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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 2013

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 2013 (the “Period”), together with the comparative figures of the corresponding period in 2012, 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 2013

		Six months ended 30 June	
		2013	2012
	<i>Note</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Total operating revenue	2	708,155,046.07	740,385,384.69
Total operating costs		579,674,073.65	571,056,025.63
Including:			
Cost of operation		472,627,360.57	458,785,242.08
Sales tax and levies		4,678,100.17	7,584,865.13
Selling expenses		17,692,191.20	16,623,045.99
Administrative expenses		90,829,635.00	80,908,955.08
Finance costs	4	(7,112,671.71)	9,766,978.20
Impairment loss for assets	5	959,458.42	(2,613,060.85)
Add: Gain (loss) on fair value changes		(1,004,700.00)	(199,720.00)
Investment (loss) income		10,945,884.54	3,000,805.99
Including: Investment income (loss) from jointly controlled entities and associates		7,798,162.91	2,515,305.79

		Six months ended 30 June	
		2013	2012
	Note	(Unaudited)	(Unaudited)
Operating profit		138,422,156.96	172,130,445.05
Add: Non-operating income		9,735,793.34	8,800,197.16
Less: Non-operating expenses		2,657,003.21	446,867.46
Including: Loss on disposal of non-current assets		196,118.12	140,158.29
Total profit		145,500,947.09	180,483,774.75
Less: Income tax expenses	6	14,946,246.99	26,064,073.90
Net profit		130,554,700.10	154,419,700.85
Net profit attributable to shareholders of the Company		115,921,998.76	141,128,331.11
Net profit attributable to minority interests		14,632,701.34	13,291,369.74
Earnings per share:			
Basic earnings per share		0.51	0.68
Diluted earnings per share		0.51	0.68
Other comprehensive income		(681,002.26)	155,383.40
Total comprehensive income		129,873,697.84	154,575,084.25
Total comprehensive income attributable to shareholders of the Company		115,240,996.50	141,283,714.51
Total comprehensive income attributable to minority interests		14,632,701.34	13,291,369.74

INCOME STATEMENT OF THE COMPANY (UNAUDITED)

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
	Note	(Unaudited)	(Unaudited)
Total operating revenue	2	397,783,777.29	441,748,174.70
Cost of operation		260,162,853.02	266,693,330.12
Sales tax and levies		2,072,084.26	4,318,031.86
Selling expenses		6,348,857.35	2,199,572.33
Administrative expenses		40,176,219.53	38,883,472.72
Finance costs	4	(8,849,167.83)	(132,668.70)
Impairment loss for assets	5	815,299.66	(3,760,276.68)
Gain (loss) on fair value changes		(1,004,700.00)	(199,720.00)
Investment income (loss)		37,958,384.54	12,683,052.23
Including: Investment income (loss) from jointly controlled entities and associates		7,798,162.91	3,017,552.03
Operating profit		134,011,315.84	146,030,045.28
Add: Non-operating income		4,314,946.35	1,588,493.04
Less: Non-operating expenses		1,820,019.20	277,015.91
Including: Loss on disposal of non-current assets		—	11,131.93
Total profit		136,506,242.99	147,341,522.41
Less: Income tax expenses	6	11,487,556.21	18,783,717.34
Net profit		125,018,686.78	128,557,805.07
Earnings per share:			
Basic earnings per share		0.55	0.61
Diluted earnings per share		0.55	0.61
Other comprehensive income		—	—
Total comprehensive income		125,018,686.78	128,557,805.07

CONSOLIDATED BALANCE SHEET

At 30 June 2013

		As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
	Note		
Current assets:			
Cash and bank balances		1,049,129,917.74	1,027,814,556.38
Held for trading financial assets		2,052,360.00	3,748,980.00
Bills receivables		37,041,039.29	31,778,542.16
Accounts receivables	9	149,377,956.91	207,393,388.94
Prepayments		104,594,243.36	164,693,996.63
Other receivables		70,472,745.92	43,961,746.66
Inventories		285,259,146.73	258,488,536.56
Non-current asset due within 1 year		22,900,000.00	28,680,000.00
Other current assets		—	59,108.33
Total current assets		1,720,827,409.95	1,766,618,855.66
Non-current assets:			
Long-term accounts receivable		55,920,000.00	44,815,000.00
Long-term equity investments		88,926,540.24	81,255,271.82
Investment properties		53,630,900.00	53,630,900.00
Fixed assets		564,124,353.15	572,193,605.20
Construction in progress		305,812,003.25	239,146,012.43
Fixed assets pending for disposal		16,975.96	—
Intangible assets		313,814,902.01	298,560,475.42
Goodwill		42,789,715.19	42,789,715.19
Long-term prepayments		2,967,066.55	1,152,733.51
Deferred income tax assets		9,443,444.07	9,443,444.07
Total non-current assets		1,437,445,900.42	1,342,987,157.64
Total assets		3,158,273,310.37	3,109,606,013.30

		As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
	Note		
Current liabilities:			
Short-term borrowings		165,932,000.00	38,109,000.00
Accounts payables	10	169,254,225.00	209,740,096.74
Receipts in advance		37,592,327.03	58,671,791.40
Employee benefits payables		6,335,169.72	24,454,789.68
Tax payables		(5,595,182.13)	13,538,793.58
Dividend payables		45,826,001.60	—
Other payables		38,509,583.11	114,873,450.85
Non-current liabilities repayable within one year		165,657,702.57	160,371,838.90
Other current liabilities		3,656,883.08	3,656,883.08
Total current liabilities		627,168,709.98	623,416,644.23
Non-current liabilities:			
Long-term borrowings		103,012,948.83	110,996,248.67
Long-term payable		23,875,704.40	30,947,203.20
Deferred income tax liabilities		1,851,701.90	1,870,895.79
Other non-current liabilities		60,997,248.97	69,428,999.87
Total non-current liabilities		189,737,604.10	213,243,347.53
Total liabilities		816,906,314.08	836,659,991.76
Shareholders' equity:			
Share capital		225,714,561.40	150,476,374.40
Capital reserve		855,365,333.07	930,603,520.07
Surplus reserve		92,841,139.13	93,173,237.74
Undistributed profits		985,598,305.41	919,750,287.90
Exchange difference on translation of financial statements denominated in foreign currency		(661,445.47)	19,556.79
Equity attributable to shareholders of the Company		2,158,857,893.54	2,094,022,976.90
Minority interests		182,509,102.75	178,923,044.64
Total shareholders' equity		2,341,366,996.29	2,272,946,021.54
Total liabilities and shareholders' equity		3,158,273,310.37	3,109,606,013.30

BALANCE SHEET OF THE COMPANY

As at 30 June 2013

	<i>Note</i>	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Current assets:			
Cash and bank balances		695,879,041.84	676,513,377.95
Held for trading financial assets		2,052,360.00	3,748,980.00
Bills receivables		27,760,123.06	18,342,900.60
Accounts receivables		106,016,822.47	105,183,188.07
Prepayments		30,080,827.46	30,194,171.97
Dividend receivables		9,840,000.00	—
Other receivables		406,672,539.80	333,526,402.95
Inventories		32,511,113.55	21,528,222.81
Non-current asset due within 1 year		20,510,000.00	28,680,000.00
Other current assets		—	—
Total current assets		<u>1,331,322,828.18</u>	<u>1,217,717,244.35</u>
Non-current assets:			
Long-term accounts receivable		58,310,000.00	44,815,000.00
Long-term equity investments		1,015,408,160.95	933,829,998.04
Investment properties		53,630,900.00	53,630,900.00
Fixed assets		166,244,377.76	167,147,809.08
Construction in progress		69,056,677.42	29,186,984.71
Intangible assets		12,314,902.49	12,512,091.17
Long-term prepayment		1,017,209.30	—
Deferred income tax assets		7,066,721.32	7,066,721.32
Other non-current assets		9,036,792.00	9,036,792.00
Total non-current assets		<u>1,392,085,741.24</u>	<u>1,257,226,296.32</u>
Total assets		<u>2,723,408,569.42</u>	<u>2,474,943,540.67</u>

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Note		
Current liabilities:		
Short-term borrowings	150,000,000.00	—
Accounts payables	116,993,766.46	121,152,254.22
Receipts in advance	12,046,057.87	11,358,905.81
Employee benefits payables	1,638,860.72	16,181,026.05
Tax payables	12,301,107.09	24,690,660.01
Dividend payables	45,826,001.60	—
Other payables	142,045,018.26	150,423,632.80
Non-current liabilities repayable within one year	7,500,000.00	14,000,000.00
Other current liabilities	2,506,883.08	2,506,883.08
Total current liabilities	490,857,695.08	340,313,361.97
Non-current liabilities:		
Long-term borrowings	35,500,000.00	—
Long-term payables	—	—
Deferred income tax liabilities	782,481.48	782,481.48
Other non-current liabilities	20,298,590.74	22,706,032.28
Total non-current liabilities	56,581,072.22	23,488,513.76
Total liabilities	547,438,767.30	363,801,875.73
Shareholders' equity:		
Share capital	225,714,561.40	150,476,374.40
Capital reserve	916,095,129.79	991,333,316.79
Surplus reserve	79,127,482.62	79,127,482.62
Undistributed profits	955,032,628.31	890,204,491.13
Total shareholders' equity	2,175,969,802.12	2,111,141,664.94
Total liabilities and shareholders' equity	2,723,408,569.42	2,474,943,540.67

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)*For the six months ended 30 June 2013*

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	874,467,983.99	710,402,591.84
Other cash receipts relating to tax returning	4,744,595.80	5,875,263.73
Other cash receipts relating to operating activities	17,609,524.48	28,241,275.67
Sub-total of cash inflows from operating activities	896,822,104.28	744,519,131.24
Cash paid for goods and services	541,563,240.06	388,457,662.99
Cash paid to and on behalf of employees	106,478,556.27	81,458,891.80
Payments of taxes and levies	76,083,283.21	53,725,357.73
Other cash payments relating to operating activities	66,703,311.40	59,777,919.60
Sub-total of cash outflows from operating activities	790,828,390.93	583,419,832.12
Net cash flows from operating activities	105,993,713.35	161,099,299.12
II. Cash flows from investing activities:		
Cash received from investments	—	100,000.00
Cash received from returns on investments	759,641.63	364,864.20
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	412,901.82	—
Net cash received from disposal of subsidiaries and other operating units	3,300,000.00	120,636.00
Sub-total of cash inflows from investing activities	4,472,543.45	585,500.20
Cash paid to acquire fixed assets, intangible assets and other long-term assets	115,222,616.40	104,640,863.74
Cash paid on investments	38,000,000.00	40,560,000.00
Net cash paid on acquisition of subsidiaries and other operating units	—	—
Other cash payments relating to investing activities	31,820,013.34	—
Sub-total of cash outflows from investing activities	185,042,629.74	145,200,863.74
Net cash flows used in investing activities	(180,570,086.29)	(144,615,363.54)

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
III. Cash flows from financing activities:		
Cash received from absorption of investments	—	1,025,000,000.00
Cash received from borrowings	223,323,000.00	135,000,000.00
Other cash received relating to financing activities	7,860,000.00	—
Sub-total of cash inflows from financing activities	231,183,000.00	1,160,000,000.00
Cash payments for settlement of borrowings	97,783,959.29	249,700,000.00
Cash payments for interest expenses, distribution of dividend or profits	26,313,599.70	20,154,386.53
Other cash payments relating to financing activities	11,415,035.00	12,682,963.20
Sub-total of cash outflows from financing activities	135,512,593.99	282,537,349.73
Net cash flows from financing activities	95,670,406.01	877,462,650.27
IV. Effect of foreign exchange rate changes	(263,491.80)	85,024.98
V. Net increase in cash and cash equivalents	20,830,541.26	894,031,610.83
Add: Cash and cash equivalents at beginning of the period	1,016,889,376.48	247,813,761.76
VI. Cash and cash equivalents at end of the Period	1,037,719,917.74	1,141,845,372.59

CASH FLOW STATEMENT OF THE COMPANY (UNAUDITED)*For the six months ended 30 June 2013*

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	424,319,611.34	390,459,373.10
Other cash receipts relating to operating activities	96,770,414.24	137,994,715.98
Sub-total of cash inflows from operating activities	521,090,025.58	528,454,089.08
Cash paid for goods and services	293,990,677.36	215,385,639.49
Cash paid to and on behalf of employees	45,490,629.91	41,332,336.16
Payments of taxes and levies	40,219,984.44	25,555,478.79
Other cash payments relating to operating activities	57,069,040.10	48,357,048.26
Sub-total of cash outflows from operating activities	436,770,331.81	330,630,502.70
Net cash flows from operating activities	84,319,693.77	197,823,586.38
II. Cash flows from investing activities:		
Cash received from investments	—	100,000.00
Cash received from returns on investments	17,932,141.63	9,544,864.20
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	—	—
Net cash received from disposal of subsidiaries and other operating units	3,300,000.00	120,636.00
Sub-total of cash inflows from investing activities	21,232,141.63	9,765,500.20
Cash paid to acquire fixed assets, intangible assets and other long-term assets	50,932,119.01	18,277,318.02
Cash paid on investments	122,180,000.00	289,554,000.00
Other cash payment relating to investing activities	73,770,882.05	—
Sub-total of cash outflows from investing activities	246,883,001.06	307,831,318.02
Net cash flows used in investing activities	(225,650,859.43)	(298,065,817.82)

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
III. Cash flows from financing activities:		
Cash received from absorption of investments	—	1,025,000,000.00
Cash received from borrowings	185,500,000.00	40,000,000.00
Other cash received relating to financing activities	7,860,000.00	—
Sub-total of cash inflows from financing activities	193,360,000.00	1,065,000,000.00
Cash payments for settlement of borrowings	6,500,000.00	184,500,000.00
Cash payments for interest expenses, distribution of dividend or profits	14,969,463.75	4,321,736.58
Other Cash paid relating to financing activities	11,415,035.00	5,093,387.00
Sub-total of cash outflows from financing activities	32,884,498.75	193,915,123.58
Net cash flows from financing activities	160,475,501.25	871,084,876.42
IV. Effect of foreign exchange rate changes	(263,491.80)	85,024.98
V. Net increase in cash and cash equivalents	18,880,843.79	770,927,669.96
Add: Cash and cash equivalents at beginning of the period	667,738,198.05	125,568,274.93
VI. Cash and cash equivalents at end of the Period	686,619,041.84	896,495,944.89

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the six months ended 30 June 2013

	For the six months ended 30 June 2013						
	Equity attributable to shareholders of the Company						
	Share capital	Capital reserve	Surplus reserve	Undistributed profits	Others	Minority interests	Total shareholders' equity
At the beginning of the Period	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
Increase (decrease) for the Period	75,238,187.00	(75,238,187.00)	(332,098.61)	65,848,017.51	(681,002.26)	3,586,058.11	68,420,974.75
Net profit	-	-	-	115,921,998.76	-	14,632,701.34	130,554,700.10
Other comprehensive income	-	-	-	-	(681,002.26)	-	(681,002.26)
Sub-total	-	-	-	115,921,998.76	(681,002.26)	14,632,701.34	129,873,697.84
Contribution from shareholders and reduction of capital	-	-	-	9,784,469.74	-	7,440,856.78	17,225,326.52
Injection from shareholders	-	-	-	9,784,469.74	-	7,440,856.78	17,225,326.52
Profits appropriation	-	-	-	(60,190,549.60)	-	(18,487,500.00)	(78,678,049.60)
Dividends paid to Shareholders	-	-	-	(60,190,549.60)	-	(18,487,500.00)	(78,678,049.60)
Transfer of capital reserves to share capital	75,238,187.00	(75,238,187.00)	-	-	-	-	-
Transfer of surplus reserves to undistributed profits	-	-	(332,098.61)	332,098.61	-	-	-
Others	-	-	-	-	-	(0.01)	(0.01)
At the end of the Period	225,714,561.40	855,365,333.07	92,841,139.13	985,598,305.41	(661,445.47)	182,509,102.75	2,341,366,996.29

For the six months ended 30 June 2012
Equity attributable to shareholders of the Company

	Share capital	Capital reserve	Surplus reserve	Undistributed profits	Others	Minority interests	Total shareholders' equity
As at 1 January 2012	125,476,374.40	–	70,754,552.84	750,701,355.81	(586,590.15)	103,337,513.73	1,049,683,206.63
Increase (decrease) for the period	25,000,000.00	987,225,849.86	12,855,780.51	128,272,550.60	155,383.40	16,471,369.76	1,169,980,934.13
Net profit	–	–	–	141,128,331.11	–	13,291,369.74	154,419,700.85
Other comprehensive income	–	–	–	–	155,383.40	–	155,383.40
Sub-total	–	–	–	141,128,331.11	155,383.40	13,291,369.74	154,575,084.25
Contribution from shareholders and reduction of capital	25,000,000.00	987,225,849.86	–	–	–	12,000,000.00	1,024,225,849.86
Injection from shareholders	25,000,000.00	987,225,849.86	–	–	–	12,000,000.00	1,024,225,849.86
Profits appropriation	–	–	12,855,780.51	(12,855,780.51)	–	(8,820,000.00)	(8,820,000.00)
Extraction of surplus reserve	–	–	12,855,780.51	(12,855,780.51)	–	–	–
Dividends paid to shareholders	–	–	–	–	–	(8,820,000.00)	(8,820,000.00)
Others	–	–	–	–	–	0.02	0.02
As at 30 June 2012	150,476,374.40	987,225,849.86	83,610,333.35	878,973,906.41	(431,206.75)	119,808,883.49	2,219,664,140.76

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY (UNAUDITED)

For the six months ended 30 June 2013

	For the six months ended 30 June 2013				
	Share capital	Capital reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
At the beginning of the Period	150,476,374.40	991,333,316.79	79,127,482.62	890,204,491.13	2,111,141,664.94
Increase (decrease) of the Period	75,238,187.00	(75,238,187.00)	–	64,828,137.18	64,828,137.18
Net profit	–	–	–	125,018,686.78	125,018,686.78
Sub-total	–	–	–	125,018,686.78	125,018,686.78
Injection (reduce) from shareholders	–	–	–	–	–
Injection from shareholders	–	–	–	–	–
Profits appropriation	–	–	–	(60,190,549.60)	(60,190,549.60)
Dividends paid to shareholders	–	–	–	(60,190,549.60)	(60,190,549.60)
Equity transfer	75,238,187.00	(75,238,187.00)	–	–	–
Transfer of capital reserves to share capital	75,238,187.00	(75,238,187.00)	–	–	–
At the end of the Period	225,714,561.40	916,095,129.79	79,127,482.62	955,032,628.31	2,175,969,802.12

	For the six months ended 30 June 2012				
	Share capital	Capital reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
As at 1 January 2012	125,476,374.40	4,107,466.93	56,708,797.72	763,674,514.06	949,967,153.11
Increase (decrease) of the period	25,000,000.00	987,225,849.86	12,855,780.51	115,702,024.56	1,140,783,654.93
Net profit	–	–	–	128,557,805.07	128,557,805.07
Sub-total	–	–	–	128,557,805.07	128,557,805.07
Injection (reduce) from shareholders	25,000,000.00	987,225,849.86	–	–	1,012,225,849.86
Injection from shareholders	25,000,000.00	987,225,849.86	–	–	1,012,225,849.86
Profits appropriation	–	–	12,855,780.51	(12,855,780.51)	–
Extraction of surplus reserve	–	–	12,855,780.51	(12,855,780.51)	–
As at 30 June 2012	150,476,374.40	991,333,316.79	69,564,578.23	879,376,538.62	2,090,750,808.04

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 2012. 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	
	2013	2012
	(Unaudited)	(Unaudited)
Industrial waste recycling	438,114,796.37	425,040,782.26
Industrial waste treatment and disposal	112,005,286.40	92,710,681.33
Municipal waste treatment and disposal	60,279,353.99	57,984,231.88
Renewable energy utilization	33,023,463.46	28,975,037.23
Environmental engineering and services	45,086,249.60	121,444,900.83
Trading and others	19,645,896.25	14,229,751.16
Total	<u>708,155,046.07</u>	<u>740,385,384.69</u>

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 2013 (unaudited)

	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
Total operating revenue	644,148,130.31	114,972,965.57	60,279,353.99	33,023,463.46	47,679,445.07	27,337,202.94	–	(219,285,515.27)	708,155,046.07
Including:									
Revenue from									
external transactions	438,114,796.37	112,005,286.40	60,279,353.99	33,023,463.46	45,086,249.60	19,645,896.25	–	–	708,155,046.07
Revenue from									
intra-segment	206,033,333.94	2,967,679.17	–	–	2,593,195.47	7,691,306.69	–	(219,285,515.27)	–
Operating profit (loss)	<u>83,022,241.06</u>	<u>74,475,431.20</u>	<u>4,118,521.14</u>	<u>5,706,738.62</u>	<u>12,001,065.31</u>	<u>6,474,498.33</u>	<u>(8,606,821.04)</u>	<u>(38,769,517.65)</u>	<u>138,422,156.96</u>

ii) 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	Unallocated 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)	<u>101,033,570.37</u>	<u>61,564,626.60</u>	<u>9,573,208.92</u>	<u>6,723,018.51</u>	<u>21,285,577.47</u>	<u>2,788,254.90</u>	<u>(35,336,647.33)</u>	<u>4,498,835.61</u>	<u>172,130,445.05</u>

4. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Interest expenses	6,157,142.65	11,334,386.53
Less: Interest income	(13,845,140.65)	(1,978,785.85)
Add: Exchange difference	21,187.12	—
Add: Other expenses	554,139.17	411,377.52
Total	(7,112,671.71)	9,766,978.20

Breakdown of interest expenses is as follows:

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Interest on bank loans		
– Bank loans wholly repayable within 5 years	9,900,493.70	16,395,470.04
Finance lease charge	1,009,983.84	1,393,511.09
	10,910,477.54	17,788,981.13
Less: Amount capitalised	(4,753,334.89)	(6,454,594.60)
Total	6,157,142.65	11,334,386.53

Borrowing cost capitalized during the Period is calculated by applying a capitalization rate of 5.895% (2012: 6.40%) per annum to expenditure on qualifying assets.

5. ASSETS IMPAIRMENT LOSSES

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Provision of provision for bad debts	959,458.42	(2,613,060.85)
Impairment loss on goodwill	—	—
Total	959,458.42	(2,613,060.85)

6. INCOME TAX EXPENSES

In accordance with the relevant income tax laws and regulations of the People's Republic of China (the "PRC"), the Company and its subsidiaries are subject to the PRC enterprise income tax at a rate of 25%. The Company, as a company ranked as a national high-tech enterprise in 2009, is subject to the PRC enterprise income tax at a rate of 15%. 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) as the subsidiaries of the Company which were ranked as national high-tech enterprises in 2010 and 2011 respectively are subject to the PRC enterprise income tax at a rate of 15%. Shenzhen Longgang Dongjiang Industrial Waste Treatment Co., Ltd. (深圳市龍崗區東江工業廢物處置有限公司) as a subsidiary of the Company is entitled to the income tax privilege for qualified environmental protection and energy & water saving projects, is exempted from the enterprise income tax from 2012 to 2014 and is subject to the PRC enterprise income tax at the reduced rate from 2015 to 2017.

In accordance with the relevant income tax laws and regulations of the PRC, Shenzhen Dongjiang Environmental Renewable Energy Company Limited (深圳市東江環保再生能源有限公司), a subsidiary of the Company, was entitled to exemption from income taxation for the first two years and reduction half for the next three years for the production enterprises, was entitled to exemption from income taxation for the first two years and reduction half for the next three years from 2008, was exempted from the PRC enterprise income tax in 2009 and was subject to the PRC enterprise income tax at the reduced rate from 2010 to 2012. The income tax rate during the reporting period is 25%.

The subsidiaries of the Company incorporated in Hong Kong were subject to the Hong Kong income 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 RMB115,921,998.76 (2012: RMB141,128,331.11), and the weighted average of 225,714,561 shares (2012: 209,047,894 shares) ordinary shares in issue during the Period.

The Company had no diluted potential shares in both 2012 and 2013 interim periods and the diluted earnings per share was same as basic earnings per share.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the period (2012: RMB75,238,187).

9. ACCOUNTS RECEIVABLES

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Accounts receivables	158,638,261.96	225,191,559.54
Less: Provision for bad debts	9,260,305.05	(17,798,170.60)
Total	<u>149,377,956.91</u>	<u>207,393,388.94</u>

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 2013 <i>(Unaudited)</i>	As at 31 December 2012 <i>(Audited)</i>
Within 90 days	99,353,273.63	145,044,585.87
91 to 180 days	30,806,292.15	28,506,013.00
181 to 365 days	8,455,862.69	17,343,548.09
1 to 2 year(s)	9,927,175.29	13,212,542.88
2 to 3 years	835,353.14	3,267,469.10
Over 3 years	–	19,230.00
Total	149,377,956.91	207,393,388.94

10. ACCOUNTS PAYABLES

The following is an aging analysis of accounts payables:

	As at 30 June 2013 <i>(Unaudited)</i>	As at 31 December 2012 <i>(Audited)</i>
Within 90 days	129,120,815.01	131,809,808.75
91 to 180 days	13,329,751.78	16,138,764.91
181 to 365 days	18,476,221.92	45,249,625.15
Over 1 year	8,327,436.29	16,541,897.93
Total	169,254,225.00	209,740,096.74

11. COMMITMENT

	As at 30 June 2013 <i>(Unaudited)</i>	As at 31 December 2012 <i>(Audited)</i>
Construction in progress	32,506,008.62	21,408,671.43
Intangible assets		
– Built-Operation-Transfer (BOT) projects	–	–
Intangible assets – land	–	–
Sub-Total	32,506,008.62	21,408,671.43
Acquisition of equipments	4,549,748.90	14,879,563.00
Total	37,055,757.52	36,288,234.43

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Following the implementation of various favorable policies during the Period, the environmental protection industry maintained a satisfactory development trend. However, under the sluggish domestic and global economy in general and the weak market demand, the existing businesses of the Group still encountered an unfavorable situation with the continuous decline in prices and the increase of purchase costs of raw materials. As a result, through adopting management accountability system, the Group optimized the structures of recycled products, considerably expanded our market share and improved the intensity of key market development so as to make every endeavor to eliminate the negative market impact on the Group.

During the Period, the Group achieved an operating revenue of approximately RMB708,155,000, representing a drop of approximately 4.35% as compared to the first half of 2012. Total profit was approximately RMB145,500,900, representing a decrease of approximately 19.38% as compared to the first half of 2012. As at 30 June 2013, the Group's total assets was recorded at approximately RMB3,158,273,300; equity attributable to shareholders of the Company recorded at approximately RMB2,158,857,900; net assets per share recorded at RMB9.56.

Industrial Waste Treatment

During the Period, despite the continuous drop of metal prices and the intensified competition of the upstream market, the Group seized the market opportunities to strengthen our brand management, vigorously promoted the management model innovation and maintained a steady development of industrial waste treatment business, the core business of the Group, which achieved an operating revenue of approximately RMB550,120,100, representing an increase of approximately 6.25% as compared to the first half of 2012. The recycled products recorded sales revenue of approximately RMB438,114,800, representing an increase of approximately 3.08% as compared to the first half of 2012; and the industrial waste treatment and disposal recorded service revenue of approximately RMB 112,005,300, representing an increase of approximately 20.81% as compared to the first half of 2012.

During the Period, the Group persistently promoted the strategic implementation of product upgrade and the pilot-scale base of high-end copper salt project was completed and commenced production. The successful completion of such project optimized the product mix, and improved market competitiveness and risk resistance capacity of the Group. With the implementation of the high-end copper salt project, the Group actively modified the positioning and marketing strategy of recycled products. The establishment of a quality control system and update of the standard pricing system provided foundation for our broad range of state-of-the-art products.

The Group actively consolidated and strengthened the management level of solid wastes during the Period. The market-and-policy-oriented approach restructured the operation and service system as well as progressively creating and completing the online recovery/on-site recovery model of industrial effluents. At the same time, we established the management specialization project of solid waste and developed specialized services segments in respect to the precious metals, waste circuit board and spent catalyst. Each of our bases had advanced waste water evaporation and concentration treatment facilities which can improve the waste treatment capacity and the quality of discharge in meeting the environmental protection standard.

During the Period, the trial run of the Group's Longgang Hazardous Waste Treatment Base was in a satisfactory condition, which achieved a revenue of approximately RMB28,000,000, representing an increase of approximately 61% as compared with the same period in the previous year. The dismantling and utilization of 10,000 tons waste electrical appliances project at the Qingyuan treatment base obtained the subsidy granted by the waste electrical appliances treatment funding in February 2013, which achieved revenue of approximately RMB 10,000,000 and turned around from the loss. In the second half of 2013, the Group will further expand the dismantling scale so as to achieve standardization of waste household appliances dismantling project which in turn gradually became a new profitable revenue stream of the Group.

As for the new project establishment, during the Period, the local environmental protection authorities had completed the initial environmental inspection for the 15,000 tons zinc oxide slag recycling project in the North Guangdong Hazardous Waste Treatment and Disposal Center upon its completion, and it is expected to pass the environmental inspection conducted by the provincial and municipal competent departments in the second half of 2013. The phase 1 construction project of North Guangdong Hazardous Waste Treatment and Disposal Center had applied for the approval in respect to the qualification of hazardous waste management. The preparation work for the inspection of certain parts of phase 1 project is expected to be completed by the end of 2013. The initial legitimate approval process for the Jiaying Deda industrial waste recycling and disposal expansion project with annual treatment capacity of 60,000 tons progressed smoothly. In the same period, such project had passed the environmental impact assessment and obtained the planning permit for construction project.

Municipal Waste Treatment

Given the gloomy market of non-ferrous metals, the Group rationally adjust its business structure to strengthen the strategic position of municipal waste treatment and disposal. While maintaining the steady development of existing businesses we also took the initiative to develop new projects and explore new sectors. During the Period, municipal waste treatment recorded an operating revenue of RMB93,302,800, an increase of approximately 7.29% compared to the same period in 2012.

As for renewable energy utilization, the Group continued to push on with the standardization of landfill gas power generation project. All 3 landfill gas power generators were under stable operation. During the Period, total generated power amounted to around 50,127.8 KWh which achieved an operating revenue of around RMB32,239,500, approximately 11.27% higher than that in the same period in 2012.

For municipal waste treatment and disposal, the operation of Phase 1 Hunan Shaoyang Domestic Waste Landfill Project had conducted steadily. To protect the development of the landfill, the Group had started expansion construction for phase 2 of landfill, which, upon completion, shall increase the landfill capacity to more than 2 million cubic meters. In addition, the Group actively fostered the construction of new projects. The phase 2 of the Sludge Project in Fuyong, with construction basically, is expected to commence operation in August 2013. During the Period, the kitchen waste collection and treatment project in Luohu District, Shenzhen had successfully signed the concession agreement and started the planning and construction work with the establishment of a preliminary kitchen waste collection and transportation system.

For the purpose of bringing momentum to the future development of municipal waste treatment business, the Group is dedicated to developing new projects and exploring new sectors such as construction waste treatment project, landfill gas power generation project and domestic waste incineration sector. Meanwhile, leveraging an increasingly developed municipal solid waste treatment industry chain, the Group endeavors to build up a new model for urban waste treatment and continues to enhance our market competitive strength for such business segment.

Environmental Engineering and Services

During the Period, our environmental engineering and services business recorded an operating revenue of approximately RMB45,086,200, representing a decrease of approximately 62.88% as compared to first half of 2012. The decrease was mainly attributable to the Jiangmen Chongda project, the main project of the environmental engineering business, has completed the operational services and settled in 2012 and the Beijing Novel Environment Protection Company Limited, a holding subsidiary of the Group, ceased to be included in the consolidated financial statement since March 2013, resulting in a decrease of revenue amounted to approximately RMB 80,000,000 as compared to the corresponding period in 2012.

As for environmental protection engineering service, on top of the stable operation of online recovery of etching solution innovated by Huidong in 2012, we improved the online operation approach of industrial effluents. We started the construction for on-site recovery in Jiangxi Jingwang and researched on on-site recovery and operational cooperation approach. At the same time, we upgraded our sewage treatment technology and construction for discharge target, where we completed the exploration and application of separation discharge target for sewage containing certain kinds of pollutants. We also introduced stereoscopic ecological treatment in certain engineer projects which provided us competitive industrial effluents treatment and wastewater treatment technologies.

As a high-tech environmental-friendly corporate, the Group persists in technological innovation. During the Period, the Group carried out technological support and services based on our motto “formulation of linkage mechanism for technological R&D and production”. Such linkage mechanism was utilized to provide support to various technologies in different departments. Meanwhile, the Group rigorously implemented technological planning. With focus on our integrated treatment business on recycling of copper sewage, we completed researches such as technical research on preparation of copper cathodes by solvent extraction and electrowinning in copper sewage, technical research on preparation of nano-copper powder and technical research on recovery of photoresist wastes by extraction from solvent. The pilot-scale base of high-end copper salt project launched in 2011 has commenced operation. This marked a new stage for our strategy of optimization and upgrade of our products. Meanwhile, solid results were achieved from technical research on application of soil leaching in contaminated sites targeted at recovery of soil. In the project, physical and chemical indication analysis and leaching treatment were carried out on the contaminated soil and river sediment collected from 2 sites, by which we obtained a basic formula approach for differentiated application of contaminated soil leaching.

ANALYSIS ON CORE COMPETITIVENESS

With a sound solid waste treatment and disposal industry chain, the Group promoted sustainability of the Company by innovative technology and provided clients with integrated environmental protection service solutions of excellent quality. During the Period, the Group has possessed 64 qualification certificates including operation of hazardous waste, operation of pollution facilities, environmental monitoring and worn-out electronic product treatment, and obtained 3 new qualification certificates during the period. Kunshan Qiandeng Three Wastes Treatment Company Limited, a wholly owned subsidiary of the Group, obtained the environmental pollution control facility operation certificate (industrial effluents) in May 2013, laying a foundation for expansion of the environmental protection engineering service in the Yangtze River Delta region. R&D center possessed more than 40 patents since establishment, 3 of which were newly obtained in the Period.

The Group is strengthening the business foundation for providing better industrial solid waste industry chain services. Meanwhile, we will seize the opportunity of new urbanization in our country and policies for establishing a better China to actively expand our municipal solid waste treatment business amid the sluggish global economy. The Group promotes development in the industry by BOT investment. We take scale economy as our target to gradually enhance our risk resilience in operation to improve our overall competitiveness.

Forecast on operating results for 9 months ending 30 September 2013

Forecasted change (in percentage) of net profit attributable to shareholders of the Company for 9 months ending 30 September 2013	-25% to 0%
Forecasted change (in range) of net profit attributable to shareholders of the Company for 9 months ending 30 September 2013	RMB152,880,000 to RMB203,830,000
Net profit attributable to shareholders of the Company for 9 months ending 30 September 2012	RMB203,830,000

FINANCIAL REVIEW

Total Operating Revenue

For the Period, the Group's total operating revenue decreased by approximately 4.35% to approximately RMB708,155,046 (2012: approximately RMB740,385,385) as compared to the corresponding period in 2012. The net profit attributable to shareholders of the Company decreased by approximately 17.86% to approximately RMB115,921,999 (2012: approximately RMB141,128,331). The main reason of the decrease in total operating revenue is that the domestic spot price of copper had dropped during the Period, which resulted in unmatched relevance between proceeds of selling products generated by recycling and utilization of industrial wastes and growth of sales volume, as well as reduced revenues from environmental projects and services by 62.88% compared with the corresponding period last year.

Profit

During the Period, the Group's gross profit margin was approximately 33.26% (2012: approximately 38.03%), representing a decrease of approximately 4.77% as compared to the corresponding period in 2012. Decrease of integrated gross profit rate is mainly attributable to descending rate of metal cooper physicals in the domestic market, and such descending resulted in reduction of gross profit rate of selling products generated by recycling and utilization of industrial wastes by 5.44% compared with the same period last year; and the second reason for such decrease is due to the fact that overall domestic economic condition fails to meet expectation. The actual condition is that unit rate of disposal of industrial and municipal solid wastes is basically not variable, but in face of inflation, minimum wage in China was raised constantly and wastes disposal cost was increased accordingly due to rising rate of chemical materials.

Sales Expenses

For the Period, the Group's selling expenses was approximately RMB17,692,191 (2012: approximately RMB16,623,046), representing approximately 2.50% of the Group's total operating revenue (2012: approximately 2.25%). Increase of sales expenses is mainly attributable to more efforts had been put on market development and increase of branches of group whilst the overall domestic economic condition fails to meet expectation compared with the same period last year.

Administrative Expenses

For the Period, the Group's administrative expenses were approximately RMB90,829,635 (2012: approximately RMB80,908,955), representing approximately 12.83% of the Group's total operating revenue (2012: approximately 10.93%). The increase in administrative expenses is mainly attributable to increasing investment in research and development. In addition, the number of branches has increased as compared with the same period last year.

Finance Cost

For the Period, the Group's finance cost was approximately RMB7,112,672 (2012: approximately RMB9,766,978), representing approximately 1.00% of the Group's operating revenue (2012: approximately 1.32%). The decrease in financial cost is mainly attributable to the lowered cost on loan interest and higher deposit interests.

Income Tax Expenses

For the Period, the Group's income tax expenses was approximately RMB14,946,247 (2012: approximately RMB26,064,074), representing approximately 10.27% of the Group's profit before tax (2012: approximately 14.44%).

Financial Resources and Liquidity

As at 30 June 2013, the Group had net current assets of approximately RMB1,093,658,700 (31 December 2012: approximately RMB1,143,202,211) and current liabilities of approximately RMB627,168,710 (31 December 2012: approximately RMB623,416,644). The current assets include cash and cash equivalent of approximately RMB1,037,719,918 (31 December 2012: approximately RMB1,016,889,376).

As at 30 June 2013, the Group had total liabilities of approximately RMB816,906,314 (31 December 2012: approximately RMB836,659,992). The Group's gearing ratio was approximately 25.87% (31 December 2012: approximately 26.91%) which is calculated based on the Group's total liabilities over total assets. As at 30 June 2013, the Group had bank loans of approximately RMB421,044,289 (31 December 2012: approximately RMB295,505,249).

Share Capital Structure

As at 30 June 2013, the Company had an issued share capital of RMB225,714,561, comprising 172,344,561 A shares of RMB1.00 each and 53,370,000 H shares of RMB1.00 each.

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

In January 2013, the Company invested RMB50,000,000 in the registered capital to Shaoguan Green Resource Recycling Development Co., Ltd. (韶關綠然再生資源發展有限公司), a wholly-owned subsidiary of the Company with surplus proceeds.

In February 2013, the Company invested the proceeds of RMB24,000,000 in the registered capital to Huizhou Dongjiang Logistic Limited (惠州市東江運輸有限公司), a wholly-owned subsidiary of the Company.

In February 2013, the Company transferred the 55% equity interest in the subsidiary of the Company, namely Beijing Novel Environmental Protection Co., Ltd. (北京永新環保有限公司) at a consideration of RMB3,300,000.

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 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 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 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 2013, 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 2013 (Unaudited)	As at 31 December 2012 (Audited)
Fixed assets	5,601,215	6,100,812
Cash and bank balances	11,410,000	10,925,180
Total	17,011,215	17,025,992

Information on Employees and Remuneration Policies

As at 30 June 2013, the number of full-time employees was 2,468 (2012: 2,273) with a total staff cost for the Period of approximately RMB87,473,499.16 (2012: approximately RMB66,504,903.83). The Group offered continuous training and remuneration package of additional benefits to its employees, including retirement benefits, housing allowance and medical insurance.

Contingent Liabilities

As at 30 June 2013, financial guarantee provided by the Group was RMB40,000,000 (31 December 2012: RMB40,000,000) 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 RMB40,000,000.

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 2013.

FUTURE PROSPECTS

(1) Development Trend of the Industry

In spite of the gloomy non-ferrous metals market during the Period, the Chinese government took into account the importance of livelihood issues and environmental protection industry. Their commitment on advancing urbanization and bringing beauty to China will continue to promote development of the environmental protection industry. In addition, with the release and implementation of “Supreme People’s Court and Supreme People’s Procuratorate’s Interpretation of Several Issues Related to Laws Applicable to Criminal Cases of Environmental Pollution”, competition in this market will definitely be gradually regulated. Publicly listed environmental protection enterprises with rich experiences in production and operation, standardized operational management as well as solid financial strength can surely obtain more resources in the regulated market and achieve rapid development.

(2) Risks exposures and contingency measures

1. Risk of price fluctuations in non-ferrous metals: Price of non-ferrous metals fluctuates due to the on-going influence from the European-debt crisis and liquidity crunch of the PRC government. In the second half of 2013, the Group will further expand the sales market of high-end copper salt products, in addition to continue using a centralized purchase platform of raw materials and reducing purchasing costs. Through technological improvement in process equipment, we will also lower production cost while stabilizing production line of new copper salt products to enhance returns of the products;
2. Risk of security management: Security management for all procedures such as front-end collection, transportation, recycling treatment, harmless treatment to the final discharge of pollutants in the environmental protection industry, in particular those environmental protection enterprises involving hazardous waste treatment and disposal, is not to be neglected. The Group will establish security management system to reinforce security regulatory function. Moreover, the Group will launch a comprehensive and systematic reform on its environmental protection business to implement security management into risk management and minimize security management risks;
3. Risk of delays in engineering projects: The Group has established quality and stringent systems for the project construction and management. Nevertheless, solid waste treatment and disposal projects, particularly that for hazardous waste, are in nature complicated and involved much processes and longer construction cycle. These projects are exposed to uncertainties such as long legitimate approval process, which will affect the construction progress of the projects. As such, the Group implemented project management accountability system to enhance regulation on the progress of new projects.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE PRACTICES

The Company 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 Corporate Governance Code (effective from 1 April 2012) set out in Appendix 14 of the Listing Rules throughout the Period under review.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules has been adopted as a code of securities transactions for the Directors and supervisors. The Company, having made specific enquiries with all Directors and supervisors of the Company, confirmed that, during the Period ended 30 June 2013, all Directors and supervisors of the Company had complied with the required standards of dealing in securities specified in the Model Code.

OTHER EVENTS DURING THE PERIOD

ISSUE BY CONVERSION OF CAPITAL RESERVE AND DIVIDEND DISTRIBUTION AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

At the 2012 annual general meeting, the first class meeting of the holders of A Shares in 2013 and the first class meeting of the holders of H Shares in 2013 of the Company held on 14 June 2013, it was resolved the payment of a final dividend of RMB0.4 per share of the Company 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, and 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 (the "Issue").

On 26 June 2013, all conditions precedent in relation to the Issue have been fulfilled. H Shares certificates under the Issue were despatched on 27 June 2013 to the holders of H Shares whose names appeared on the register of members of the Company on 25 June 2013. Dealings in the 17,790,000 new H Shares have commenced on the Stock Exchange from 9:00 a.m. on 28 June 2013.

Following the completion of the Issue, the Company had a total of 225,714,561 shares (including 53,370,000 H shares and 172,344,561 A shares). The Company also completed amendments and business registration to the articles of association of the Company regarding the increase in the Company's registered capital and the number of A Shares and H Shares in issue.

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.

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

1 August 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 purpose only*