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 2012

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") 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 2012, together with the comparative figures of the year ended 31 December 2011 are as follows:

(Unless specified otherwise, the financial information of the Group in this announcement is stated in Renminbi ("RMB") Yuan)

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Note	**2012**	2011
Total operating revenue	*3*	**1,521,517,728.17**	1,501,074,352.89
Total operating costs		**1,217,647,208.58**	1,275,625,367.07
Cost of operation		**959,814,473.64**	978,389,432.53
Sales tax and levies		**14,873,057.13**	16,248,393.53
Selling expenses		**34,011,655.63**	56,397,849.69
Administrative expenses		**207,692,583.06**	179,152,888.47
Finance costs	*7*	**3,192,383.07**	19,641,288.13
Impairment loss for assets		**(1,936,943.95)**	25,795,514.72
Add: Gain (Loss) on fair value changes		**237,660.00**	(483,619.00)
Investment income		**11,671,538.33**	10,531,756.89
Including: Share of profit of associates and jointly controlled entity		**11,562,993.33**	5,560,783.98

	Note	2012	2011
Operating profits		**315,779,717.92**	235,497,123.71
Add: Non-operating income		**19,255,546.88**	24,129,854.14
Less: Non-operating expenses		**2,307,017.56**	2,967,095.96
Including: Loss on disposal of non-current assets		**1,099,770.97**	674,982.80
Total profit	*6*	**332,728,247.24**	256,659,881.89
Less: Income tax expenses	*8*	**38,711,278.72**	37,468,454.20
Net profit		**294,016,968.52**	219,191,427.69
Net profit attributable to shareholders of the Company		**266,705,803.99**	203,725,280.45
Minority interests		**27,311,164.53**	15,466,147.24
Earnings per share	*9*		
Basic earnings per share		**1.88**	1.62
Diluted earnings per share		**1.88**	1.62
Other comprehensive income		**606,146.94**	(988,426.38)
Total comprehensive income		**294,623,115.46**	218,203,001.31
Total comprehensive income attributable to shareholders of the Company		**267,311,950.93**	202,736,854.07
Minority interests		**27,311,164.53**	15,466,147.24

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

	Note	**2012**	2011
Current assets			
Cash and bank balances		**1,027,814,556.38**	252,003,101.76
Financial assets held-for trading		**3,748,980.00**	3,594,220.00
Bills receivable	*11*	**31,778,542.16**	22,922,114.22
Accounts receivable	*11*	**207,393,388.94**	180,256,667.63
Prepayments	*11*	**164,693,996.63**	147,663,844.20
Other receivables	*11*	**43,961,746.66**	41,733,393.31
Inventories		**258,488,536.56**	225,153,031.61
Non-current assets due within one year	*11*	**28,680,000.00**	–
Other current assets		**59,108.33**	–
Total current assets		**1,766,618,855.66**	873,326,372.73
Non-current assets			
Long-term receivables	*11*	**44,815,000.00**	–
Long-term equity investments		**81,255,271.82**	91,016,769.82
Investment properties		**53,630,900.00**	53,548,000.00
Fixed assets		**572,193,605.20**	473,101,766.87
Construction in progress		**239,146,012.43**	300,798,350.44
Intangible assets		**298,560,475.42**	169,684,002.97
Goodwill		**42,789,715.19**	3,052,019.14
Long-term prepayments		**1,152,733.51**	–
Deferred income tax assets		**9,443,444.07**	9,147,910.43
Other non-current assets		**–**	10,040,880.00
Total non-current assets		**1,342,987,157.64**	1,110,389,699.67
Total assets		**3,109,606,013.30**	1,983,716,072.40
Current liabilities			
Short-term borrowings		**38,109,000.00**	128,107,000.00
Accounts payables	*12*	**209,740,096.74**	154,155,835.27
Receipts in advance	*12*	**58,671,791.40**	86,559,820.11
Accrued staff salaries		**24,454,789.68**	24,877,711.68
Tax payable		**13,538,793.58**	(11,020,968.97)
Other payables	*12*	**114,873,450.85**	60,540,177.39
Non-current liabilities repayable within one year portion		**160,371,838.90**	55,065,824.12
Other current liabilities		**3,656,883.08**	3,656,883.08
Total current liabilities		**623,416,644.23**	501,942,282.68

	Note	**2012**	2011
Non-current liabilities			
Long-term borrowings		**110,996,248.67**	341,964,445.00
Long-term payables		**30,947,203.20**	36,195,090.57
Deferred income tax liabilities		**1,870,895.79**	2,590,371.17
Other non-current liabilities		**69,428,999.87**	51,340,676.35
Total non-current liabilities		**213,243,347.53**	432,090,583.09
Total liabilities		**836,659,991.76**	934,032,865.77
Shareholders' equity			
Share capital		**150,476,374.40**	125,476,374.40
Capital reserve		**930,603,520.07**	–
Surplus reserve		**93,173,237.74**	70,754,552.84
Undistributed profits		**919,750,287.90**	750,701,355.81
Exchange difference on translation of financial statements in foreign currency		**19,556.79**	(586,590.15)
Total equity attributable to shareholders of the Company		**2,094,022,976.90**	946,345,692.90
Minority interests		**178,923,044.64**	103,337,513.73
Total shareholders' equity		**2,272,946,021.54**	1,049,683,206.63
Total liabilities and shareholders'equity		**3,109,606,013.30**	1,983,716,072.40
Net current assets		**1,143,202,211.43**	371,384,090.05
Total assets less current liabilities		**2,486,189,369.07**	1,481,773,789.72

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2012

	2012						
	Attributable to shareholders of the Company						
	Share capital	Capital reserve	Surplus reserve	Undistributed profits	Others	Minority interest	Total shareholders' equity
I. Balance at end of previous year	125,476,374.40	–	70,754,552.84	750,701,355.81	(586,590.15)	103,337,513.73	1,049,683,206.63
II. Balance at beginning of the year	125,476,374.40	–	70,754,552.84	750,701,355.81	(586,590.15)	103,337,513.73	1,049,683,206.63
III. Change for the year	25,000,000.00	930,603,520.07	22,418,684.90	169,048,932.09	606,146.94	75,585,530.91	1,223,262,814.91
1. Net profit				266,705,803.99		27,311,164.53	294,016,968.52
2. Other comprehensive income					606,146.94		606,146.94
Sub-total of 1 and 2				266,705,803.99	606,146.94	27,311,164.53	294,623,115.46
3. Shareholder's capital injection and capital reduction	25,000,000.00	930,603,520.07				57,094,366.38	1,012,697,886.45
1) Capital injection from shareholders	25,000,000.00	987,225,849.86				48,800,000.00	1,061,025,849.86
2) Equity settled share expenses charged to equity							
3) Others		(56,622,329.79)				8,294,366.38	(48,327,963.41)
4. Profit distribution			22,418,684.90	(97,656,871.90)		(8,820,000.00)	(84,058,187.00)
1) Transfer to surplus reserve			22,418,684.90	(22,418,684.90)			
2) Transfer to general risk provision							
3) Distribution to shareholders				(75,238,187.00)		(8,820,000.00)	(84,058,187.00)
4) Others							
IV. Balance at the end of year	150,476,374.40	930,603,520.07	93,173,237.74	919,750,287.90	19,556.79	178,923,044.64	2,272,946,021.54

	2011						
	Attributable to shareholders of the Company						
	Share capital	Capital reserve	Surplus reserve	Undistributed profits	Others	Minority interest	Total shareholders ' equity
I. Balance at end of previous year	125,476,374.40	–	70,754,552.84	546,976,075.36	401,836.23	95,221,366.49	838,830,205.32
II. Balance at beginning of the year	125,476,374.40	–	70,754,552.84	546,976,075.36	401,836.23	95,221,366.49	838,830,205.32
III. Change for the year				203,725,280.45	(988,426.38)	8,116,147.24	210,853,001.31
1. Net profit				203,725,280.45		15,466,147.24	219,191,427.69
2. Other comprehensive income					(988,426.38)		(988,426.38)
Sub-total of 1 and 2				203,725,280.45	(988,426.38)	15,466,147.24	218,203,001.31
3. Shareholder's capital injection and capital reduction							
1) Capital injection from shareholders							
2) Equity settled share expenses charged to equity							
3) Others							
4. Profit distribution						(7,350,000.00)	(7,350,000.00)
1) Transfer to surplus reserve							
2) Transfer to general risk provision							
3) Distribution to shareholders						(7,350,000.00)	(7,350,000.00)
4) Others							
IV. Balance at the end of year	125,476,374.40	–	70,754,552.84	750,701,355.81	(586,590.15)	103,337,513.73	1,049,683,206.63

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. GENERAL

The Company is a joint stock limited company incorporated in the People's Republic of China (the "PRC"). Its H shares and A shares are listed on The Stock Exchange of Hong Kong Limited and China Shenzhen Stock Exchange, respectively. The address of the registered office and principal place of business of the Company is 9-11th Floor, Dongjiang Environmental Building, No.9 Langshan Road, North Zone of Hi-tech Industrial Park, Nanshan District, Shenzhen, the PRC.

The functional reporting currency of the Company is RMB. The functional currency for the overseas subsidiaries is the currency of the country in which they operate. The consolidated financial statements are presented in RMB.

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in environmental protection industry. The operation scope mainly includes: collection, disposal and recycling of industrial waste, treatment of wastewater, waste gas and noise; design, construction and operation of environmental protection facilities; sales of chemicals; production and trading of environmental materials, recycled products, environmental equipments; development, promotion and application of new environmental products and technologies; investment in industrial enterprises; import and export of goods and technique.

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared based on a going concern basis according to the transactions and events incurred and in accordance with the requirements of "Accounting Standards for Business Enterprises – Basic Standard" and 38 Specific Standards issued by the Ministry of Finance (MOF) of the PRC on 15 February 2006, and Application Guidance for Accounting Standards for Business Enterprises, Interpretations to Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (collectively referred to as "Accounting Standards for Business Enterprises" or "CAS").

These financial statements also comply with the applicable disclosure requirements of "Regulation of the Preparation of Information Disclosure by Companies Offering Securities to the Public No.15-General Requirements for Financial Reporting (2010 revised)" issued by China Securities Regulatory Commission, Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

3. TOTAL OPERATING REVENUE

Total operating revenue, which is also the Group's turnover, represents the net amounts received and receivables for processing and sale of goods and rendering of services by the Group to external customers, less trade discounts during the year.

Analysis of the total operating revenue is as follows:

	2012	2011
Industrial waste recycling	**938,595,848.97**	1,036,310,110.70
Industrial waste treatment and disposal	**200,398,516.89**	148,698,306.22
Municipal waste treatment and disposal	**126,413,101.88**	115,896,598.13
Renewable energy utilization	**57,006,523.65**	47,145,227.15
Environmental engineering and services	**165,745,981.99**	108,056,429.04
Trading and others	**33,357,754.79**	44,967,681.65
Total	**1,521,517,728.17**	1,501,074,352.89

4. SEGMENT INFORMATION

The reportable segments are determined based on the structure of its internal organization, management requirements and internal reporting system. Each reportable segment is a separate business unit which offers different products and services, and is managed separately because they require different technology and marketing strategies. The Group has the following reportable segments:

Reportable segment	**Major activities**
Industrial waste recycling	Processing and sale of recycled products
Industrial waste treatment and disposal	Collection, treatment and disposal of industrial 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 segments, environment monitoring and consulting
Trading and others	Sales of chemical products and leasing activities

The financial information of the different segments is regularly reviewed by the Group's management in order to make decisions about resources allocation for each segment and assess segments performance.

Segment reporting information is disclosed in accordance to the accounting policies and measurement standards adopted for reporting to the management by each segment, which are consistent with the accounting policies and measurement basis for preparing financial statements.

Transfer price between each reportable segment is measured as the price selling to third parties, and indirect expenses are allocated to each segment based on revenue.

Segment results, assets and liabilities

Segment assets include all tangible, intangible, other non-current and current assets, such as accounts receivable, with the exception of deferred tax assets and other unallocated corporate assets. Segment liabilities include payables, prepayments and bank borrowings attributable to the individual segments.

Results of operations is total revenue deriving from each segment (including revenue from external sales and inter-segment sale) after deducting expenses, depreciation, amortization and impairment losses attributable to the individual segments, and interest income and expense from cash balances and borrowings managed directly by the segments. Inter-segment sales are determined with reference to prices charged to external parties for similar orders. Non-operating income and expenses and tax expenses are not allocated to individual segments.

Information regarding the Group's reportable segments set out below is the measure of segment profit or loss and segment assets and liabilities reviewed by the chief operating decision maker or is otherwise regularly provided to the chief operating decision maker, even if not included in the measure of segment profit or loss and segment assets and liabilities:

The segment information for 2012:

	Industrial waste recycling	Industrial waste treatment and disposal	Municipal waste treatment and disposal	Renewable energy utilization	Environmental engineering and services	Trading and others	Unallocated amounts	Elimination	Total
Revenue from external transactions	938,595,848.97	200,398,516.89	126,413,101.88	57,006,523.65	165,745,981.99	33,357,754.79			1,521,517,728.17
Revenue from intra-segment transactions	34,857,467.05	4,913,259.92			5,981,371.45	40,147,169.48		(85,899,267.90)	
Segment revenue	973,453,316.02	205,311,776.81	126,413,101.88	57,006,523.65	171,727,353.44	73,504,924.27		(85,899,267.90)	1,521,517,728.17
Total operating costs	(816,120,891.74)	(80,715,690.14)	(107,599,829.03)	(48,390,823.52)	(146,215,415.70)	(56,388,108.28)	(45,801,620.50)	83,585,170.33	(1,217,647,208.58)
Gain on changes in fair value							237,660.00		237,660.00
Investment income			(3,336.39)	(690,510.60)			21,545,385.32	(9,180,000.00)	11,671,538.33
Segment operating profit	157,332,424.28	124,596,086.67	18,809,936.46	7,925,189.53	25,511,937.74	17,116,815.99	(24,018,575.18)	(11,494,097.57)	315,779,717.92
Non-operating income							19,255,546.88		19,255,546.88
Non-operating expenses							(2,307,017.56)		(2,307,017.56)
Total profit	157,332,424.28	124,596,086.67	18,809,936.46	7,925,189.53	25,511,937.74	17,116,815.99	(7,070,045.86)	(11,494,097.57)	332,728,247.24
Total assets	2,159,920,281.94	246,821,137.83	226,083,704.46	253,033,421.88	227,063,662.35	33,912,963.62	2,095,243,449.72	(2,132,472,608.50)	3,109,606,013.30
Total liabilities	479,358,830.20	73,187,766.34	194,486,494.50	117,801,597.52	187,932,263.60	8,629,030.90	1,060,063,252.46	(1,284,799,243.76)	836,659,991.76
Supplementary information									
Depreciation and amortization	49,901,371.17	9,066,565.52	10,252,380.61	15,503,392.20	1,036,017.47	259,415.41	5,473,062.72		91,492,205.10
Capital expenditure	175,884,205.24	48,614,892.81	26,562,656.25	3,629,733.73	768,973.00	722,084.24	29,905,460.81		286,088,006.08
Assets impairment losses	(2,287,764.54)	(368,455.62)	324,011.15	(11,808.19)	4,949,009.72	(4,541,936.47)			(1,936,943.95)

The segment information for 2011:

	Industrial waste recycling	Industrial waste treatment and disposal	Municipal waste treatment and disposal	Renewable energy utilization	Environmental engineering and services	Trading and others	Unallocated amounts	Elimination	Total
Revenue from external transactions	1,036,310,110.70	148,698,306.22	115,896,598.13	47,145,227.15	108,056,429.04	44,967,681.65			1,501,074,352.89
Revenue from intra-segment transactions	17,298,871.89	1,143,114.00		17,136.75	1,382,762.00	39,020,840.79		(58,862,725.43)	–
Segment revenue	1,053,608,982.59	149,841,420.22	115,896,598.13	47,162,363.90	109,439,191.04	83,988,522.44		(58,862,725.43)	1,501,074,352.89
Total operating costs	(854,127,170.89)	(62,993,449.25)	(102,112,517.11)	(40,419,147.60)	(104,319,125.64)	(75,643,706.57)	(71,616,530.50)	35,606,280.49	(1,275,625,367.07)
Gain on changes in fair value							(483,619.00)		(483,619.00)
Investment income	8,990.11		(61,352.45)	(704,290.82)			18,938,410.05	(7,650,000.00)	10,531,756.89
Segment operating profit	199,490,801.81	86,847,970.97	13,722,728.57	6,038,925.48	5,120,065.40	8,344,815.87	(53,161,739.45)	(30,906,444.94)	235,497,123.71
Non-operating income							24,129,854.14		24,129,854.14
Non-operating expenses							(2,967,095.96)		(2,967,095.96)
Total profit	199,490,801.81	86,847,970.97	13,722,728.57	6,038,925.48	5,120,065.40	8,344,815.87	(31,998,981.27)	(30,906,444.94)	256,659,881.89
Total assets	1,601,843,450.73	201,402,131.25	229,793,057.72	219,565,151.11	145,076,138.04	37,754,532.25	1,065,623,604.09	(1,517,341,992.79)	1,983,716,072.40
Total liabilities	547,025,761.51	125,284,062.19	182,880,125.10	176,118,714.37	135,539,990.76	6,580,419.57	979,787,041.87	(1,219,183,249.60)	934,032,865.77
Supplementary information									
Depreciation and amortization	24,298,123.58	8,258,227.98	14,552,722.84	14,624,946.29	918,187.61	236,920.95	2,220,336.95		65,109,466.20
Capital expenditure	57,970,658.04	105,199,471.75	163,126,556.09	23,063,730.47	1,382,032.61	337,557.49	30,489,738.43		381,569,744.88
Assets impairment losses	1,831,116.25	35,144.76	145,719.87	(849,793.10)	876,331.40	(74,662.90)		23,831,658.44	25,795,514.72

5. GROSS PROFIT

	2012	2011
Total operating revenue	**1,521,517,728.17**	1,501,074,352.89
Less: Cost of operations	**959,814,473.64**	978,389,432.53
	561,703,254.53	522,684,920.36

6. TOTAL PROFIT

	2012	2011
Total profit has been arrived at after charging (crediting):		
Staff costs (including directors' emolument)		
– Wages, salaries and other benefits	**149,184,028.80**	125,201,437.25
– Retirement scheme contribution	**12,007,335.15**	7,498,626.34
Total staff costs	**161,191,363.95**	132,700,063.59
Amortisation of intangible assets	**10,578,484.87**	12,767,447.84
Auditors remuneration	**800,000.00**	800,000.00
Recognised cost of inventories	**959,814,473.64**	978,389,432.53
Depreciation on fixed assets	**63,782,505.49**	53,322,981.32
Provision (reversal of provision) for bad debts	**(1,478,379.59)**	1,963,856.28
Impairment loss on inventories	**(458,564.36)**	–
Impairment loss on goodwill	**–**	23,831,658.44
Minimum lease payment in respect of office, plant and staff quarter	**11,932,680.00**	11,175,825.62
Research and development expenses	**29,527,209.99**	27,015,278.70
Loss on disposal of fixed assets, net	**623,199.29**	134,266.02
Gain on disposal of intangible assets	**–**	(4,720.00)
(Increase) Decrease in fair value of held for trading financial assets	**(154,760.00)**	79,530.00
(Increase) Decrease in fair value of investment properties	**(82,900.00)**	404,089.00
Government grants	**(14,876,810.33)**	(23,085,960.57)

7. FINANCE COSTS

	2012	2011
Interest expense	**20,164,822.45**	24,514,483.06
Less: Interest income	**17,362,467.16**	7,131,134.44
Add: Exchange difference	**(192,810.31)**	1,688,044.86
Add: Other expenses	**582,838.09**	569,894.65
Total	**3,192,383.07**	19,641,288.13

Breakdown of interest expenses is as follows:

	2012	2011
Interest on bank loans wholly repayable within 5 years years	**26,576,665.32**	32,938,308.30
Finance leases charges	**3,099,244.67**	2,010,837.07
	29,675,909.99	34,949,145.37
Less: Amount capitalised	**9,511,087.54**	10,434,662.31
Total	**20,164,822.45**	24,514,483.06

Borrowing cost capitalized during the year is calculated by applying a capitalization rate of 6.72% (2011: 6.3%) per annum to expenditure on qualifying assets.

8. INCOME TAX

(1) Income tax expenses comprise:

	2012	2011
Current income tax	**39,726,287.74**	35,355,304.89
Deferred income tax	**(1,015,009.02)**	2,113,149.31
Total	**38,711,278.72**	37,468,454.20

(2) Current income tax

	2012	2011
Current income tax		
– PRC	**42,691,769.39**	35,355,304.89
– Hong Kong	**173,476.80**	–
Over-provision in prior years		
– PRC	**(3,138,958.45)**	–
Total	**39,726,287.74**	35,355,304.89

The Company, Kunshan Qiandeng Three Wastes Treatment Company Limited ("Qiandeng Three Wastes"), Beijing Novel Environmental Protection Co., Limited and Shenzhen Dongjiang Heritage Technologies Co., Limited were classified as new technology enterprises, and were subject to the PRC enterprise income tax ("EIT") at a rate of 15%. Also, only 90% of the revenue from sale of recycling products was charged for EIT from the Company, Qiandeng Three Wastes and Huizhou Dongjiang Environment Technology Company Limited. The Company and Qiandeng Three Wastes were allowed for an extra 50% of the research and development expenses to be deducted from the income charging for EIT; Shenzhen Longgang Dongjiang Industrial Waste Treatment Company Limited was enjoying preferential tax incentive for enterprises engaging in projects satisfying environmental protection and conservation of energy and water conditions of full exemption of EIT commencing from 2012 to 2014 and followed by a 50% tax reduction from 2015 to 2017. Shenzhen Dongjiang Renewable Energy Limited is enjoying EIT transitional preferential policy and preferential tax incentive for production enterprises of full exemption of EIT commencing from 2008, full exemption of tax for 2009, and followed by a 50% tax reduction from 2010 to 2012.

The subsidiaries incorporated and operated in the PRC, other than Shenzhen, are subject to the PRC enterprise income tax at a rate of 25%.

The subsidiaries located in the Shenzhen Special Economic Zone are subject to the PRC enterprise income tax at a rate of 25%.

The subsidiaries incorporated in Hong Kong are subject to Hong Kong Profits Tax at a rate of 16.5%.

9. EARNINGS PER SHARE

The earnings per share for the year is calculated based on the net profit for the year attributable to shareholders of the Company of RMB266,705,803.99 (2011: RMB203,725,280.45), and the weighted average of approximately 142,143,041 (2011: 125,476,374) ordinary shares in issue during the year.

Diluted earnings per share was same as basic earnings per share for the two years ended 31 December 2012 as there were no diluting events during both years.

10. DIVIDENDS

Dividends attributable to the year are as follows:

	2012	2011
Interim dividend declared and distributed of RMB0.50 per share (2011: NIL)	**75,238,187.00**	–
Final dividend proposed after the balance sheet date of RMB0.40 per share (2011: NIL)	**60,190,549.60**	
Total	**135,428,736.60**	–

The Company has distributed and paid an interim dividend of RMB0.5 for each share of the Company in 2012, thereby distributing dividend of a total of RMB75,238,187 in cash.

The Board recommends the payment of a final dividend of RMB0.4 per share of the Company (inclusive of tax) (2011: NIL) to all shareholders of the Company based on the total number of shares of 150,476,374 shares of the Company as at 31 December 2012, with the total amount of dividend to be paid be RMB60,190,549.60, subject to approval by the shareholders of the Company at the annual general meeting to be convened and held. In addition, the Board proposes to offer to all shareholders of the Company 5 ordinary shares for each 10 ordinary shares held by shareholders of the Company by way of conversion of capital reserve, thereby issuing 75,238,187 shares (including 17,790,000 H shares and 57,448,187 A shares) based on the total number of 150,476,374 shares of the Company as at 31 December 2012. Following the aforesaid conversion of capital reserve, the Company shall have a total of 225,714,561 shares (including 53,370,000 H shares and 172,344,561 A shares). The aforesaid conversion of capital reserve is subject to, among other things, having obtained the approval by shareholders of the Company at the annual general meeting, the class meeting for holders of H shares and the class meeting for holders of A shares to be convened and held, and the Stock Exchange granting approval for the listing of the 17,790,000 H shares to be issued on the Main Board of the Stock Exchange. The Company will make further announcement in accordance with the Listing Rules upon the record date to ascertain holders of H shares and holder of A shares entitled to the final dividends and the conversion of capital reserve is determined.

Circular containing, among other things, the distribution of final dividend and the capital increase by way of conversion of capital reserve, together with the notice of the annual general meeting, class meeting for holders of H shares and class meeting for holders of A shares, will be published and despatched to the shareholders in due course.

11. TRADE AND OTHER RECEIVABLES

	2012	2011
Accounts receivable	**225,191,559.54**	193,676,124.25
Less: Provision for bad debts for accounts receivable	**17,798,170.60**	13,419,456.62
	207,393,388.94	180,256,667.63
Bills receivable	**31,778,542.16**	22,922,114.22
Prepayments	**164,693,996.63**	147,663,844.20
Other receivables	**54,500,372.25**	58,408,011.95
Less: Provision for bad debts for other receivable	**10,538,625.59**	16,674,618.64
Long term account receivable	**73,495,000.00**	
Total	**521,322,674.39**	392,576,019.36

Prior to the acceptance of new customers, the Group applies internal credit assessment policies to asses the credit quality of potential customers and formulates credit limit. Apart from requiring new customers to pay in advance, the Group formulates different credit policies according to different customers. The credit period is generally three months, and can be extended to six months for major customers. The Group recognizes accounts receivable and operating revenue at the time point of outbound and acceptance of products, when calculation of the ages of the account begins. The Group does not hold any collateral over trade receivables. Aging analysis of accounts receivable, net of provision for bad debts, presented based on the recognition date is as follows:

	2012	2011
Aged		
Within 90 days	**145,044,585.87**	130,348,121.04
91-180 days	**28,506,013.00**	22,736,319.97
181-365 days	**17,343,548.09**	11,177,337.96
1-2 years	**13,212,542.88**	14,967,920.70
2-3 years	**3,267,469.10**	1,026,941.96
Over 3 years	**19,230.00**	26.00
Total	**207,393,388.94**	180,256,667.63

12. TRADE AND OTHER PAYABLES

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

	2012	2011
Aged		
Within 90 days	**131,809,808.75**	135,006,990.81
91 to 180 days	**16,138,764.91**	6,089,706.30
181 to 365 days	**45,249,625.15**	4,697,227.77
Over 1 year	**16,541,897.93**	8,361,910.39
	209,740,096.74	154,155,835.27
Receipts in advance	**58,671,791.40**	86,559,820.11
Other payables	**114,873,450.85**	60,540,177.39
Total	**383,285,338.99**	301,255,832.77

13. NET CURRENT ASSETS

	2012	2011
Current assets	**1,766,618,855.66**	873,326,372.73
Less: Current liabilities	**623,416,644.23**	501,942,282.68
Net current assets	**1,143,202,211.43**	371,384,090.05

14. TOTAL ASSETS LESS CURRENT LIABILITIES

	2012	2011
Total assets	**3,109,606,013.30**	1,983,716,072.40
Less: Current liabilities	**623,416,644.23**	501,942,282.68
Total assets less current liabilities	**2,486,189,369.07**	1,481,773,789.72

15. LEASE COMMITMENTS

As at 31 December 2012, the Group as a lessee, had commitments for future minimum lease payments under non-cancellable operating leases and financial leases in respect of office building, plant and machinery and motor vehicles are as follows:

	Operating leases	**Finance leases**
Within 1 year	**4,061,900.00**	**14,658,271.72**
In 1 to 2 years	**1,983,390.00**	**13,964,908.43**
In 2 to 3 years	**1,983,390.00**	**13,735,282.63**
After 3 years	**3,904,000.00**	**5,748,275.21**
Total	**11,932,680.00**	**48,106,737.99**

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2012, as impacted jointly by the European sovereign debt crisis and weak domestic demand, the pressure of China's economic downturn rose. Under such macro-economic environment, the Group maintained favorable growth momentum and steadily improved operating results and management level by taking measures such as proactive development of markets, the strategy of restructuring the product mix, promotion of cost control and internal control system development.

During the reporting period (consolidated statements), the Group achieved operating revenue of approximately RMB1,521,517,700, representing an increase of approximately 1.36% as compared to 2011; total profit of approximately RMB332,728,200, representing an increase of approximately 29.64% as compared to 2011; its net profit attributable to shareholders of the Company achieved approximately RMB266,705,800, representing an increase of approximately 30.91% as compared to 2011. As at 31 December 2012, the Group's total assets recorded approximately RMB3,109,606,000, representing an increase of approximately 56.76% as compared to the last year; equity attributable to shareholders of the Company recorded approximately RMB2,094,023,000, representing an increase of approximately 121.27% as compared to the last year; net assets per share recorded RMB13.92.

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 biological means, to convert substances with re-use value from wastes into recycled products. In 2012, in face of rigorous and complicated macro-economy and financial situation as well as increasingly fierce market competition environment, the Group fully undertook measures including maximizing potentials and benefits, increasing revenue and reducing expenses, and enhancement of market expansion and ensured the leading position of industrial waste treatment business by boosting the maturing of business standardization and capitalizing on qualification, disposal capacity and operation management, and further putting the waste processing business chain strength of "reduction, bio-safety and recycling" into play. During the reporting period, the Group's industrial waste treatment business achieved operating revenue of approximately RMB1,138,994,400, representing an decrease of approximately 3.88% as compared to 2011. Among which, recycled products recorded sales revenue of approximately RMB938,595,800, representing a decrease of approximately 9.43% as compared to 2011. Revenue from industrial waste treatment and disposal service recorded approximately RMB200,398,500, representing an increase of approximately 34.77% as compared to 2011.

During the reporting period, the Group's existing waste treatment base operation was sound. Leveraging on the mature operation system and effective resource integration, the Shajing treatment base, Huizhou treatment base and Kunshan treatment base have gradually shaped the complete business chain featuring the development of waste treatment business and value-added service. Kunshan treatment base was granted the "Urban Mine" pilot enterprise in Jiangsu, and became one of the first 11 pilot enterprises in Jiangsu.

To coordinate with the Group's future strategic landscape planning and profit growth demands, the Group had put more effort in bolstering the service network layout and broadening business fields of industrial waste treatment. With mature and effective customer management and service systems, the Group succeeded in entering into the markets in Zhuhai, Maoming and Jiangmen, and secure contracts with over 1000 contract customers, representing an increase of approximately 28% as compared to the same period of 2011, and its renewal rate rose by approximately 12% as compared to the same period of 2011. Also, the service network with the Kunshan treatment base as the center has expanded to Jiaxing, Zhejiang, and laid a solid foundation for the Group's development of various businesses.

During the reporting period, the Group's new project progressed smoothly. The zinc oxide project of the North Guangdong Hazardous Waste Treatment and Disposal Center Phase I and Shenzhen Longgang Hazardous Industrial Waste Treatment Base Project has entered into the trial run phase, and are expected to formally commence production and operation in the first half of 2013. In addition, to perfect the business landscape in the areas of western Guangdong and address the capacity expansion demand, the Group is to invest and construct the Dongjiang Environmental (Jiangmen) Industrial Waste Treatment Project, the environmental assessment of this project has been approved and it is expected its main construction will be completed at the end of 2013. The project is expected to treat industrial hazardous wastes including waste mineral oil and waste emulsion of 198,500 tonnes/year. After commencement of production, the project will potently underpin the Group's market strength in the Pearl River Delta and consolidate the Group's environmental protection business chain. To achieve the Group's strategic layout and bring about new profit focuses, the Group is to gain access to the Zhejiang hazardous waste market by acquisition of equity interests in Jiaxing Deda, the Group will immediately begin to carry out technology renovation projects, extension and recycling of resources. Upon completion, the treatment capacity of the project will be increased to 60,000 tonnes/year from 9000 tonnes/year.

Municipal Waste Treatment

Municipal waste treatment is 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. During the reporting period, municipal waste treatment business achieved operating revenue of approximately RMB183,419,600, representing an increase of approximately 12.50% as compared to the same period of 2011. Among which municipal solid waste disposal business achieved operating revenue of approximately RMB126,413,100, representing an increase of approximately 9.07% as compared to 2011; renewable energy business achieved operating revenue of approximately RMB57,006,500, representing an increase of approximately 20.92% as compared to 2011.

As to municipal solid waste disposal business, the Group succeeded in winning the bid for Shenzhen Xiaping Landfill Phase II Landfilling Operation Project and Shenzhen Luohu District Food Waste Recycling Project, further strengthening its lead position in Shenzhen municipal solid waste business during the reporting period; Hunan Shaoyang Domestic Waste Landfill Project successfully passed the environmental inspection and was rated as a Hunan pilot unit within the same industry. Furthermore, Yunnan construction waste project smoothly passed the environmental inspection and commenced formal production and operation, and mainly produced recycled aggregate, standard bricks, building blocks and pavior brick, and managed to register the "Yuanshuo" trademark, and laid a foundation for improving product popularity and market competitiveness.

As to renewable energy, the Group put power generation under control and ensured the traceability of the production process, and achieved the stable operation of the landfill gas power generation by implementing standardization work of landfill gas power generation and fine management of landfill gas power generation. Two additional power generating units has passed environmental inspection and 8 power generating units have been put into use in Shenzhen Xiapingchang, Xiaping field landfill gas power generation project. In 2012, the Group's three landfill gas power generation projects achieved power of approximately 114,500,000 Kw/h, representing an increase of approximately 18.80% as compared to 2011, and achieved operating revenue of approximately approximately RMB57,006,500.

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. Owing to the desirable policy and industrial structure support, the Group had put more effort in expanding environmental engineering service and focused on technical and operation model innovation on the principle of "Innovating Operation Model and Shaping Premium Brand". During the reporting period, environmental protection engineering service business achieved operation revenue of approximately approximately RMB165,746,000, representing an significant growth of approximately 53.39% as compared to 2011.

During the reporting period, the Group strengthened the new business of environmental protection engineering service, and carved out an innovative business model. In the face of the current and developing trend of the shift in the industry and upgrade of the circuit boards and electroplating industry, the Group took the initiative in developing online recovery of etching liquid of circuit boards in Kunshan and Guangdong, its environmental engineering business built up presence in inland regions including Jiangsu, Jiangxi, Anhui, Hubei and Chongqing, and the industrial effluents operation business was outreached to Kunshan, and achieved better results.

In 2012, the Group's inspection service business was carried out under the measures of "Integrating resource for unified management", and improved and strengthened the inspection capability by focusing on inspection quality and shaping brands. During the reporting period, the Group passed the national CMA and CNAS inspection project extension certification, and completed 65,125 inspection items in total, representing an increase of approximately 30% as compared to 2011.

Research and Development ("R&D")

In 2012, with increasingly comprehensive incentives for technology staff and management of technogical results, the Group's technical R&D department achieved dramatic breakthrough in the laboratory research, and completed projects including worn-out electronic components recycling, non-metallic material recycling and polyurethane foam volume reduction and recycling and made breakthrough of laboratories, and 2 patents were licensed. Meanwhile, the pilot-scale study on modified conditioning and deep dehydration of municipal sludge and pilot-scale study on project of anaerobic digestion gasification of kitchen waste also made admirable achievements, providing technical guarantee for the diversified development of the Group's municipal business. Moreover, the Group constantly shored up the cooperation between production, study and research. The Group spearheaded the cooperation with universities including Tianjin University, and the "anaerobic digestion gasification technology research and integrated demonstration in Southern region" was initiated under the 863 Plan; the Project Earmarked for Environmental protection of Shenzhen Human Settlement Environment Commission was approved based on "Phase 2 Sludge Disposal Project of Shenzhen Fuyong Watercourse Sludge Treatment Plant" was approved, and "Technical research on Preparation of high-end copper salt products by copper-containing waste recovery in PCB manufacturers" was initiated under the environmental research project for Shenzhen Human Settlement Environment Commission.

The Group's technical R&D team is always committed to its key technical research of principal operations. During the reporting period, the Group's 22 patents were licensed, with 7 invention patents. Certain invention patents were fully implemented, and played a pivotal role in optimizing product quality, and achieving product refinement; 15 utility model patents were licensed, which played a key role in stabilizing production process, achieving energy saving and emission reduction objectives.

Corporate Development

During the reporting period, the Group succeeded in accessing to the domestic capital market and exploit financing channels. In April 2012, the Group conducted the initial public offering of 25,000,000 A shares and was listed successfully on the SME board of Shenzhen Stock Exchange. Proceeds raised from the said issue of shares amounted to RMB1,012,225,800, bringing strong financial support and financing safeguard to the Group and promoting the brand effect. Also, it laid a solid foundation for the Group's extended expansion and access to new domains and new regional markets.

ANALYSIS ON CORE COMPETITIVENESS

Environmental protection industry features high access barriers. As a leader in the domestic industrial waste treatment and disposal field, the Group has accumulated industrial experience and brand qualification strength in the hazardous waste field over years' growth. They are the most principal embodiment of the Group's core competitiveness. With 10 years' experience in project operation, the Group has developed into a larger comprehensive domestic environmental service provider of waste treatment with all-round qualifications and extensive business scopes domestically. During the reporting period, the Group has possessed over 60 qualification certificates including operation of hazardous waste, pollution control, environmental engineering, environmental monitoring and worn-out electronic product treatment, and obtained 19 new qualification certificates in 2012.

Integration of industrial resources and perfection of the industry chain is another characteristic of the Group's core competitiveness. The Group's business covers the industrial and municipal areas. The Group has built a perfect business chain for tailor-made "reduction, bio-safety, recycling" treatment for an small enterprise up to a large city. Leveraging on the all-round waste treatment service platform and comprehensive and fast one-stop service, the Group satisfied customer's requirements as much as possible in compliance with the development trend of the industrial "Entire Solution" service model. In 2012, with powerful guarantee of qualifications and resources, the Group further developed their businesses in adjacent regions of Shenzhen and Kunshan with 1000 new customers. Meanwhile, the Group expanded its scale of business, maximized its market share and thus strengthened its industrial strategic position by acquisition of equities in enterprises such as Shaoguan Green, Qingyuan Xinlv, Bao'an Dongjiang, Jiaxing Deda and Zhuhai Qingxin.

Technical innovation is the major driving force for the future development of the Group, and the Group places much importance on technical innovation, and has its technology research department and an independent research and development center, which consists of many laboratories such as heavy metal recycling laboratory, industrial waste treatment and recycling laboratory, and laboratories are facilitated with a series of experimental system and testing instruments. Besides a major means of promoting independents innovation capability is to communicate and collaborate with domestic and international enterprise and universities. The R&D Center has conducted over 100 research projects and obtained approximately 40 patents.

Financial Budget for 2013

I. Explanation for preparation of budget

This budget is prepared based on the principle of prudence, in light of market needs and the business expansion plan, based on the Company's budget, according to the requirements of consolidated statements and based on the business expansion plan and production plan of waste collection volume, treatment capacity, sales volume and categories as well sales price as budgeted for 2013. This budget is prepared on the following basis: assuming the supply and purchase contract entered into by the Company is performed as planned.

This budget has taken into consideration the impacts on factors including market environment, business expansion and sales prices on a full account based on summarization of the operation condition in 2012 and analysis of the budget period operating situation in 2013 and in light of the corporate development strategy during the budget period. This budget includes the parent company, its controlling subsidiaries and branches.

II. *Basic assumptions*

1. No material changes in the applicable current national and local laws, regulations and rules to which the Company comply.

2. No material changes in social and economic environment of the place of principal operations of the Company and relevant regions of businesses.

3. No material changes in the Company's industry situations and market conditions.

4. No material changes in the relevant market of wastes collection by the Company in 2013.

5. No material changes in the relevant market of products sold by the Company in 2013.

6. No adverse impacts will arise from material changes in objective factors from transportation, telecommunication, severe shortage in water and electricity and raw materials in production and operation of the Company in 2013.

7. Fluctuation of the credit interest rate, taxation policy and foreign exchange market regarding production and operation of the Company are within normal scope.

8. No material changes in the existing production organization structure of the Company and punctual completion of the planned investment projects and commencement for production.

9. No material adverse impacts on the Company due to other force majeure and unpredictable factors.

III. *Statement of Profit Budget*

Unit: RMB0'000

Item	Actual for previous year (audited)	Prediction for this year	Percentage of changes
I. Total operating income	152,151.77	209,901.64	37.96%
II. Total operating costs	121,764.72	174,805.68	43.56%

Item	Actual for previous year (audited)	Prediction for this year	Percentage of changes
III. Operating profit	31,577.97	35,895.64	13.67%
IV. Total profit	33,272.82	41,420.05	24.49%
V. Net profit	29,401.69	36,132.58	22.89%
Net profit attributable to shareholders of the Company	26,670.58	32,076.18	20.27%
Minority interests	2,731.11	4,056.40	48.53%

Basis of budget: Operating income is based on the product sales plan for 2013 predicted by the Company's sales department; operating costs are based on net profits margin prediction of different product categories of the Company; business taxes and surcharges, cost of sales, and administrative expenses are based on the expense ratio of the Company in 2012, with due consideration to the prediction of management control objectives for 2013; financial expenses are based on due consideration to the impact of the Company's surplus proceeds earmarked for time deposit; corporate income tax is calculated on the tax rate actually executed by each company.

IV. Measures to ensure the performance of financial budget

1. To strengthen efforts in R&D, market expansion, and production to achieve stable increase of operating income.

2. To implement overall budget management, establish and perfect the system and institution of staff costs control.

3. To focus on economic benefits, explore the potential and reduce consumption, and primarily aim at reducing costs.

4. To raise the awareness of cost of capital, rationally arrange the use of capital, and enhance its utilization rate.

5. To intensify financial management, and put more effort in work including budget execution, cost control and capital operating regulation, and to establish an early warning system for budgets, reduce financial risk, identify problems in time and make continuous improvement, and ensure the achievement of financial targets.

Special notice: This budget represents the Company's internal management and control indicators for the operation plan in 2013, and does not represent the Company's profit forecast for the year 2013. The achievement of the indicators is conditional upon factors including changes in market situations and efforts of the operation team, and are subject to great uncertainty. Investors are advised to exercised caution.

FINANCIAL REVIEW

Total Operating Revenue

For the year ended 31 December 2012, the Group's total operating revenue increased by approximately 1.36% to RMB1,521,517,728 (2011: RMB1,501,074,353) as compared to the corresponding period in 2011. The increase was mainly due to the proactive expansion of the market share by the Company while the domestic metal prices dropped. Except for approximately 9.43% decrease in the sales of industrial waste recycle products and approximately 25.82% decrease in the business of trade and others in this year, other various businesses of the Group had grown as compared to the corresponding period in 2011. In particular, the business of industrial waste disposal and treatment recorded an operating revenue of RMB200,398,517, representing an increase of approximately 34.77% as compared to that in 2011 (2011: RMB148,698,306), the business of environmental engineering and services achieved an operating revenue of RMB165,745,982, representing an increase of approximately 53.39% as compared to that in 2011 (2011: RMB108,056,429).

Profit

For the year ended 31 December 2012, the Group's gross profit was increased by approximately 7.46% to RMB561,703,255 (2011: RMB522,684,920). Among which, the gross profit from the environmental engineering and services recorded an increase of approximately 102.82% to RMB51,870,121(2011: RMB25,574,648), the gross profit from business of municipal waste treatment and disposal recorded an increase of approximately 68.09% to RMB30,773,595 as compared to the corresponding period in 2011 (2011: RMB18,307,807), the gross profit from business of industrial waste treatment and disposal recorded an increase of approximately 29.56% to RMB139,369,720 as compared to the corresponding period in 2011 (2011: RMB107,568,846), and the gross profit from business of renewable energy utilization and CDM trading recorded an increase of approximately 23.94% to RMB21,886,883 (2011: RMB17,659,127), while the gross profit from business of industrial waste recycle products recorded a decrease of approximately 12.14% to RMB303,127,240 as compared to the corresponding period in 2011 (2011: RMB344,993,351).

For the year ended 31 December 2012, the Group's gross profit margin was approximately 36.92% (2010: approximately 34.82%), representing an increase of approximately 2.10% as compared to the corresponding period in 2011.

For the year ended 31 December 2012, net profit attributable to shareholders of the Company increased by approximately 30.91% to RMB266,705,804 as compared to the corresponding period in 2011 (2011: RMB203,725,280). The increase is mainly due to the fact that the Company effectively reduced production costs by improving internal management and optimizing the process, and succeeded in controlling finance expenses by enhancing asset management, accelerating capital turnover and full funding within the year on the premises of proactively exploiting markets.

Sales Expenses

For the year ended 31 December 2012, the Group's sales expenses was RMB34,011,656 (2011: RMB56,397,850), representing approximately 2.24% (2011: approximately 3.76%) of the total operating revenue. The decrease in sales expenses is mainly due to the Group strengthened control over its expenses, especially the management of vehicles for transportation, and orchestrated vehicles to effectively reduce unit transportation expenses in the general circumstance of the entire domestic economy worser than expected. Secondly, the Group further perfected its internal control system, further clarified departmental responsibilities, and consolidated the industrial solid waste business development into the marketing management department, and re-planned chemical product trading business, streamlined relevant departments, and reduced labor costs and chemical product transportation expenses according to its own development and market changes.

Administrative Expenses

For the year ended 31 December 2012, the Group's administrative expenses was RMB207,692,583 (2011: RMB179,152,888), representing approximately 13.65% (2011: approximately 11.93%) of the Group's total operating revenue. Increase in administrative expenses is mainly due to the fact that the Group continued to expand its R&D investment and the listing of the Company's A shares increased roadshow publicity fees and for further perfecting its internal control system consolidating the industrial solid waste business development into the marketing management department for reinforcing marketing management, and the increasing subsidiaries during the period.

Finance Costs

For the year ended 31 December 2012, the Group's finance cost was RMB3,192,383 (2011: RMB19,641,288), representing approximately 0.21% (2011: approximately 1.31%) of the Group's total operating revenue. Decrease in finance costs is mainly because following the receipt of proceeds from the listing of A shares, bank loans decreased.

Income Tax Expenses

For the year ended 31 December 2012, the Group's income tax expenses was RMB38,711,279 (2011: RMB37,468,454), representing approximately 11.63% of the Group's total profit before tax (2011: approximately 14.60%). 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 2012, the Group had net current assets of RMB1,143,202,211 (2011: RMB371,384,090), including cash and cash equivalent of RMB1,016,889,376 (2011: RMB247,813,761).

As at 31 December 2012, the Group's total liabilities was RMB836,659,992 (2011: RMB934,032,866). The Group's gearing ratio was approximately 26.91% (2011: approximately 47.09%) which is calculated based on the Group's total liabilities and total assets. The current liabilities of the Group was RMB623,416,644 (2011: RMB501,942,283). As at 31 December 2012, the Group had outstanding bank loans of RMB295,505,249 (2011: RMB512,071,445).

The Board believes that the Group has a stable and strong financial position and will have sufficient liquidity to meet the needs of its operations and future business development.

Substantial Investments, Acquisitions and Disposals of Subsidiaries and Associates

In February 2012, the Company invested RMB10,000,000 to establish a 100% owned subsidiary of the Company, namely Hubei Dongjiang Environmental Co., Ltd. (湖北東江環保有限公司).

In March 2012, the company invested RMB 18,000,000 to purchase 60% equity interest in a 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 November 2012, the Company entered into an equity transfer agreement to acquire the 40% equity interest in Shaoguan Green Recycling Resource Development Co., Ltd. (韶關綠然再生資源發展有限公司), which was then its 60%-owned subsidiary of the Company, at a consideration of RMB95,000,000.

In May 2012, the Company invested RMB153,669,500 to the registered capital of Qingyuan Dongjiang Environmental Technology Co., Ltd, (清遠市東江環保技術有限公司), a subsidiary owned as to 100% equity interest by the Company, with surplus proceeds from the issue of A shares.

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

In October 2012, the Company invested RMB43,800,000 to the registered capital of Shenzhen Longgang Dongjiang Industrial Waste Disposal Treatment Co., Ltd., (深圳市龍崗區東江工業廢物處置有限公司)("Longgang Dongjiang"), a subsidiary owned as to 51% equity interest by the Company, with surplus proceeds from the issue of A shares, in which Longgang Dongjiang was owned as to 54% by the Company after the injection.

In January 2012, the Company entered into a subscription agreement, to acquire 20% equity interest in Qingyuan Xinlv Environmental Technology Co., Ltd. (清遠市新綠環境技術有限公司) ("Qingyuan Xinlv") at a consideration of RMB22,000,000.

In June 2012, the Company entered into the subscription agreement and acquisition agreement, to the registered capital of Qingyuan Xinlv at a consideration of RMB33,000,000 to acquire its 30% equity interest; the completion of the transactions contemplated under the subscription agreement, to acquire 12.5% of the equity interest in Qingyuan Xinlv at a consideration of RMB13,750,000. Upon completion of the transactions, Qingyuan Xinlv was owned as to 62.5% by the Company.

In July 2012, the Company invested RMB5,000,000 to the registered capital of Huabao Technology Limited (深圳市華保科技有限公司), a subsidiary owned as to 100% equity interest by the Company.

In June 2012, the Company entered into an equity transfer agreement, to acquire the 40% equity interest in Zhuhai Qingxin industrial Environmental Protection Co., Limited ("Zhuhai Qingxin") (珠海市清新工業環保有限公司). Upon completion of the transaction, Zhuhai Qingxin was owned as to 75% by the Company, which is a subsidiary owned as to 35% equity interest by the Company prior to the acquisition, at a consideration of RMB12,000,000.

In June 2012, the Company entered into an equity transfer agreement, to acquire the remaining 20% equity interest in Shenzhen Baoan Dongjiang Renewable Energy Limited. (深圳寶安東江環保再生能源有限公司), which is a 80%-owned subsidiary of the Company prior to the acquisition, at a consideration of RMB5,975,000.

In August 2012, the Company entered into a subscription agreement, to acquire 51% equity interest of Jiaxing Deda Resources Recycling Company Limited (嘉興德達資源循環利用有限公司) at a consideration of RMB30,183,600.

In November 2012, the Company invested RMB50,000,000 to establish a 100% owned subsidiary of the Company, namely Jiangmen Dongjiang Environmental Technology Co., Ltd. (江門市東江環保技術有限公司) with surplus proceeds from the issue of A shares.

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 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 of any expected material risk, the management will consider taking any other 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 on the fluctuation of the benchmark interest rate 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 its 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 31 December 2012, certain assets of the Group were pledged to secure bank borrowings, guarantees and letters of credit facilities granted to the Group, as follows:

	2012	2011
Fixed assets	**6,100,812**	7,100,006
Cash and bank balances	**10,925,180**	4,189,340
Total	**17,025,992**	11,289.346

In addition, 80% equity interest in Bao'an Dongjiang, a subsidiary, and the rights of Bao'an Dongjiang receiving electricity charge from the CDM project of electricity generation from landfill gas were pledged to a bank as security for the bank loans.

Information on Employees and Remuneration Policies

As at 31 December 2012, the number of full-time employees stood at 2,530 (2011: 2,209) with a total staff cost of RMB161,191,364 (2011: RMB132,700,064). The Group offered continual training, remuneration package of additional benefits to its employees, including retirement benefits, housing fund and medical insurance.

Contingent Liabilities

The Group provided financial guarantee to a bank for securing banking facilities granted to a jointly controlled entity, Huizhou Dongjiang Veolia Environmental Services Company Limited. The balance of these financial guarantee are yet to expire as at 31 December 2012 of RMB40,000,000 (2011: RMB40,000,000). The maximum amount of these financial guarantee during the year ended 31 December 2012 was RMB40,000,000 (2011: RMB60,000,000).

Due to the existing method of collection and processing of industrial waste 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 the future which will require the Group to undertake 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.

Save as disclosed above, the Group had no significant contingent liabilities for the year ended 31 December 2011 and 2012.

Capital Commitment

	2012	2011
Project		
Capital expenditures contracted for but not provided for in the financial statements		
– Construction in progress	**21,408,671.43**	42,912,409.66
– Acquisition of land use rights	**–**	31,146,659.00
– Acquisition of equipments	**14,879,563.00**	17,354,389.66
Total	**36,288,234.43**	91,413,458.32

FUTURE PROSPECTS

(I) INDUSTRY COMPETITION LANDSCAPE AND DEVELOPMENT TREND

In 2012, environmental protection industry policies were continuously unveiled despite investments being insignificant. According to the Central Economic Work Meeting, positive financial policies and prudent monetary policies will continually be maintained in 2013, therefore the environmental protection industry will be well-positioned to benefit from positive financial policies as a public investment. Meanwhile, taking into account that the year 2013 be in the middle of the 12th 5-year plan, the industrial investment is expected to accelerate and environmental protection growth is bound to be promoted due to the high concern for environmental protection under the "New Urbanization" and "Beautiful China" Strategy of the Eighteenth National Congress of the Communist Party of China.

1. In terms of development trends, China started relatively late in environmental protection, core technology and core environmental equipment and products are mainly under the control of foreign enterprises. At this stage, strengthening efforts in technical R&D, breaking through in generic technology, focusing on high-end refined environmental protection products especially environmental products with high added-value will be beneficial to the elevation of its competitive position. Besides, environmental protection industry embarks on a period of fast growth. Industrial sectors are sub-divided, and each segment sees different development

prospects. As the nascent solid waste industry, it features high access barriers, long and complex process of waste treatment, substantial investment in the earlier stages of the project and long cycle of recovery of the investment, and enterprises boasting rich management experience, solid capital strength and ranking top of the peers are well-placed to ramp up scales by leveraging positive policies.

2. In terms of the industry competition landscape, the solid waste industry is nascent. Degree of industrialization and market consolidation degree is low, corporate scale is small, and industry competition landscape is uncertain with chaotic market competition and limited strong competitors. In the field of industrial solid waste treatment, in addition to the Group, state-owned enterprises including Shenzhen Hazardous Wastes Treatment Station Company Limited, Guangzhou Waste Safety Disposal Center and private listed enterprises including Sound Environmental Resources Co., Ltd. and Shenzhen GEM High-tech Co., Ltd. occupy a significant partner of market shares; as to municipal engineering, Shanghai Environmental Group Co. Ltd. and China Everbright International Limited are the Group's strong rivals.

(II) MAJOR RICK FACTORS AND CORRESPONDING MEASURES

1. Policy risk: as a traditional environmental protection industry or a strategic emerging industry deriving from environmental protection industry, the solid waste treatment industry is nascent and vulnerable to policies. The national policy in turn is one of the significant growth drivers of its development. During the reporting period, despite intensive implementation of environmental protection policies, industrial investment was lower than expected, and was not implemented as impacted by the macro-economy. Thus, captureing market opportunities for the purpose of sharpening the Group's competitive edges through transiting from policy resources in the current stage of project investment, engineering construction and operation to environmental equipment is an important approach.

2. Macro-economy downturn risks: the European sovereign debt crisis made a heavy impact on global economy in the past few years, and it is unlikely for the economy to recover rapidly in the short term. The Group's business may be faced with risks of low waste collection volume resulting from the low rate of operation of upstream enterprises. Furthermore, the Groups will enhance new market expansion and new business expansion while beefing up customer relationship management and stabilizing existing customers. Internally, the Group regulated internal management, especially enhancement of financial management, so as to slash operating costs.

3. Risks of price fluctuation of non-ferrous metals and fierce competition of negotiable waste market: During the reporting period, the non-ferrous metal trend was restricted by the turbulent European debt crisis, excess capacity and sluggish consumption. Meanwhile, enterprises from many industries were optimistic about the national environ-mental industry policy opportunities and successively invested in the waste solid waste treatment and disposal industry. Besides, the government boosted industry transformation and upgrade and promoted clean production. Intensive treatment of wastes is changing to the mode of online treatment/onsite treatment, with increasingly fierce market competition. Under the situation, the Company was market-oriented

and timely optimized product mix, to establish a centralized purchase platform of raw materials to cut purchase costs, and improved the waste recycling rate to circumvent risks from the drop in non-ferrous metal prices. At the same time, the Company created new business models, maximized its market share in the environmental engineering service business and made every endeavor to expand online recovery/onsite recovery business.

4. Risks of shortage in management, technology and talents arising from rapid development: the Group has developed over 30 branches and subsidiaries with market presence in Guangdong Province, Kunshan in Jiangsu, Jiaxing in Zhejiang, Qingdao in Shandong, Kunming in Yunnan, Zhaoyang in Hunan, Wuhan in Hubei, Beijing and Hong Kong, the management level and skills and talent pool has not been enough to meet its rapid expansion of business. In light of the current situation of the rapid corporate development, the Group implemented the development of internal control systems to regulate internal management and also improve corporate efficiency. The Group established an internal talent market and to provide sufficient human resource reserve of the Group sustainable development. While innovating technical level and improving the co-movement of technology, production and market, the Group proactively executed combined research on production, study and research, and shored up the corporate technology advance by leveraging on the technical strength of universities and scientific research institutions.

(III) GROUP DEVELOPMENT STRATEGY AND ANNUAL OPERATING PLAN

In 2013, the Group will continue to boost business expansion and internal management as its focus, while exerting synergy of corporate business based on its own of technology and research. It will realize cross-regional operation of business scopes by flexible means of capital operation such as transverse mergers and acquisitions, to scale up new market presence and maintain stable growth.

1. For project construction and new project development, the Group will focus on strategic objectives, vigorously promoting projects under in progress, and obtain more operating qualifications as soon as possible to satisfy the needs of the expanding business scale.

2. In business expansion, the Group will capture favorable policies and make good use of op-portunities to improve the market share of environmental engineering service and municipal engi-neering business and create business models. In environmental engineering service, the Group will promote waste water online recovery/on-site recovery; in municipal solid waste treatment, the Group will expand the industry chain while expanding the service scope. The service scope will be expanded to sludge treatment and kitchen waste treatment from landfill gas power generation, and sophisticated industry chain from transportation to treatment and disposal will be gradually built on the model of kitchen projects; the Group will solidify diversification of the business model in Kunshan, promoting its leading position in the Kunshan base, so as to lay a solid foundation for the business growth in the Yangtze River Delta centered on Kushan base.

3. In technological R&D, the Group will enhance technology innovation level and the driving impact of technology on market. In 2013, the Group will establish the linkage between the mechanism of technology, market and production as the most important of the Group's ten priorities. The Group will take this opportunity to improve the closeness between technology, production and market. Meanwhile, the Group will refine research and development of refined products and improve the technological added-value of products, thus maximizing capacity for appreciation for the Group's business.

4. In internal management, the Group will promote the establishment of internal control systems and corporate culture systems and improve the strategic management status while improving the guiding and integrating function of corporate culture. In the meantime, the Group will put more effort in the management of human resource and comprehensive budget management to achieve the objectives of stan-dardizing internal management, promoting management efficacy and reducing management cost.

DIVIDENDS

The Company has distributed and paid an interim dividend of RMB0.5 for each share of the Company in 2012, thereby distributing dividend of a total of RMB75,238,187 in cash.

The Board recommends the payment of a final dividend of RMB0.4 per share of the Company (inclusive of tax) (2011: NIL) to all shareholders of the Company based on the total number of shares of 150,476,374 shares of the Company as at 31 December 2012, with the total amount of dividend to be paid be RMB60,190,549.60, subject to approval by the shareholders of the Company at the annual general meeting to be convened and held. In addition, the Board proposes to offer to all shareholders of the Company 5 ordinary shares for each 10 ordinary shares held by shareholders of the Company by way of conversion of capital reserve, thereby issuing 75,238,187 shares (including 17,790,000 H shares and 57,448,187 A shares) based on the total number of 150,476,374 shares of the Company as at 31 December 2012. Following the aforesaid conversion of capital reserve, the Company shall have a total of 225,714,561 shares (including 53,370,000 H shares and 172,344,561 A shares). The aforesaid conversion of capital reserve is subject to, among other things, having obtained the approval by shareholders of the Company at the annual general meeting, the class meeting for holders of H shares and the class meeting for holders of A shares to be convened and held, and the Stock Exchange granting approval for the listing of the 17,790,000 H shares to be issued on the Main Board of the Stock Exchange. The Company will make further announcement in accordance with the Listing Rules upon the record date to ascertain holders of H shares and holder of A shares entitled to the final dividends and the conversion of capital reserve is determined.

Circular containing, among other things, the distribution of final dividend and the capital increase by way of conversion of capital reserve, together with the notice of the annual general meeting, class meeting for holders of H shares and class meeting for holders of A shares, will be published and despatched to the shareholders in due course.

ISSUE OF A SHARES

On 20 September 2010, the Company announced its proposal 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 H shares and the class meeting for holders of domestic shares held on 9 December 2010, with a validity period of 12 months commencing from 9 December 2010.

The validity period of the shareholders' approval for the proposed issue of A shares was extended for a period of 12 months commencing from 9 December 2011 to 8 December 2012 by the approvals of the shareholders at the third extraordinary general meeting in 2011 of the Company held on 8 December 2011, the first class meeting for holders of H shares in 2011 and the first class meeting for holders of domestic shares in 2011 held on 8 December 2011.

On 16 December 2011, the Company had submitted a draft of the prospectus in respect of the issue of A shares to the CSRC in connection with the proposed issue of A shares. The draft of the prospectus is not, and is not intended to be, an offer of securities of the Company for sale in Hong Kong. The prospectus has not been and will not be registered under the Companies Ordinance (Chapter 32 of the laws of Hong Kong). On 21 December 2011, at a meeting held by the Public Offering Review Committee of the CSRC, the application for initial issue of A shares of the Company were reviewed and passed.

On 5 April 2012, the Company received the formal written approval from the CSRC for the issue of A Shares. The issue of A shares comprised the allotment and issue of not more than 25,000,000 A Shares to natural persons, legal persons or other institutional investors recognised by the CSRC, who maintain A share accounts with the Shenzhen Stock Exchange (except those prohibited by PRC laws and regulations, and other regulatory requirements to which the Company is subject to) and preliminary price consultation with qualified institutions that are recognised under PRC laws had conducted from 9 April 2012 to 12 April 2012 in the PRC.

On 13 April 2012, pursuant to the issue of A shares, the Company issued 25,000,000 A shares at the final offer price of RMB43 per Share.

On 26 April 2012, the A shares were first listed and commenced trading on the Shenzhen Stock Exchange. Some key information in respect of the A shares listing is as follows:

Place of listing	:	Shenzhen Stock Exchange
Date of listing	:	26 April 2012
Stock name	:	DJE
Stock code	:	002672
Total number of issued shares of the Company following the Issue of A Shares	:	150,476,374 (comprising 35,580,000 H Shares and 114,896,374 A Shares)

On 21 May 2012, pursuant to the completion of the issue of A Shares, the Board has completed business registration with the Market Supervision Administration of Shenzhen Municipality following the completion of the issue of A Shares and the filing of relevant amendments to the Company's articles of association consequential to the completion of the issue of A Shares.

DISTRIBUTION PLAN FOR INTERIM DIVIDEND AND PROPOSED AMENDMENTS OF ARTICLES OF ASSOCIATION AND ADOPTION OF SHAREHOLDERS' RETURN PLAN

At the first extraordinary general meeting in 2012 ("EGM") of the Company held on 24 September 2012, it was resolved the profit distribution of cash dividend (tax included) of RMB5.00 for every 10 existing shares, based on the total number of 150,476,374 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.

In light of the requirements of the China Securities Regulatory Commission on listed companies in the PRC in relation to profit distribution, certain amendments to the articles of association of the Company and to adopt the shareholders' return plan (2012-2014) were passed at the EGM.

CHANGE OF CHIEF EXECUTIVE AND APPOINTMENT OF VICE PRESIDENT

In light of the need for the future development of the Company and to realize the segregation of the roles of chairman and chief executive to perfect the Company's corporate governance, Mr. Chen Shu Sheng (陳曙生), an executive Director, has been appointed as the new chief executive of the Company in place of Mr. Zhang Wei Yang (張維仰) with effect from 25 October 2012. Mr. Zhang Wei Yang remained as the chairman of the Board and an executive Director.

Mr. Li Yong Peng (李永鵬), an executive Director, has been appointed as the vice president of the Company with effect from 25 October 2012.

CHANGE OF COMPANY SECRETARY AND AUTHORISED REPRESENTATIVE AND CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

On 17 December 2012, Mr. Lo Wah Wai resigned as the company secretary of the Company and ceased to act as an authorised representative of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Ms. Wang Tian (王恬) ("Ms. Wang") has been appointed as the company secretary and an authorised representative of the Company under the Listing Rules, following the resignation of Mr. Lo Wah Wai, with effect from 17 December 2012.

The principal place of business in Hong Kong of the Company has been changed to Suites 2001-2005, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong with effect from 31 January 2013.

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 is firmly committed to achieving and maintaining high overall standards of corporate governance and has always recognised the importance of accountability and communication with Shareholders through continuous effort in improving its corporate governance practices and processes. Through the establishment of a quality and effective Board, a comprehensive internal control system and a stable corporate structure, the Company strives to achieve completeness and transparency in its information disclosure, enhance stable operation and consolidate and increase Shareholders' value and profit.

The Company has complied with the applicable code provisions in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012), set out in Appendix 14 of the Listing Rules throughout the year under review, except for the deviation of code provision A.2.1 in respect of the segregation of the roles of the chairman and the chief executive, as Mr. Zhang Wei Yang were performing the role of both the chairman and chief executive officer of the Company as mentioned in the paragraphs above. Following the change of chief executive in October 2012, the Company had complied with code provision A.2.1.

SCOPE OF WORK OF SHINEWING CERTIFIED PUBLIC ACCOUNTANTS

The figures of the Group's financial results for the year contained in this announcement have been agreed by the Group's auditors, SHINEWING Certified Public Accountants Co Ltd., to the amounts set out in the Group's financial statements for the year ended 31 December 2012. The work performed by SHINEWING Certified Public Accountants Co Ltd. 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 Co Ltd. on this announcement.

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 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, 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. Wang Ji De. Mr. Wang Ji De 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 2012 and this announcement.

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

27 March 2013
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*