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 2012

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 2012 (the "Period"), together with the comparative figures of the corresponding period in 2011, as follows:

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

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
	Notes	***(Unaudited)***	*(Unaudited)*
Total operating revenue	*2*	**740,385,384.69**	760,885,421.07
Total operating costs		**571,056,025.63**	638,107,971.61
Cost of operation		**458,785,242.08**	492,560,133.89
Sales tax and levies		**7,584,865.13**	8,102,089.90
Selling expenses		**16,623,045.99**	27,495,727.56
Administrative expenses		**80,908,955.08**	72,120,787.57
Finance costs	*4*	**9,766,978.20**	13,569,568.21
Impairment loss for assets	*5*	**(2,613,060.85)**	24,259,664.48
Add: Gain (loss) on fair value changes		**(199,720.00)**	501,960.00
Investment (loss) income		**3,000,805.99**	1,863,854.45
Including: Investment income (loss) from jointly controlled entities and associates		**2,515,305.79**	1,252,355.51

	Notes	Six months ended 30 June **2012** ***(Unaudited)***	2011 *(Unaudited)*
Operating profit		**172,130,445.05**	125,143,263.91
Add: Non-operating income		**8,800,197.16**	3,221,915.62
Less: Non-operating expenses		**446,867.46**	1,444,299.44
Including: Loss on disposal of non-current assets		**140,158.29**	289,750.27
Total profit		**180,483,774.75**	126,920,880.09
Less: Income tax expenses	*6*	**26,064,073.90**	22,827,299.98
Net profit		**154,419,700.85**	104,093,580.11
Net profit attributable to shareholders of the Company		**141,128,331.11**	99,044,520.41
Net profit attributable to minority interests		**13,291,369.74**	5,049,059.70
Earnings per share:	*7*		
Basic earnings per share		**1.05**	0.79
Diluted earnings per share		**1.05**	0.79
Other comprehensive income		**155,383.40**	(906,184.98)
Total comprehensive income		**154,575,084.25**	103,187,395.13
Total comprehensive income attributable to shareholders of the Company		**141,283,714.51**	98,138,335.43
Total comprehensive income attributable to minority interests		**13,291,369.74**	5,049,059.70

CONSOLIDATED BALANCE SHEET

At 30 June 2012

	Note	**As at 30 June 2012 *(Unaudited)***	As at 31 December 2011 *(Audited)*
Current assets:			
Cash and bank balances		**1,146,545,466.53**	252,003,101.76
Held for trading financial assets		**3,394,618.87**	3,594,220.00
Bills receivables	*9*	**20,252,980.35**	22,922,114.22
Accounts receivables		**288,083,587.55**	180,256,667.63
Prepayments		**138,498,460.73**	147,663,844.20
Other receivables		**38,707,493.54**	41,733,393.31
Inventories		**234,006,071.37**	225,153,031.61
Total current assets		**1,869,488,678.94**	873,326,372.73
Non-current assets:			
Long-term equity investments		**133,992,075.61**	91,016,769.82
Investment properties		**53,548,000.00**	53,548,000.00
Fixed assets		**470,018,638.34**	473,101,766.87
Construction in progress		**225,820,734.89**	300,798,350.44
Intangible assets		**279,859,948.04**	169,684,002.97
Goodwill		**3,052,019.14**	3,052,019.14
Long-term prepayments		**154,661.04**	–
Deferred income tax assets		**8,331,608.59**	9,147,910.43
Other non-current assets		**10,040,880.00**	10,040,880.00
Total non-current assets		**1,184,818,565.65**	1,110,389,699.67
Total assets		**3,054,307,244.59**	1,983,716,072.40
Current liabilities:			
Short-term borrowings		**38,152,000.00**	128,107,000.00
Accounts payables	*10*	**218,696,669.94**	154,155,835.27
Receipts in advance		**60,602,723.35**	86,559,820.11
Employee benefits payables		**1,630,167.71**	24,877,711.68
Tax payables		**12,284,174.47**	(11,020,968.97)
Other payables		**40,292,541.37**	60,540,177.39

	Note	As at 30 June 2012 (Unaudited)	As at 31 December 2011 (Audited)
Non-current liabilities repayable within one year		**133,969,917.92**	55,065,824.12
Other non-current liabilities		**5,656,883.08**	3,656,883.08
Total current liabilities		**511,285,077.84**	501,942,282.68
Non-current liabilities:			
Long-term borrowings		**238,864,445.00**	341,964,445.00
Long-term payable		**36,255,187.14**	36,195,090.57
Deferred income tax liabilities		**2,599,398.08**	2,590,371.17
Other non-current liabilities		**45,638,995.77**	51,340,676.35
Total non-current liabilities		**323,358,025.99**	432,090,583.09
Total liabilities		**834,643,103.83**	934,032,865.77
Shareholders' equity:			
Share capital		**150,476,374.40**	125,476,374.40
Capital reserve		**987,225,849.86**	–
Surplus reserve		**83,610,333.35**	70,754,552.84
Undistributed profits		**878,973,906.41**	750,701,355.81
Exchange difference on translation of financial statements denominated in foreign currency		**(431,206.75)**	(586,590.15)
Equity attributable to shareholders of the Company		**2,099,855,257.27**	946,345,692.90
Minority interests		**119,808,883.49**	103,337,513.73
Total shareholders' equity		**2,219,664,140.76**	1,049,683,206.63
Total liabilities and shareholders' equity		**3,054,307,244.59**	1,983,716,072.40

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 ("PRC") 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 2011. 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	
	2012	2011
	(Unaudited)	*(Unaudited)*
Industrial waste recycling	**425,040,782.26**	554,042,123.90
Industrial waste treatment and disposal	**92,710,681.33**	76,551,592.82
Municipal waste treatment and disposal	**57,984,231.88**	53,597,679.39
Renewable energy utilization	**28,975,037.23**	24,067,905.70
Environmental engineering and services	**121,444,900.83**	29,838,827.34
Trading and others	**14,229,751.16**	22,787,291.92
Total	**740,385,384.69**	760,885,421.07

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 2012 (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	545,778,267.98	99,162,589.62	57,984,231.88	28,975,037.23	121,903,902.83	32,284,772.85	–	(145,703,417.70)	740,385,384.69
Including: Revenue from external transactions	425,040,782.26	92,710,681.33	57,984,231.88	28,975,037.23	121,444,900.83	14,229,751.16	–	–	740,385,384.69
Revenue from intra-segment	120,737,485.72	6,451,908.29	–	–	459,002.00	18,055,021.69	–	(145,703,417.70)	–
Operating profit (loss)	101,033,570.37	61,564,626.60	9,573,208.92	6,723,018.51	21,285,577.47	2,788,254.90	(35,336,647.33)	4,498,835.61	172,130,445.05

ii) For the six months ended 30 June 2011 (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	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

4. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	(Unaudited)	*(Unaudited)*
Interest expenses	**11,334,386.53**	13,818,450.84
Less: Interest income	**(1,978,785.85)**	(1,565,691.54)
Add: Exchange difference	**–**	850,058.12
Add: Other expenses	**411,377.52**	466,750.79
Total	**9,766,978.20**	13,569,568.21

Breakdown of interest expenses is as follows:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	*(Unaudited)*
Interest on bank loans		
– Bank loans wholly repayable within 5 years	**16,395,470.04**	18,598,487.14
Finance lease charge	**1,393,511.09**	522,242.73
	17,788,981.13	19,120,729.87
Less: Amount capitalised	**(6,454,594.60)**	(5,302,279.03)
Total	**11,334,386.53**	13,818,450.84

Borrowing cost capitalized during the Period is calculated by applying a capitalization rate of 6.4% (2011: 1.77%) per annum to expenditure on qualifying assets.

5. ASSETS IMPAIRMENT LOSSES

	Six months ended 30 June	
	2012	2011
	(Unaudited)	*(Unaudited)*
Provision of provision for bad debts	**(2,613,060.85)**	428,006.04
Impairment loss on goodwill	**–**	23,831,658.44
Total	**(2,613,060.85)**	24,259,664.48

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 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 a new technology enterprise in 2009. Beijing Novel Environment Protection Company Limited (北京永新環保有限公司), Kunshan Qiandeng Three Wastes Treatment Company Limited (昆山市千燈三廢淨化有限公司), and Shenzhen Dongjiang Heritage Technology Company Limited（深圳東江華瑞科技有限公司）subsidiaries of the Company, were classified as new technology enterprises in 2009, 2010, and 2011 respectively and were subject to the PRC enterprise income tax at a rate of 15%.

In accordance with the relevant income tax rules and regulation 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 12.5%.

The subsidiaries of the Company in Hong Kong were subject to the Hong Kong Profits Tax at a rate of 16.5%.

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 RMB141,128,331.11 (2011: RMB99,044,520.41), and the weighted average of 133,809,707 (2011: 125,476,374) ordinary shares in issue during the Period.

The Company had no diluted potential shares in both 2011 and 2012 interim periods and the diluted earnings per share was same as basic earnings per share.

8. DIVIDENDS

On 9 August 2012, pursuant to the articles of association of the Company and the relevant laws and regulations of the PRC, the Board recommended a payment of cash dividend (tax included) of RMB5.00 for every 10 existing shares, based on the total number of150,476,374 shares of the Company as at 30 June 2012, of a total of RMB75,238,187 for the six months ended 30 June 2012 to all the shareholders of the Company. The profit distribution proposal is subject to consideration and approval by the shareholders at the extraordinary general meeting of the Company to be held and concerned.

9. ACCOUNTS RECEIVABLES

	As at 30 June 2012 *(Unaudited)*	As at 31 December 2011 *(Audited)*
Accounts receivables	**303,470,637.06**	193,676,124.25
Less: Provision for bad debts	**(15,387,049.51)**	(13,419,456.62)
Total	**288,083,587.55**	180,256,667.63

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:

	As at 30 June 2012 *(Unaudited)*	As at 31 December 2011 *(Audited)*
Within 90 days	**173,522,545.70**	130,348,121.04
91 to 180 days	**85,968,955.68**	22,736,319.97
181 to 365 days	**6,098,744.17**	11,177,337.96
1 to 2 year(s)	**16,361,706.71**	14,967,920.70
2 to 3 years	**6,130,948.29**	1,026,941.96
Over 3 years	**687.00**	26.00
Total	**288,083,587.55**	180,256,667.63

10. ACCOUNTS PAYABLES

The following is an aging analysis of accounts payables:

	As at 30 June 2012 *(Unaudited)*	As at 31 December 2011 *(Audited)*
Within 90 days	**137,384,593.70**	135,006,990.81
91 to 180 days	**27,086,434.19**	6,089,706.30
181 to 365 days	**38,893,757.16**	4,697,227.77
Over 1 year	**15,331,884.87**	8,361,910.39
Total	**218,696,669.94**	154,155,835.27

11. COMMITMENT

	As at 30 June 2012 *(Unaudited)*	As at 31 December 2011 *(Audited)*
Construction in progress	**10,471,322.00**	21,723,299.66
Intangible assets		
– Built-Operation-Transfer (BOT) projects	**22,455,441.43**	21,189,110.00
Intangible assets – land	**31,146,659.00**	31,146,659.00
Sub-Total	**64,073,422.43**	74,059,068.66
Acquisition of equipments	**5,679,593.98**	17,354,389.66
Total	**69,753,016.41**	91,413,458.32

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2012, economic growth in China slowed down and market demand was weak due to being impacted by European debt crisis and global economic slowdown. In front of adverse macro operating environment, the Group centered on established operating goals and plans, continuously increased efforts in market expansion, actively deployed new markets and new projects, comprehensively improved service network and product competitiveness, resulting in stable development of various businesses. During the Period, the Group's total operating revenue was decreased by approximately 2.69% to approximately RMB740,385,385 as compared to that in the same period of 2011, and the net profit attributable to the shareholders of the Company was increased by approximately 42.49% to approximately RMB141,128,331 as compared to that in the same period of 2011. The decrease in revenue is mainly due to the decrease in domestic spot price of metallic copper during current period, leading to the decline of 23.28% in the sales revenue of industrial wastes recycling products as compared to the same period of last year. The increase in the net profit was attributable to the growth of the industrial waste disposal business, and the improved gross profit margin of the Group due to the advance technology level and efficient cost reduction.

On 26 April 2012, the Company successfully issued A share and listed on SME Board of Shenzhen Stock Exchange. We totally raised capital of RMB1,075,000,000 through this public offering of equity. Financial strength and comprehensive competitiveness of the Company have been further strengthened and entered into a new stage of development.

Industrial Waste Treatment Business

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. During the Period, the Group actively expanded market, precisely organized production, strengthened cost control and further improved treatment capacity and product recovery rate; meanwhile, the Group continued to implement product structure strategies, optimized product structure based on market-oriented policies and better responded to the impacts of fall in market prices on earnings. During the reporting period, industrial waste treatment business of the Group achieved an operating revenue of RMB517,751,464, representing a decrease of approximately 17.89% as compared to that in the same period of 2011. The decrease in the revenue of the business was mainly due to the decrease in sales revenue of recycling products arising from the impacts of worse-than-expectation domestic overall economic situation and continued decline in prices of metals such as copper.

As for market expansion, the Group continued to consolidate its leadership in Guangdong Province. Relying on existing treatment bases and coordinating with future layout planning, the Group actively expanded regions such as Maoming, Jiangmen, Dongguan, Zhongshan, Zhuhai, Shaoguan and Guangzhou through "One-stop" service model. Particularly, the Group achieved remarkable performance in newly involved business areas such as waste catalyst, waste circuit board, flying ash from domestic waste incineration. Meanwhile, the Group further enhanced service network and capability in Yangtze River Delta Area, mainly taking Kunshan Base as the development centre and vigorously promoting waste harmless treatment business and value-added services. With the expansion of qualification and treatment capacity of Kunshan Base, we had more competitive advantages in respect of business exploitation and developed many new clients. In addition, the Group implemented a number of environmental protection engineering projects in local regions to create favorable conditions for synergetic development in the future. During the Period, under the vigorous coordination of market expansion, industrial waste treatment and disposal business of the Group achieved a revenue of RMB92,710,681, representing an increase of approximately 21.11% as compared to that in the same period of 2011.

As for waste treatment and recycling, in front of the pressures of the decrease in market demand and price, various treatment bases of the Group enhanced efficiency of production and treatment and reduced operating cost through a series of optimization and upgrade of technologies and equipments, and reasonably adjusted product structure according to market conditions. Among them, Shajing Treatment Base further improved recovery rate of copper products through optimizing integrated utilization of copper containing waste etchant and ion exchange process technology of waste water containing ammonia nitrogen; it promoted standardized operation modes from three aspects of production management, process equipment management and control and cost and quality, and passed standardized examination and acceptance assessments for hazardous waste operating entities in Guangdong Province. Huizhou Treatment Base achieved better treatment effect while enhancing production efficiency through measures such as the process modification of phosphate and color removal of biochemical wastewater, relocation and transformation of acid soluble workshop and production process optimization of nickel sulfate.

As for construction and expansion of new projects, the Group actively promoted construction of projects under construction and continued to follow up preliminary work of planned projects during the Period, including:

1. The project of Longgang Industrial Hazardous Waste Treatment Base in Shenzhen City has completed engineering construction and entered into trial run phase, mainly conducting the disposal of flying ash from domestic waste incineration; meanwhile, according to market demand and through adjusting environmental impact assessment planning, hazardous waste treatment scale of the project expanded from original 19,000 tons per year to 24,000 tons;

2. Phase 1 construction of North Guangdong Hazardous Wastes Treatment and Disposal Centre – zinc oxide project has put into trial operation. Currently, the construction of infrastructure of Phase 2 has been completed basically to lay a foundation for accelerated construction and putting into production during the later stage;

3. Phase 1 construction of the project of disassembly and integrated utilization of waste household appliances in Qingyuan Treatment Base has passed acceptance of environmental protection and obtained the qualification for treatment of spent circuit boards. Currently, it has started to establish an operating mode for treatment of spent circuit boards and disassembly of used household appliances and synchronously carried out upgrade and modification of equipments to improve production efficiency and strive for creating domestic leading level;

4. In order to coordinate with the implementation of product upgrade strategies, the Group has formally initiated the construction of pilot scale facility of the high-end cupric salt project. Currently, assignments such as project site selection, environmental impact assessment and construction planning approval have been completed. The project will apply a kind of technology developed by the Group itself which may separate impurities such as iron, nickel, lead, tin, zinc and arsenic from waste liquid containing copper and use waste liquid containing copper as the raw material to manufacture high-end chemicals of cupric salt series. The unfolding of the project not only improved and enriched product structure of the Group, but also facilitated the Company's gradual transformation from resource-oriented type into technology-oriented type, thus leading the development of the recycling technology of waste liquid containing copper in the same industry.

In addition, the projects of disassembly and integrated utilization of household appliances in Hubei Province, Jiangmen Hazardous Waste Treatment and Disposal Base and West Guangdong Hazardous Waste Treatment Centre are still in the stage of early project planning or tracking.

Municipal Waste Treatment Business

Municipal waste treatment is 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. During the Period, municipal waste treatment business developed stably and achieved an operating revenue of approximately RMB57,984,232, representing an increase of approximately 8.18% as compared to that in the same period of 2011.

As for domestic waste treatment, by virtue of operating experience for many years in domestic waste landfill, the Group successfully won bids of the project of Phase 2 landfill operation of Shenzhen Xiaping Landfill. Contract amount is RMB37,886,201 per year. The project of Shaoyang Domestic Waste Landfill invested by the Group has entered into normal operation. Through the adjustment of service rates, waste transfer and treatment business achieved a revenue of RMB11,748,352 during the first half of the year.

As for renewable energy utilization, three projects of landfill gas power generation of the Group remained stable operating at full load, totally generating power of nearly 50 millions KWh with an approved carbon emission reduction of approximately 140,000 tons, and achieved an operating revenue of nearly RMB28,975,037, representing an increase of approximately 20.39% as compared to that in the same period of 2011. In addition, through conducting standardization of landfill gas power generation and standardized management of data work for CDM projects, operation and management of each power generation project were further improved and laid a leading position of the Group in the industry.

As for expansion of new projects, the Group's new projects in the field of municipal solid waste treatment progressed smoothly during the Period, including:

1. As one of the kitchen waste treatment pilot units in Luohu District of Shenzhen City, the Company has carried out preliminary work of the project of kitchen waste treatment and recycling including planning and design and subscription of equipments and vehicles. We also actively participated in preparation and modification of policies related to kitchen waste recycling treatment of Shenzhen City. Currently, Shenzhen Municipal Government has signed Shenzhen Kitchen Waste Management Measures, which was published and implemented on 1 August 2012 and can provide better policy support for follow-up development of kitchen waste recycling projects of the Group. Currently, the Group conducting market research and increasing efforts in allocation of vehicles received and transported to make full preparation for launching large-scale work of receipt and transportation in a later stage;

2. Upon the expiration of the term of "Xiaping Sludge Solidification and Treatment Plant" operated by the Group, the plant will relocate to the location of Phase 2 Project of Shenzhen Fuyong Watercourse Sludge Treatment Plant to continue operation. Upon approval and consent by Shenzhen Municipal People's Government, the Group will continue undertaking construction and operation of Phase 2 Project of Shenzhen Fuyong Watercourse Sludge Treatment Plant – engineering project BOT of sludge solidification landfill area. The project is mainly responsible for treating dehydrated sludge arising from wastewater treatment plants in Shenzhen City and some river courses. Designed treatment capacity is 700 tons per day;

3. The construction waste project of Yunnan has established waste recycling production lines and put into trial production. Since the project started trial production, it has received construction waste of over 70,000 tons and produced products such as standard brick, hollow brick and pavement brick, among which normal concrete hollow block and concrete hollow brick have passed approval and acceptance by relevant authorities and obtained product certificates.

Meanwhile, in order to improve the competitiveness in the field of municipal waste treatment, the Group actively exploited the business opportunities of recycling utilization of kitchen wastes in Macau, municipal domestic waste treatment markets in West Guangdong region.

Environmental Engineering and Services

Environmental engineering and services of the Group mainly include technical consultation, design, construction, operation and management of environmental protection facilities engineering, as well as environmental impact assessment, environmental monitoring and etc. During the Period, the Group took "innovating operational model and creating advantageous brands" as its tenet, actively exploited new businesses, increased efforts in integration of existing resources, improved service level and capability and achieved greater development. For the Period, environmental engineering and services business achieved operating revenue of approximately RMB121,444,900, representing a substantial increase of 307.00% as compared to that in the same period of 2011.

During the Period, engineering construction and operation business, the Group actively created business models and conducted online recovery business of circuit board waste etchant in regions including Guangdong and Kunshan. In addition, we undertook large-scale construction projects such as wastewater treatment works and recycling water treatment works of Jiangmen Chongda Circuit Technology Company Limited (江門崇達電路技術有限公司), optimization, upgrade and transformation works of wastewater treatment and waste gas treatment works of Tejia Electroplating Surface Treatment (Shenzhen) Co., Ltd (特佳電鍍表面處理(深圳)有限公司); there are additional 7 wastewater operation clients and currently operation clients amount to 36, and the business has expanded into Kunshan region and played a positive role in coordinating the conduct of local relevant businesses. As for testing service, the testing centre of the Group continued to expand testing items and enhance testing levels. During the Period, we passed laboratory accreditation renewal and item enlargement review ("CMA") organized by Administration of Quality and Technology Supervision of Guangdong Province, including 47 new testing and authentication methods confirmed in CMA review.

Research and Development

During the Period, the Group continued to deepen technical research and development work and invested approximately RMB17,850,000 into research and development. As for intellectual property declaration, there were 11 newly applied patents including 5 patents of invention and 6 patents of utility model. We have completed declaration of 10 government projects including national science and technology support plan in the national 12th Five-Year Plan, major special project of environmental protection in Guangdong Province and the core technology research project of strategic emerging industries in Guangdong Province.

Meanwhile, the Group actively conducts independent innovation and conversion of scientific and technological achievements. During the Period, we conducted 11 research and development projects totally including 3 projects which were researched jointly by Dongjiang Environmental and Joint Research Centre under Tsinghua University. Main topics involved in recycling utilization of waste electronic components, recycling utilization of nonmetal material and volume reduction and recycling utilization of polyurethane foam. Laboratory work of above-mentioned research contents has been completed. Currently, we are conducting preliminary study of industrialization in combination with production conditions and market conditions. In addition, we conducted 3 pilot projects, namely, "the Project of Modified Conditioning and Deep Dehydration of Municipal Sludge, the Project of Deep Processing of High-end Cupric Salt Products and the Project of Anaerobic Digestion Gasification of Kitchen Waste" and gradually stepped towards industrialized implementation. Above-mentioned research and development and pilot projects will have a positive impact on the improvements of core competitiveness and industry position of the Company in the future.

As for scientific and technological exchange, during the Period, the Group mainly centered on policy directions and development strategies and conducted technological exchange and cooperation with many foreign famous environmental protection enterprises (such as Dowa Holdings and REMONDIS AG & Co. KG) and domestic renowned research institutes (such as Tsinghua University, Harbin Institute of Technology, China National Electric Apparatus Research Institute and Tianjin University). Relevant research involved in fields such as technologies and equipments of electronic waste treatment, comprehensive utilization of waste heat, key technologies and equipments of metallurgical slag recycling utilization, recycling technologies of kitchen waste and soil environmental restoration (the 12th Five-Year Plan for comprehensive prevention of heavy metal pollution).

FINANCIAL REVIEW

For the Period, the Group's total operating revenue decreased by approximately 2.69% to approximately RMB740,385,385 (2011: approximately RMB760,885,421) as compared to the corresponding period in 2011. The net profit attributable to shareholders of the Company increased by approximately 42.49% to approximately RMB141,128,331 (2011: approximately RMB99,044,520). The main reason of the decrease in the gross revenue is that the domestic spot price of copper dropped during the Period, which led to an approximately 23.28% decrease of the sales of industrial waste recycle products.

During the Period, the Group's gross profit margin was approximately 38.03% (2011: approximately 35.26%), representing an increase of approximately 2.77% as compared to the corresponding period in 2011.The increase in the gross profit margin was mainly because the linkage mechanisms of the waste collection price to the metal price was adopted by the Group to stabilize the gross profit of the industrial recycling business, and the research and development of the Group had achieved initial success, including improved waste treatment technology level and reduced production cost.

For the Period, the Group's selling expenses was approximately RMB16,623,046 (2011: approximately RMB27,495,728), representing approximately 2.25% of the Group's total operating revenue (2011: approximately 3.61%). The main reason of the decrease in the sales expense is that while the domestic economy did not perform as well as expected, the Company enhanced the control of expenses such as travel expense and operating outlay. Besides, the Group has strengthened the management of the waste transportation during the Period which led to the decrease in transportation costs.

For the Period, the Group's administrative expenses were approximately RMB80,908,955 (2011: approximately RMB72,120,788), representing approximately 10.93% of the Group's total operating revenue (2011: approximately 9.48%). The main reason of the increase in administrative expenses is that the company increase investment of research and development. In addition, the issue of A shares of the Company led to the increase of the relevant costs.

For the Period, the Group's finance cost was approximately RMB9,766,978 (2011: approximately RMB13,569,568), representing approximately 1.32% of the Group's operating revenue (2011: approximately 1.78%). The decrease in the financial costs was mainly due to the decrease in loan amount during this period.

For the Period, the Group's income tax expenses was approximately RMB26,064,074 (2011: approximately RMB22,827,300), representing approximately 14.44% of the Group's profit before tax (2011: approximately 17.99%).

Financial Resources and Liquidity

As at 30 June 2012, the Group had net current assets of approximately RMB1,358,203,601 (31 December 2011: approximately RMB371,384,090) and current liabilities of approximately RMB511,285,078 (31 December 2011: approximately RMB501,942,283). The current assets include cash and cash equivalent of approximately RMB1,146,545,467 (31 December 2011: approximately RMB235,813,762).

As at 30 June 2012, the Group had total liabilities of approximately RMB834,643,104 (31 December 2011: approximately RMB934,032,866). The Group's gearing ratio was approximately 27.33% (31 December 2011: approximately 47.09%) which is calculated based on the Group's total liabilities over total assets. As at 30 June 2012, the Group had bank loans of approximately RMB449,230,507 (31 December 2011: approximately RMB525,987,269) at interest rates from 5.440% to 7.205% per annum.

Share Capital Structure

As at 30 June 2012, the Company had an issued share capital of RMB150,476,374, comprising 114,896,374 A 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 February 2012, the Company invested RMB10,000,000 to establish a 100% owned subsidiary of the Company, namely Hubei Dongjiang Environmental Company Limited (湖北東江環保有限公司).

In March 2012, the Company invested RMB18,000,000 in the registered capital of a 60% owned subsidiary of the Company, namely Shaoguan Green Recycling Resource Development Co. Ltd. (韶關綠然再生資源發展有限公司).

In May 2012, the Company invested RMB153,669,500 out of the proceeds of issue of A shares in the registered capital of a 100% owned subsidiary of the Company, namely Qingyuan Dongjiang Environmental Technologies Co., Ltd. (清遠市東江環保技術有限公司).

In May 2012, the Company invested RMB80,324,500 out of the proceeds of issue of A shares in the registered capital of a 100% owned subsidiary of the Company, namely Shenzhen Dongjiang Renewable Energy Limited (深圳市東江環保再生能源有限公司).

Subscription in and Acquisition of Interest in Qingyuan Xinlv

The Company entered into the subscription agreement dated 8 June 2012 entered into between the Company and in relation to the making of capital contribution of RMB33,000,000 in cash to subscribe for 30% equity interest in Qingyuan Xinlv Environmental Technology Co., Ltd. (清遠市新綠環境技術有限公司), a company established in the PRC with limited liability ("Qingyuan Xinlv") by the Company (the "Subscription Agreement").

The Company entered into the acquisition agreement dated 8 June 2012 entered into between the Company and Mr. Fang Yafei (方亞飛) in relation to the acquisition of 12.5% equity interest in Qingyuan Xinlv at a consideration of RMB13,750,000 upon completion of the transactions contemplated under the Subscription Agreement (the "Acquisition Agreement").

As at 30 June 2012, the equity interest of Qingyuan Xinlv is owned as to 20% by the Company. Upon completion of the transactions contemplated under the Subscription Agreement and the Acquisition Agreement collectively, Qingyuan Xinlv will be owned as to 62.5% by the Company and will become a subsidiary of the Company.

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 2012, 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:

	As at 30 June 2012 *(Unaudited)*	As at 31 December 2011 *(Audited)*
Fixed assets	**6,600,409.27**	7,100,006
Total	**6,600,409.27**	7,100,006

Information on Employees and Remuneration Policies

As at 30 June 2012, the number of full-time employees was 2,273 (2011: 2,120) with a total staff cost for the Period of approximately RMB66,504,903.83 (2011: approximately RMB59,144,483). 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 2012, financial guarantee provided by the Group was RMB39,000,000 (30 June 2011: 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 RMB39,000,000.

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 2012.

FUTURE PROSPECTS

In the second half of 2012, the Group shall grasp opportunities of positive environmental protection industry policies and promoted the implementation of strategic planning, also shall respond to continued slippage of macro economy, market risk arising from decrease in prices of metals and actively adjust operating ideas. Main work includes: 1) continuing to increase efforts in clients and markets in Guangdong region with focus on waste treatment projects located in Jiangsu Province and Zhejiang Province, improving industry chain in Yangtze River Delta Area, making an appropriate layout to conduct businesses of the surrounding areas based on existing projects located in areas such as Hubei, Hunan, Yunnan and Shandong. 2) Actively conducting elaboration of recycling products and deep processing business and promoting optimization and upgrade of products through technical research and development; meanwhile timely grasping market dynamics, adopting point price sales model and avoiding risk of decrease in products prices. 3) Accelerating construction of new projects such as promoting Hazardous Waste Disposal Centre in Northern Guangdong, Qingyuan Waste Appliances Base and Jiangmen Hazardous Waste Base and providing guarantee for improvement of follow-up treatment capacity. 4) Strengthening management of key services, establishing and improving disposal of operation models such as hazardous waste, disassembly of waste appliances, recycling utilization of waste circuit boards, continuing to promote standardization work and technical transformation and improving operating efficiency. 5) Based on strategic planning of the Group, readjusting organization structure and management models, conducting strategic management work with the principle of "whole process management and overall optimal", customer-centric, market-oriented, strengthening integration and management of market resources based on information systems.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, the Company issued 25,000,000 A shares with a nominal value of RMB1.00 each in the issued share capital to be allotted, issued and listed on the Shenzhen Stock Exchange at the final offer price of RMB43 per share. The A shares were listed and commenced trading on the Shenzhen Stock Exchange on 26 April 2012.

Save as disclosed above, 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 CODE

The Company had complied with all the code provisions as set out in the Code on Corporate Governance (the "Code") contained in Appendix 14 to the Listing Rules during the Period. The Code had been amended which took effect from 1 April 2012 (the "Revised Code"). The Company had complied with all the code provisions as set out in the Revised Code during the period from 1 April 2012 to 30 June 2012. There has been a 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

ISSUE OF A SHARES

The issue of A shares of the Company were completed during the Period, pursuant to which 25,000,000 A shares with a nominal value of RMB1 each of the Company were issued at the final offer price of RMB43 per share. The A Shares of the Company were listed on the Shenzhen Stock Exchange on 26 April 2012. Please also refer to the announcements of the Company dated 5 April 2012, 13 April 2012, 24 April 2012, 25 April 2012 and 21 May 2012 for further details.

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 its advice and comments thereon.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBER

On 9 August 2012, pursuant to the articles of association of the Company and the relevant laws and regulations of the PRC, the Board recommended a payment of cash dividend (tax included) of RMB5.00 for every 10 existing shares, based on the total number of150,476,374 shares of the Company as at 30 June 2012, of a total of RMB75,238,187 for the six months ended 30 June 2012 to all the Shareholders.

Subject to the consideration and approval by the Shareholders at an extraordinary general meeting of the Company to be convened and held on 24 September 2012 (or any adjournment thereof), dividends will be distributed to holders of H Shares whose names appear on the register of members on 10 October 2012. The Company's register of members will be closed from 3 October 2012 to 10 October 2012 (both days inclusive). In order to qualify for receiving the dividends, all transfers in respect of H Shares must be lodged at the Company's H share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 28 September 2012.

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

9 August 2012
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 purpose only*