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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

INTERIM RESULTS (UNAUDITED)

The board (the "Board") of directors (the "Directors") of Dongjiang Environmental Company Limited (the "Company") hereby announces the unaudited results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2011 (the "Period"), together with the comparative figures of the corresponding period in 2010, as follows:

(Unless specified otherwise, the financial information of the Company in this announcement was stated in Renminbi ("RMB").)

CONSOLIDATED INCOME STATEMENT (*UNAUDITED*)

For the six months ended 30 June 2011

		Six months ended 30 June	
		2011	2010
	Notes	***(Unaudited)***	*(Unaudited)*
Total operating revenue	*2*	**760,885,421.07**	492,908,623.96
Total operating costs		**638,107,971.61**	387,047,615.51
Cost of operation		**492,560,133.89**	293,973,101.86
Sales tax and levies		**8,102,089.90**	2,837,524.76
Selling expenses		**27,495,727.56**	19,716,067.74
Administrative expenses		**72,120,787.57**	57,049,534.31
Finance costs	*4*	**13,569,568.21**	10,972,547.46
Impairment loss for assets	*5*	**24,259,664.48**	2,498,839.38
Gain (loss) on fair value changes		**501,960.00**	(984,682.94)
Investment income (loss) from jointly controlled entities and associates		**1,971,840.42**	(2,918,618.61)
Other investment (loss) income		**(107,985.97)**	170,921.45
Operating profit		**125,143,263.91**	102,128,628.35
Add: Non-operating income		**3,221,915.62**	2,052,566.06

CONSOLIDATED INCOME STATEMENT (*UNAUDITED*)

For the six months ended 30 June 2011

		Six months ended 30 June	
		2011	2010
	Notes	***(Unaudited)***	*(Unaudited)*
Less: Non-operating expenses		**1,444,299.44**	261,430.26
Total profit		**126,920,880.09**	103,919,764.15
Less: Income tax expenses	*6*	**22,827,299.98**	21,073,074.34
Net profit		**104,093,580.11**	82,846,689.81
Other comprehensive income		**(906,184.98)**	-
Total comprehensive income		**103,187,395.13**	82,846,689.81
Net profit attributable to:			
Shareholders of the Company		**99,044,520.41**	74,259,009.79
Minority interests		**5,049,059.70**	8,587,680.02
Total comprehensive income attributable to:			
Shareholders of the Company		**98,138,335.43**	74,259,009.79
Minority interests		**5,049,059.70**	8,587,680.02
Earnings per share	*7*		
Basic earnings per share		**0.79**	0.59
Diluted earnings per share		**0.79**	0.59
Dividends	*8*	-	-

CONSOLIDATED BALANCE SHEET

At 30 June 2011

	Notes	**At 30 June 2011** *(Unaudited)*	At 31 December 2010 *(Audited)*
Current assets			
Cash and bank balances		**234,537,958.73**	178,654,812.40
Held-for-trading financial assets		**4,175,710.00**	4,511,646.00
Bills receivables		**37,648,236.48**	52,407,555.18
Accounts receivables	*9*	**152,438,927.18**	158,038,481.61
Prepayments		**85,935,223.56**	66,875,351.10
Other receivables		**48,669,926.76**	69,116,661.93
Inventories		**212,454,494.13**	282,481,876.70
Total current assets		**775,860,476.84**	812,086,384.92
Non-current assets			
Investments in jointly controlled entities and associates		**84,808,338.33**	116,591,720.88
Other long-term equity investments		**1,900,000.00**	1,900,000.00
Investment properties		**53,952,089.00**	53,952,089.00
Fixed assets		**419,524,119.29**	378,101,272.84
Construction in progress		**364,155,476.27**	322,338,261.31
Intangible assets		**62,637,412.49**	59,968,007.02
Goodwill		**3,052,019.14**	26,883,677.58
Long-term prepayments		**90,000.00**	181,500.00
Deferred income tax assets		**10,628,962.78**	10,074,535.27
Other non-current assets		**10,040,880.00**	-
Total non-current assets		**1,010,789,297.30**	969,991,063.90
Total assets		**1,786,649,774.14**	1,782,077,448.82
Current liabilities			
Short-term borrowings		**169,120,088.31**	288,000,000.00
Accounts payables	*10*	**132,113,263.84**	145,704,548.17
Receipts in advance		**48,525,661.09**	55,346,052.98
Employee benefits payables		**3,000,928.45**	16,439,339.14
Tax payables		**2,323,894.45**	(3,705,441.77)
Other payables		**54,867,694.35**	34,868,399.03

CONSOLIDATED BALANCE SHEET

At 30 June 2011

	Notes	**At 30 June 2011** **(*Unaudited*)**	At 31 December 2010 (*Audited*)
Non-current liabilities repayable within one year		**42,051,230.17**	112,450,022.02
Deferred income realizable within one year		**2,956,883.08**	2,506,883.08
Total current liabilities		**454,959,643.74**	651,609,802.65
Non-current liabilities			
Long-term borrowings		**321,600,000.00**	265,587,320.00
Obligations under finance leases		**35,238,936.72**	2,743,746.44
Deferred income tax liabilities		**3,360,359.10**	1,403,846.70
Deferred income		**31,923,234.13**	21,902,527.71
Total non-current liabilities		**392,122,529.95**	291,637,440.85
Total liabilities		**847,082,173.69**	943,247,243.50
Shareholders' equity			
Share capital		**125,476,374.40**	125,476,374.40
Surplus reserve		**70,754,552.84**	70,754,552.84
Undistributed profits		**646,020,595.77**	546,976,075.36
Exchange difference on translation of financial statements denominated in foreign currency		**(504,348.75)**	401,836.23
Equity attributable to shareholders of the Company		**841,747,174.26**	743,608,838.83
Minority interests		**97,820,426.19**	95,221,366.49
Total shareholders' equity		**939,567,600.45**	838,830,205.32
Total liabilities and shareholders' equity		**1,786,649,774.14**	1,782,077,448.82
Net current assets		**320,900,833.10**	160,476,582.27
Total assets less current liabilities		**1,331,690,130.40**	1,130,467,646.17

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS:

1. Basis of preparation and principal accounting polices

The unaudited interim financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises (《企業會計準則》) issued by the Ministry of Finance of the People's Republic of China and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and methods of computation used in the preparation of the unaudited interim financial statements are consistent with those adopted in the annual financial statements of the Company for the year ended 31 December 2010. This interim result has not been audited by the auditor of the Company, and has been reviewed by the audit committee of the Company.

2. Operating revenue

Operating revenue represents the net amount received and receivable for goods sold and services rendered by the Group to outside customers, less trade discounts.

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

	Six months ended 30 June	
	2011	2010
	(Unaudited)	*(Unaudited)*
Industrial waste recycling	**554,042,123.90**	274,693,596.34
Industrial waste treatment and disposal	**76,551,592.82**	56,603,967.92
Municipal waste treatment and disposal	**53,597,679.39**	62,473,570.60
Renewable energy utilization	**24,067,905.70**	14,108,600.00
Environmental engineering and services	**29,838,827.34**	44,523,660.38
Trading and others	**22,787,291.92**	40,505,228.72
Total	**760,885,421.07**	492,908,623.96

3. Segment information

The Group is currently organised into six operating divisions, namely, (i) industrial waste recycling; (ii) industrial waste treatment and disposal; (iii) municipal waste treatment and disposal; (iv) renewable energy utilization; (v) environmental engineering and services; and (vi) trading and others. These divisions are the basis on which the Group reports its primary segment information.

i) For the six months ended 30 June 2011 (unaudited)

	Industrial waste recycling	**Industrial waste treatment and disposal**	**Municipal waste treatment**	**Renewable energy**	**Environmental engineering**	**Trading and others**	**Unallocted amounts**	**Elimination**	**Total**
Total operating revenue	558,422,996.68	77,015,109.49	53,597,679.39	24,067,905.70	30,931,103.34	60,738,812.89	-	(43,888,186.42)	760,885,421.07
Including:									
revenue from external transactions	554,042,123.90	76,551,592.82	53,597,679.39	24,067,905.70	29,838,827.34	22,787,291.92	-	-	760,885,421.07
revenue from intra-segment	4,380,872.78	463,516.67	-	-	1,092,276.00	37,951,520.97	-	(43,888,186.42)	-
Operating profit (loss)	110,904,386.56	48,686,883.91	6,793,542.75	4,253,193.78	15,021.67	3,711,741.20	(24,625,949.39)	(24,595,556.57)	125,143,263.91

ii) For the six months ended 30 June 2010 (unaudited)

	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**
Total operating revenue	294,915,653.90	59,302,892.16	62,473,570.60	14,108,600.00	44,523,660.38	53,390,961.94	-	(35,806,715.02)	492,908,623.96
Including:									
revenue from external transactions	274,693,596.34	56,603,967.92	62,473,570.60	14,108,600.00	44,523,660.38	40,505,228.72	-	-	492,908,623.96
revenue from intra-segment	20,222,057.56	2,698,924.24	-	-	1,092,276.00	12,885,733.22	-	(35,806,715.02)	-
Operating profit (loss)	87,169,102.01	29,967,044.29	11,616,961.12	2,935,500.30	4,516,277.01	4,019,228.52	(18,020,000.00)	(20,075,484.90)	102,128,628.35

4. Finance costs

	Six months ended 30 June	
	2011	2010
	(Unaudited)	*(Unaudited)*
Interest expenses	**13,818,450.84**	13,044,790.05
Less: Interest income	**(1,565,691.54)**	(2,074,403.79)
Add: Exchange difference	**850,058.12**	(133,988.32)
Add: Other expenses	**466,750.79**	136,149.52
Total	**13,569,568.21**	10,972,547.46

Breakdown of interest expenses is as follows:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	*(Unaudited)*
Interest on bank loans		
—bank loans wholly repayable within 5 years	**18,598,487.14**	18,685,030.05
Finance lease charge	**522,242.73**	-
	19,120,729.87	18,685,030.05
Less: Amount capitalised	**(5,302,279.03)**	(5,640,240.00)
Total	**13,818,450.84**	13,044,790.05

Borrowing cost capitalized during the Period is calculated by applying a capitalization rate of 1.77% (2010: 1.47%) per annum to expenditure on qualifying assets.

5. Assets impairment losses

	Six months ended 30 June	
	2011	2010
	(Unaudited)	*(Unaudited)*
Provision of provision for bad debts	**428,006.04**	2,500,000.00
Impairment loss on inventories	**-**	(1,160.62)
Impairment loss on goodwill *(Note)*	**23,831,658.44**	-
Total	**24,259,664.48**	2,498,839.38

Note: At the end of the Period, the management of the Company conducted impairment loss test on the goodwill based on the value in use calculation. As the result, an impairment loss of RMB23,831,658.44 was recognised on goodwill arising from the acquisition of Shaoguan Green Resource Recycling Development Co., Ltd (韶關綠然再生資源發展有限公司).

6. Income tax expenses

In accordance with the relevant income tax rules and regulations of the People's Republic of China (the "PRC"), the Company and its subsidiaries located in Shenzhen are subject to the PRC enterprise income tax at a rate of 24%. Subsidiaries located in other cities in the PRC are subject to the PRC enterprise income tax at a rate of 25%. The Company is subject to the PRC enterprise income tax at a rate of 15% as the Company was classified as new technology enterprise since 2009. Kunshan Qiandeng Wastes Treatment Company Limited (昆山市千燈三廢淨化有限公司), a subsidiary of the Company, was subject to the PRC enterprise income tax at a rate of 15% (2010: 15%) as it was classified as new technology enterprise in 2010.

In accordance with the relevant income tax rules and regulations of the PRC, Shenzhen Dongjiang Environmental Renewable Energy Company Limited (深圳市東江環保再生能源有限公司), a subsidiary of the Company, is entitled to enjoy a 50% tax reduction of PRC enterprise income tax at a rate of 12%.

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

7. Earnings per share

The calculation of basic earnings per share for the Period is based on the unaudited net profit for the Period attributable to shareholders of the Company of RMB99,044,520.41 (2010: RMB 74,259,009.79), and the weighted average of 125,476,374 (2010: 125,476,374) ordinary shares in issue during the Period.

The Company had no diluted potential shares in both 2010 and 2011 interim periods and the diluted earnings per share was same as basic earnings per share.

8. Dividends

The Board does not recommend the payment of an interim dividend for the Period (2010: Nil).

9. Accounts receivables

	At 30 June 2011	At 31 December 2010
	(Unaudited)	*(Audited)*
Accounts receivables	**163,785,868.47**	171,965,694.20
Less: Provision for bad debts	**(11,346,941.29)**	(13,927,212.59)
Total	**152,438,927.18**	158,038,481.61

The Group allows an average credit period of 90 days to its 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 aging analysis of accounts receivables net of provision for bad debts:

	At 30 June 2011	At 31 December 2010
	(Unaudited)	*(Audited)*
Within 90 days	**120,130,458.39**	120,039,542.87
91 to 180 days	**14,409,918.85**	16,704,603.41
181 to 365 days	**8,292,661.91**	12,267,935.94
1 to 2 year(s)	**8,337,795.86**	7,842,886.21
2 to 3 years	**1,268,092.17**	1,167,487.18
Over 3 years	**-**	16,026.00
Total	**152,438,927.18**	158,038,481.61

10. Accounts payables

The following is an aging analysis of accounts payables:

	At 30 June 2011 *(Unaudited)*	At 31 December 2010 *(Audited)*
Within 90 days	**90,386,989.52**	100,156,306.82
91 to 180 days	**20,763,010.21**	23,748,123.98
181 to 365 days	**13,806,006.79**	16,743,699.35
Over 1 year	**7,157,257.32**	5,056,418.02
Total	**132,113,263.84**	145,704,548.17

11. Commitment

	At 30 June 2011 *(Unaudited)*	At 31 December 2010 *(Audited)*
Construction in progress	**14,217,560.75**	28,335,880.38
Intangible assets		
–Built-Operation-Transfer (BOT) Projects	**77,524,730.26**	88,809,004.20
Sub-Total	**91,742,291.01**	117,144,884.58
Acquisition of equipment	**18,879,341.16**	26,617,102.60
Total	**110,621,632.17**	143,761,987.18

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2011, China's economy operated properly and there was a steady growth in industrial production. The Chinese government launched various policies such as "Opinion on Further Strengthening the Supervision of Hazardous and Medical Wastes" (《關於進一步加強危險廢物和醫療廢物監管工作的意見》), "Opinion on Further Strengthening the Treatment for Municipal Domestic Wastes" (《關於進一步加強城市生活垃圾處理工作的意見》) and "Twelfth Five-Year Plan on National Technological Development for Environmental Protection"(《國家環境保護「十二五」科技發展規劃》), showing an unprecedent emphasis on environmental protection industry and is beneficial to the development of enterprises engaging in eco-business. The Group fully captured the opportunities for industry development following the promotion of policies by the government and continuously enhanced its core competitiveness to achieve a significant growth in the Group's operating results. For the Period, the Group's total operating revenue increased by approximately 54.37% to approximately RMB760,885,421, and the net profit attributable to the shareholders of the Company increased by approximately 33.38% to approximately RMB99,044,520 as compared to the corresponding period in 2010.

Industrial Waste Treatment

Industrial waste treatment is the core business of the Group, which mainly focuses on reduction processing and detoxification disposal of wastes including waste liquid, sludge and waste residue through chemical, physical and biologic means, and conversion of substances with reuse value from wastes into recycled products. In the first half of 2011, the Group continued to further the construction and deployment of its base in order to fully develop the edges in its brand and its complete industrial chain and actively explored customer resources, which drove a remarkable growth in such business. During the Period, industrial waste treatment business of the Group achieved an operating revenue of approximately RMB630,593,717, representing an increase of approximately 90.34% as compared to the corresponding period in 2010.

During the Period, the Group further improved its market deployment, optimized customer profile and put great efforts in creating a quality customer base. Meanwhile, the Group set up a customer service control function to improve its service quality continuously and a higher level of customer satisfaction had been recorded as compared to the corresponding period in 2010. In addition, the Group further strengthened its management on safety, environmental protection, logistics and warehouse storage in the collection and transportation process, so that the efficiency of market operation had been obviously enhanced.

During the Period, the Group continued to upgrade and reconstruct its facilities in order to enhance the efficiency of waste treatment. Besides, the Group gave an impetus to intensive processing of recycled products through technical research and development ("R&D") to optimize the quality and structure of recycled products. During the Period, the Group launched high value-added products such as copper oxide products and electroplating copper sulfate products in response to market condition, and together with sensible arrangement for production and marketing, their profitability was further enhanced.

Municipal Waste Treatment

Municipal waste treatment was another pillar of the businesses of the Group with its main fields of development include removal and treatment of domestic waste, landfill gas power generation, treatment of municipal sludge, construction waste and kitchen waste as well as recycling. For the Period, the municipal waste treatment and disposal business of the Group developed steadily and realized an operating revenue of approximately RMB77,665,585 (including approximately RMB53,597,679 contributed by the segment of domestic treatment and disposal, and approximately RMB24,067,906 contributed by the segment of renewable energy utilization), representing an increase of approximately 1.41% as compared to the corresponding period in 2010.

The operation of the municipal waste collection and transportation business by Lik Shun Services Limited, a subsidiary of the Group, remained steady, with an operating revenue of approximately RMB14,148,150 for the Period, representing an increase of approximately 0.66 % as compared to the corresponding period in 2010.

For the municipal waste treatment, during the Period, the Group's Municiple Sludge Treatment Project operated normally, and achieved an operating revenue of approximately RMB23,496,166. The contract for the landfill project of Shenzhen Xiaping Landfill, which the Group has already undertaken the operation management, was successfully renewed. On the other hand, the Shaoyang Domestic Waste Landfill Project in Hunan Province invested and built by the Group had passed the engineering acceptance work and is expected to be put into operation in the second half of 2011. Also, during the Period, the Group obtained the right to operate and manage the Domestic Waste Compression and Transfer Station Project in Shaoyang for an operation period of ten years and six months, including a trial operation period of six months.

For renewable energy utilization, the Group was proceeding well with each of its landfill gas power generation and Clean Development Mechanism ("CDM") projects, and recorded an operating revenue of approximately RMB24,067,906 for the Period, representing an increase of approximately 70.59% as compared to the corresponding period in 2010. The Shenzhen Xiaping Landfill Gas Power Comprehensive Utilization Project operated smoothly during the Period and the two new power generating units were put into trial operation. During the Period, the Group further optimized the gas collection system for the Qingdao Xiaojianxi Project and the power generation efficiency improved steadily. Shenzhen Laohukeng Project was put into trial operation in the first half of 2011. Relevant CDM project had been applied for registration with the United Nations (the "U.N.") CDM Executive Council. The Chongqing Coal Mine Ventilation Air and Emission Reduction Project had been successfully registered with the U.N. CDM Executive Council.

Environmental Engineering and Service

The Group's environmental engineering and consulting services include related service such as design and construction of environment and municipal projects, operation of environment protecting facilities and assessment of environmental impact, environmental monitoring, and consulting services. During the Period, the Group fully utilized its vast customer base, explored its customer needs and enhanced its comprehensive service capability. For the Period, an operating revenue of approximately RMB 29,838,827 was recorded, representing a decrease of approximately 32.98% as compared to that of the corresponding period in 2010 since most of the construction projects were under negotiation or at early stages. Capitalizing on solid inspection strength, Shenzhen Huabao Technology Co., Ltd. (深圳市華保科技有限公司), a subsidiary of the Group, well accomplished the environmental quality inspection for the stadiums of the 26th Summer Universiade held in Shenzhen (the "Universiade"), and will continue to undertake the environmental inspection work during the holding of the Universiade.

Research and Development

In the first half of 2011, the Group's technological research centered on the core business of the Group, and has unfolded the research on integrated use and upgrade of recycled products. The "Laboratory Research on Preparing High Purity Highly Solvable Copper Oxide and Joint Production of High Purity Copper Oxide and Other Copper-series Products" (「高純即溶活性氧化銅製備及高純氧化銅聯產其他銅系列產品的實驗室研究」) has been successfully completed, and currently, designing work for the results incubation and the pilot experimental for such research results are in progress. For technological achievements, the Group has completed the registration of 8 patents, including "Processing Waste PCB into Compound Material" (「廢棄 PCB 加工成複合材料」), "Alkali-activated Solidification of Solid Waste Incineration Ash" (「城激發固化穩定處理垃圾焚燒飛灰的方法」) and "A Kind of High Quality Copper Sulfate Dissolution Apparatus" (「一種高品質硫酸銅溶解裝置」) during the Period. In order to accelerate the transformation of its R&D results, the Group has commenced the construction of a base for pilot test and R&D, the facilities of which include R&D and experimental zone, results incubation and pilot test zone, and pilot test system for industrial waste water treatment. The construction is expected to be partially completed and ready for use in the second half of the year. By that time, technological R&D, results transformation and product pilot test can be completed in the base on a one-stop basis.

During the Period, the Group further strengthened the cooperation and exchange of technology with external parties. It established the "Heavy Metal Recycling and Technology Control Joint Research Center" jointly with the School of Environment, Tsinghua University in March 2011. The center places emphasis on the technical research on the technology of integrated treatment of solid waste and heavy metal contamination control as well as recycling and utilization, and is committed to develop itself to be the R&D base with stronger influence in those domains.

FINANCIAL REVIEW

For the Period, the Group's total operating revenue increased by approximately 54.37% to approximately RMB760,885,421 (2010: approximately RMB492,908,624) as compared to the corresponding period in 2010. The net profit attributable to shareholders of the Company increased by approximately 33.38% to approximately RMB99,044,520 (2010: approximately RMB74,259,010). The increase of total operating revenue mainly resulted from the growth of industrial waste recycling, industrial waste treatment and disposal, renewable energy utilization and CDM project, representing an increase of approximately 101.69%, 35.24% and 70.59% respectively in their revenue as compared to the corresponding period in 2010.

During the Period, the Group's gross profit margin was approximately 35.26% (2010: approximately 40.36%). The drop in the gross profit margin was mainly due to the rising costs of raw materials and manpower during the Period, which led to the decrease of the profit margin of the industrial waste recycling business by 5.94 percentage points to 32.55%.

For the Period, the Group's selling expenses was approximately RMB27,495,728 (2010: approximately RMB19,716,068), representing approximately 3.61% of the Group's total operating revenue (2010: approximately 4.00%). The increase in selling expenses was mainly due to the expansion of Group's overall business scale as a result of proactive market expansion.

For the Period, the Group's administrative expenses were approximately RMB72,120,788 (2010: approximately RMB57,049,534), representing approximately 9.48% of the Group's total operating revenue (2010: approximately 11.57%). The increase in the administrative expenses was mainly resulted from the Group's increasing investment in R&D. Moreover, the increase in number of staff due to business expansion, and continuous inflation within the PRC also gave rise to the increase in administrative expenses.

For the Period, the Group's finance cost was approximately RMB13,569,568 (2010: approximately RMB10,972,547), representing approximately 1.78% of the Group's operating revenue (2010: approximately 2.23%). The increase in the finance cost was mainly due to the rise in the rates of bank loans.

For the Period, the Group's income tax expenses was approximately RMB22,827,300 (2010: approximately RMB21,073,074), representing approximately 17.99% of the Group's profit before tax (2010: approximately 20.28%).

Financial Resources and Liquidity

As at 30 June 2011, the Group had current assets of approximately RMB775,860,477 (31 December 2010: approximately RMB812,086,385) and current liabilities of approximately RMB454,959,644 (31 December 2010: approximately RMB651,609,803). The current assets include cash and cash equivalent of approximately RMB234,537,959 (31 December 2010: approximately RMB178,654,812).

As at 30 June 2011, the Group had total liabilities of approximately RMB847,082,174 (31 December 2010: approximately RMB943,247,244). The Group's gearing ratio was approximately 47.41% (31 December 2010: approximately 52.93%) which is calculated based on the Group's total liabilities over total assets. As at 30 June 2011, the Group had bank loans of approximately RMB532,771,318 (31 December 2010: approximately RMB666,037,342) at interest rates from 5.560% to 6.983% per annum.

Share Capital Structure

As at 30 June 2011, the Company had an issued share capital of RMB125,476,374, comprising 89,896,374 domestic shares of RMB1.00 each and 35,580,000 H shares of RMB1.00 each.

Substantial Investments, Acquisitions and Disposals of Subsidiaries, Jointly controlled entities and associates

In April 2011, the Company disposed of its entire 50% equity interest in Huizhou Huiyang Shuangxin Cement Company Limited (惠州市惠陽雙新水泥有限公司) ("Shuangxin Cement"), its then jointly controlled entity, with the consideration of RMB33,000,000. The reason for disposal is that the original plan of investment in Shuangxin Cement, which was utilizing the traditional cement production facilities to treat waste, has not been implemented as expected.

Save as disclosed in this announcement, the Group does not have any substantial investments, acquisitions and disposals of subsidiaries, jointly controlled entities and associates during the Period.

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 the management will consider taking necessary actions in case any material risk is expected.

The Group is also exposed to cash flow interest rate risk due to its 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 RMB.

Foreign Exchange Risk

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

Pledge of Assets

As at 30 June 2011, certain assets of the Group were pledged to secure bank borrowings and letter of credit facilities granted to the Group, details of which are set out as follows:

	At 30 June 2011	At 31 December 2010
	(Unaudited)	*(Audited)*
Fixed assets	**27,734,500.00**	15,893,000.00
Intangible assets-land use rights	**2,691,000.00**	2,736,000.00
Inventories	**-**	107,900,000.00
Total	**30,425,500.00**	126,529,000.00

Information on Employees and Remuneration Policies

As at 30 June 2011, the number of full-time employees was 2,120 (2010: 2,043) with a total staff cost for the Period of approximately RMB59,144,483 (2010: approximately RMB31,740,000). The Group offered continuing training and remuneration package of additional benefits to its employees, including retirement benefits, housing fund and medical insurance.

Contingent Liabilities

As at 30 June 2011, financial guarantee provided by the Group was RMB31,400,000 (30 June 2010: RMB31,400,000) to banks for securing banking facilities granted to a jointly controlled entity Huizhou Dongjiang Veolia Environmental Services Company Limited (惠州東江威立雅環境服務有限公司). The maximum amount during the Period was RMB31,400,000 (2010: RMB33,900,000).

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 its 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 future which would require the Group to undertake the prescribed environmental measures. The financial position of the Group may be adversely affected by any environmental obligations which may be imposed under such new environmental policies and/or standards.

Save as disclosed above, the Group had no significant contingent liabilities as at 30 June 2011.

FUTURE PROSPECTS

It is expected the "Twelfth five-year" plan and auxiliary measures on environmental industry will be launched intensively in the second half of 2011, which may lead to a rapid development of the industry. In particular, the domestic waste and hazardous waste treatment has latecomer advantage and will be the most rapidly developing segment. The Group will closely grasp the trend of the policies and continuously consolidate and reinforce the core competitive advantages. On one hand, the Group will continue to expand and upgrade the facilities of the existing industrial and municipal solid waste treatment bases to enhance the regional business deployment and strengthen its leadership in the market. On the other hand, it will speed up the progress of each project and seize the opportunity given by the great demand for solid waste treatment investment, put more efforts in investment and acquisition, actively expand into new business domains and thereby perfect the Group's industry chain and promote the regional expansion. Meanwhile, the Group believes that advances in technology will be an important driving force for environmental industry as well as one of the key elements of competition within the industry in future. Therefore, the Group continue to put more efforts in R&D, especially in the researches concerning new business and technologies related to new projects, in order to maintain the leadership in respect of the technologies of the Group's core business and provide a strong technological back up for the Company's development. In addition, the Group will proceed with the relevant works of the proposed public offering and listing of A shares in the PRC and raise funds for its subsequent development as soon as possible.

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 Period.

CORPORATE GOVERNANCE PRACTICES

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

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

Under code provision A.2.1 of the Code, 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 the code provisions of the Code, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

OTHER EVENTS DURING THE PERIOD

Dismissal of International Auditors

At the first extraordinary general meeting in 2011 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 Co., Ltd. (信永中和會計師事務所有限責任公司) be appointed as the only auditors auditing the Company's financial statements for the financial year ended 31 December 2010 preparing 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 1 March 2011.

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 of the Company 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 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 became effective on 20 January 2011, the board lot size of the H shares for trading on The Stock Exchange of Hong Kong Limited has 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 relevant procedures in relation thereto had been 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 has set up an audit committee on 14 January 2003 with written terms of reference, for the purpose of reviewing and monitoring the external auditors' 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, and reviewing and providing supervision over the Group's financial reporting process and internal controls of the Company.

The audit committee of the Company comprises three independent non-executive Directors, namely Mr. Ye Ru Tang, Mr. Hao Ji Ming and Mr. Wang Ji De. The audit committee of the Company has reviewed the Company's unaudited financial statements for the Period and has provided advice and comments thereon.

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

28 July 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. Feng Bo and Ms. Sun Ji Ping; and three independent non-executive Directors, being Mr. Ye Ru Tang, Mr. Hao Ji Ming and Mr. Wang Ji De.

** For identification purposes only*