEWING CERTIFIED PUBLIC ACCOUNTANTS, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2010. The work performed by SHINEWING CERTIFIED PUBLIC ACCOUNTANTS in this respect did not constitute an assurance engagement in accordance with the PRC Accounting Standards issued by China Ministry of Finance and consequently, no assurance has been expressed by SHINEWING CERTIFIED PUBLIC ACCOUNTANTS on this announcement.

EVENTS AFTER THE REPORTING PERIOD

Dismissal of International Auditors

At the first extraordinary general meeting of the Company held on 1 March 2011, it was resolved that SHINEWING (HK) CPA Limited be dismissed as the international auditors of the Company whilst SHINEWING CERTIFIED PUBLIC ACCOUNTANTS（信永中和會計師事務所有限責任公司）be the only auditors auditing the Company's financial statements for the financial year ended 31 December 2010 in accordance with the China Accounting Standards for Business Enterprises, and undertaking the role of international auditors in compliance with the Listing Rules with effect from the date of such resolution being passed and that the Board be authorised to take all such actions and make such arrangements for all specific matters relating to, or in connection with, the dismissal of SHINEWING (HK) CPA Limited.

Consolidation of Shares and Change of Board Lot Size

Pursuant to the general practice of the PRC securities market, A shares are generally of a nominal value of RMB1.00 each. In light of the recommendation of the relevant authorities in the PRC, the Board resolved to effect the consolidation of the Shares on the basis of every 10 ordinary shares of the Company with a nominal value of RMB0.10 each in the issued or unissued share capital of the Company be consolidated into one ordinary share of the Company with a nominal value of RMB1.00 each (the "Share Consolidation") to facilitate the implementation of the Issue of A Shares pursuant to the authorization granted to it by the Shareholders at the extraordinary general meeting of the Company held on 9 December 2010 the class meeting for holders of H shares and the class meeting for holders of domestic shares held on 9 December 2010, respectively.

Upon the Share Consolidation becomes effective, the board lot size of the H Shares for trading on the Stock Exchange is changed from 2,000 H shares with a nominal value of RMB0.10 each to 200 consolidated H Shares with a nominal value of RMB1.00 each.

The Share Consolidation and change in board lot size became effective on 20 January 2011, and the relevant procedures in relation thereto had completed.

Change of the Name of the Company

At the extraordinary general meeting of the Company held on 9 December 2010, it was resolved that the Chinese name of the Company be changed from "深圳市東江環保股份有限公司" to "東江環保股份有限公司", and "Dongjiang Environmental Company Limited" be adopted as the English name of the Company for identification purpose only. All the necessary registration and/or filing procedures in respect of the change of the Company's name have been completed on 11 January 2011. The Company's stock short names and the stock code remain unchanged.

AUDIT COMMITTEE

The Company had 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 auditors, reviewing the Company's financial information and its disclosure, monitoring the Company's internal control system and its implementation, reviewing and providing supervision over the Group's financial reporting process and internal control of the Company.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Ye Ru Tang, Mr. Hao Ji Ming and Mr. Liu Xue Sheng. Mr. Liu Xue Sheng has been appointed as the chairman of the Audit Committee. The Audit Committee has reviewed the Company's financial statements for the year ended 31 December 2010.

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

18 March 2011
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.

* *For identification purposes only*