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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 2014

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 2014 (the “Period”), together with the comparative figures of the corresponding period in 2013, 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 2014

		Six months ended 30 June	
		2014	2013
	<i>Note</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Total operating revenue	2	849,239,934.23	708,155,046.07
Total operating costs		701,897,607.46	579,674,073.65
Including:			
Cost of operation		571,290,073.47	472,627,360.57
Sales tax and levies		4,176,567.32	4,678,100.17
Selling expenses		15,031,171.99	17,692,191.20
Administrative expenses		108,515,881.02	90,829,635.00
Finance costs	4	93,963.21	(7,112,671.71)
Impairment loss for assets	5	2,789,950.45	959,458.42
Add: Gain (loss) on fair value changes		(156,640.00)	(1,004,700.00)
Investment (loss) income		24,741,448.75	10,945,884.54
Including: Investment income (loss) from jointly controlled entities and associates		22,554,469.11	7,798,162.91

		Six months ended 30 June	
		2014	2013
	Note	(Unaudited)	(Unaudited)
Operating profit		171,927,135.52	138,422,156.96
Add: Non-operating income		6,281,430.27	9,735,793.34
Less: Non-operating expenses		4,236,938.79	2,657,003.21
Including: Loss on disposal of non-current assets		103,891.30	196,118.12
Total profit		173,971,627.00	145,500,947.09
Less: Income tax expenses	6	17,259,912.34	14,946,246.99
Net profit		156,711,714.66	130,554,700.10
Net profit attributable to shareholders of the Company		136,164,196.39	115,921,998.76
Net profit attributable to minority interests		20,547,518.27	14,632,701.34
Earnings per share:			
Basic earnings per share		0.39	0.34
Diluted earnings per share		0.39	0.34
Other comprehensive income		291,920.51	(681,002.26)
Total comprehensive income		157,003,635.17	129,873,697.84
Total comprehensive income attributable to shareholders of the Company		136,456,116.90	115,240,996.50
Total comprehensive income attributable to minority interests		20,547,518.27	14,632,701.34

INCOME STATEMENT OF THE COMPANY (UNAUDITED)

For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
	Note	(Unaudited)	(Unaudited)
Total operating revenue	2	477,972,665.94	397,783,777.29
Cost of operation		327,990,237.07	260,162,853.02
Sales tax and levies		1,523,921.46	2,072,084.26
Selling expenses		5,535,508.71	6,348,857.35
Administrative expenses		50,301,961.53	40,176,219.53
Finance costs	4	(609,275.69)	(8,849,167.83)
Impairment loss for assets	5	1,802,716.74	815,299.66
Gain (loss) on fair value changes		(156,640.00)	(1,004,700.00)
Investment income (loss)		42,604,827.92	37,958,384.54
Including: Investment income (loss) from jointly controlled entities and associates		22,554,469.11	7,798,162.91
Operating profit		133,875,784.04	134,011,315.84
Add: Non-operating income		1,349,406.77	4,314,946.35
Less: Non-operating expenses		4,001,976.00	1,820,019.20
Including: Loss on disposal of non-current assets		78,987.76	—
Total profit		131,223,214.81	136,506,242.99
Less: Income tax expenses	6	13,636,577.71	11,487,556.21
Net profit		117,586,637.10	125,018,686.78
Earnings per share:			
Basic earnings per share		—	—
Diluted earnings per share		—	—
Other comprehensive income		—	—
Total comprehensive income		117,586,637.10	125,018,686.78

CONSOLIDATED BALANCE SHEET

At 30 June 2014

		As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
	Note		
Current assets:			
Cash and bank balances		848,164,451.97	946,887,455.89
Held for trading financial assets		1,850,760.00	2,007,400.00
Bills receivables		43,600,204.60	54,051,330.29
Accounts receivables	9	292,219,785.31	179,584,250.23
Prepayments		146,672,323.82	102,659,646.18
Other receivables		52,898,615.54	53,359,463.07
Inventories		306,781,537.52	244,452,387.59
Non-current asset due within 1 year		28,680,000.00	28,680,000.00
Other current assets		64,000,000.00	15,000,000.00
Total current assets		1,784,867,678.76	1,626,681,933.25
Non-current assets:			
Long-term accounts receivable		64,970,000.00	56,310,000.00
Long-term equity investments		184,310,779.29	103,556,310.18
Investment properties		53,630,900.00	53,630,900.00
Fixed assets		644,731,727.94	587,882,227.61
Construction in progress		374,643,247.58	288,345,767.66
Intangible assets		477,933,621.90	439,039,924.10
Goodwill		151,642,686.15	99,534,307.16
Long-term unamortized expenses		1,737,583.01	1,882,667.43
Deferred income tax assets		11,699,743.74	10,593,534.90
Total non-current assets		1,965,300,289.61	1,640,775,639.04
Total assets		3,750,167,968.37	3,267,457,572.29

		As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
	Note		
Current liabilities:			
Short-term borrowings		98,176,633.16	265,724,000.00
Accounts payables	10	200,356,942.07	157,926,908.55
Receipts in advance		31,036,620.57	38,376,562.90
Employee benefits payables		9,399,930.72	33,478,555.80
Tax payables		4,634,826.93	(109,901.02)
Dividend payables		17,678,250.00	—
Other payables		110,759,070.92	46,631,782.14
Non-current liabilities repayable within one year		59,261,949.62	57,619,088.61
Other current liabilities		106,272,640.98	6,073,444.20
Total current liabilities		637,576,864.97	605,720,441.18
Non-current liabilities:			
Long-term borrowings		359,413,608.19	124,713,278.43
Long-term payable		13,942,872.26	19,079,554.71
Deferred income tax liabilities		1,721,720.00	1,721,720.00
Other non-current liabilities		76,336,733.28	66,259,084.20
Total non-current liabilities		451,414,933.73	211,773,637.34
Total liabilities		1,088,991,798.70	817,494,078.52
Shareholders' equity:			
Share capital		347,346,841.40	225,714,561.40
Capital reserve		855,404,759.52	855,365,333.07
Surplus reserve		110,735,300.43	110,735,300.43
Undistributed profits		1,116,974,609.88	1,050,279,781.79
Exchange difference on translation of financial statements denominated in foreign currency		(35,435.71)	(327,356.22)
Equity attributable to shareholders of the Company		2,430,426,075.52	2,241,767,620.47
Minority interests		230,750,094.15	208,195,873.30
Total shareholders' equity		2,661,176,169.67	2,449,963,493.77
Total liabilities and shareholders' equity		3,750,167,968.37	3,267,457,572.29
Net current assets		1,147,290,813.79	1,020,961,492.07
Total assets less current liabilities		3,112,591,103.40	2,661,737,131.11

BALANCE SHEET OF THE COMPANY

As at 30 June 2014

	<i>Note</i>	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Current assets:			
Cash and bank balances		524,144,812.33	548,300,795.08
Held for trading financial assets		1,850,760.00	2,007,400.00
Bills receivables		23,466,356.42	46,118,446.38
Accounts receivables		144,110,049.72	90,214,471.70
Prepayments		46,061,555.66	24,422,551.27
Other receivables		720,505,591.31	608,277,237.02
Inventories		32,611,599.87	20,571,448.65
Non-current asset due within 1 year		28,680,000.00	28,680,000.00
Other current assets		—	—
Total current assets		<u>1,521,430,725.31</u>	<u>1,368,592,350.10</u>
Non-current assets:			
Long-term accounts receivable		64,970,000.00	56,310,000.00
Long-term equity investments		1,293,092,169.94	1,111,221,335.71
Investment properties		53,630,900.00	53,630,900.00
Fixed assets		174,848,785.68	170,575,660.17
Construction in progress		77,881,673.76	45,922,380.48
Intangible assets		65,660,753.46	72,306,769.56
Long-term unamortized expenses		909,999.96	961,999.98
Deferred income tax assets		7,606,601.09	7,606,601.09
Other non-current assets		9,036,792.00	9,036,792.00
Total non-current assets		<u>1,747,637,675.89</u>	<u>1,527,572,438.99</u>
Total assets		<u>3,269,068,401.20</u>	<u>2,896,164,789.09</u>

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Note		
Current liabilities:		
Short-term borrowings	82,300,633.16	250,000,000.00
Accounts payables	118,127,878.00	98,906,191.34
Receipts in advance	10,124,180.93	12,459,091.88
Employee benefits payables	3,736,542.75	21,078,640.01
Tax payables	17,802,826.35	9,719,578.36
Dividend payables	17,678,250.00	—
Other payables	167,875,794.77	177,265,792.97
Non-current liabilities repayable within one year	12,000,000.00	11,000,000.00
Other current liabilities	102,035,150.09	2,506,883.09
Total current liabilities	531,681,256.05	582,936,177.65
Non-current liabilities:		
Long-term borrowings	315,500,000.00	64,500,000.00
Deferred income tax liabilities	1,721,720.00	1,721,720.00
Other non-current liabilities	23,804,707.65	20,435,149.19
Total non-current liabilities	341,026,427.65	86,656,869.19
Total liabilities	872,707,683.70	669,593,046.84
Shareholders' equity:		
Share capital	347,346,841.40	225,714,561.40
Capital reserve	916,134,556.24	916,095,129.79
Surplus reserve	96,689,545.31	96,689,545.31
Undistributed profits	1,036,189,774.55	988,072,505.75
Total shareholders' equity	2,396,360,717.50	2,226,571,742.25
Total liabilities and shareholders' equity	3,269,068,401.20	2,896,164,789.09

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)*For the six months ended 30 June 2014*

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	866,131,031.61	874,467,983.99
Other cash receipts relating to tax returning	4,034,939.37	4,744,595.80
Other cash receipts relating to operating activities	29,891,805.73	17,609,524.48
Sub-total of cash inflows from operating activities	900,057,776.71	896,822,104.28
Cash paid for goods and services	579,988,804.68	541,563,240.06
Cash paid to and on behalf of employees	119,332,110.68	106,478,556.27
Payments of taxes and levies	61,177,561.00	76,083,283.21
Other cash payments relating to operating activities	56,633,931.08	66,703,311.40
Sub-total of cash outflows from operating activities	817,132,407.44	790,828,390.93
Net cash flows from operating activities	82,925,369.27	105,993,713.35
II. Cash flows from investing activities:		
Cash received from investments	—	—
Cash received from returns on investments	999,293.83	759,641.63
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	75,119.66	412,901.82
Net cash received from disposal of subsidiaries and other operating units	—	3,300,000.00
Sub-total of cash inflows from investing activities	1,074,413.49	4,472,543.45
Cash paid to acquire fixed assets, intangible assets and other long-term assets	217,048,550.68	115,222,616.40
Cash paid on investments	—	38,000,000.00
Net cash paid on acquisition of subsidiaries and other operating units	79,664,236.92	—
Other cash payments relating to investing activities	74,614,611.56	31,820,013.34
Sub-total of cash outflows from investing activities	371,327,399.16	185,042,629.74
Net cash flows used in investing activities	(370,252,985.67)	(180,570,086.29)

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
III. Cash flows from financing activities:		
Cash received from absorption of investments	113,314,500.00	—
Cash received from borrowings	439,200,633.16	223,323,000.00
Other cash received relating to financing activities	6,560,000.00	7,860,000.00
Sub-total of cash inflows from financing activities	559,075,133.16	231,183,000.00
Cash payments for settlement of borrowings	279,594,899.20	97,783,959.29
Cash payments for interest expenses, distribution of dividend or profits	84,074,752.36	26,313,599.70
Including: cash payments for distribution of dividends to minority shareholders	23,140,000.00	—
Other cash payments relating to financing activities	240,869.12	11,415,035.00
Sub-total of cash outflows from financing activities	363,910,520.68	135,512,593.99
Net cash flows from financing activities	195,164,612.48	95,670,406.01
IV. Effect of foreign exchange rate changes	—	(263,491.80)
V. Net increase in cash and cash equivalents	(92,163,003.92)	20,830,541.26
Add: Cash and cash equivalents at beginning of the period	934,877,455.89	1,016,889,376.48
VI. Cash and cash equivalents at end of the Period	842,714,451.97	1,037,719,917.74

CASH FLOW STATEMENT OF THE COMPANY (UNAUDITED)*For the six months ended 30 June 2014*

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	479,058,488.82	424,319,611.34
Other cash receipts relating to operating activities	42,757,128.87	96,770,414.24
Sub-total of cash inflows from operating activities	521,815,617.69	521,090,025.58
Cash paid for goods and services	342,018,884.86	293,990,677.36
Cash paid to and on behalf of employees	51,258,393.05	45,490,629.91
Payments of taxes and levies	23,510,764.49	40,219,984.44
Other cash payments relating to operating activities	12,255,757.81	57,069,040.10
Sub-total of cash outflows from operating activities	429,043,800.21	436,770,331.81
Net cash flows from operating activities	92,771,817.48	84,319,693.77
II. Cash flows from investing activities:		
Cash received from investments	—	—
Cash received from returns on investments	18,862,673.00	17,932,141.63
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
Sub-total of cash inflows from investing activities	18,862,673.00	21,232,141.63
Cash paid to acquire fixed assets, intangible assets and other long-term assets	49,295,162.21	50,932,119.01
Cash paid on investments	157,733,500.00	122,180,000.00
Other cash payment relating to investing activities	165,790,000.00	73,770,882.05
Sub-total of cash outflows from investing activities	372,818,662.21	246,883,001.06
Net cash flows used in investing activities	(353,955,989.21)	(225,650,859.43)

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
III. Cash flows from financing activities:		
Cash received from absorption of investments	113,314,500.00	—
Cash received from borrowings	439,200,633.16	185,500,000.00
Other cash received relating to financing activities	6,560,000.00	7,860,000.00
Sub-total of cash inflows from financing activities	559,075,133.16	193,360,000.00
Cash payments for settlement of borrowings	256,000,000.00	6,500,000.00
Cash payments for interest expenses, distribution of dividend or profits	59,246,075.06	14,969,463.75
Other Cash paid relating to financing activities	240,869.12	11,415,035.00
Sub-total of cash outflows from financing activities	315,486,944.18	32,884,498.75
Net cash flows from financing activities	243,588,188.98	160,475,501.25
IV. Effect of foreign exchange rate changes	—	(263,491.80)
V. Net increase in cash and cash equivalents	(17,595,982.75)	18,880,843.79
Add: Cash and cash equivalents at beginning of the period	539,240,795.08	667,738,198.05
VI. Cash and cash equivalents at end of the Period	521,644,812.33	686,619,041.84

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the six months ended 30 June 2014

	For the six months ended 30 June 2014						
	Equity attributable to shareholders of the Company						Total
	Share capital	Capital reserve	Surplus reserve	Undistributed profits	Others	Minority interests	shareholders' equity
At the beginning of the Period	225,714,561.40	855,365,333.07	110,735,300.43	1,050,279,781.79	(327,356.22)	208,195,873.30	2,449,963,493.77
Increase (decrease) for the Period	121,632,280.00	39,426.45		66,694,828.09	291,920.51	22,554,220.85	211,212,675.90
Net profit	-	-	-	136,164,196.39	-	20,547,518.27	156,711,714.66
Other comprehensive income	-	-	-	-	291,920.51	-	291,920.51
Sub-total	-	-	-	136,164,196.39	291,920.51	20,547,518.27	157,003,635.17
Contribution from shareholders and reduction of capital	5,850,000.00	115,821,706.45	-	-	-	17,146,702.58	138,818,409.03
Share-based payments included in the amount of stockholders equity	5,850,000.00	115,821,706.45	-	-	-	-	121,671,706.45
Others						17,146,702.58	17,146,702.58
Profits appropriation	-	-	-	(69,469,368.30)	-	(15,140,000.00)	(84,609,368.30)
Dividends paid to shareholders	-	-	-	(69,469,368.30)	-	(15,140,000.00)	(84,609,368.30)
Transfer	115,782,280.00	(115,782,280.00)	-	-	-	-	-
Transfer of capital reserves to share capital	115,782,280.00	(115,782,280.00)	-	-	-	-	-
At the end of the Period	347,346,841.40	855,404,759.52	110,735,300.43	1,116,974,609.88	(35,435.71)	230,750,094.15	2,661,176,169.67

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
Others	–	–	–	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	75,238,187.00	(75,238,187.00)	(332,098.61)	332,098.61	–	–	–
Transfer of capital reserves to share capital	75,238,187.00	(75,238,187.00)	–	–	–	–	–
Others	–	–	(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

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

For the six months ended 30 June 2014

For the six months ended 30 June 2014					
	Share capital	Capital reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
At the beginning of the Period	225,714,561.40	916,095,129.79	96,689,545.31	988,072,505.75	2,226,571,742.25
Increase (decrease) of the Period	121,632,280.00	39,426.45	–	48,117,268.80	169,788,975.25
Net profit	–	–	–	117,586,637.10	117,586,637.10
Sub-total	–	–	–	117,586,637.10	117,586,637.10
Injection (reduce) from shareholders	5,850,000.00	115,821,706.45	–	–	121,671,706.45
Share-based payment included in the amount of stockholdes equity	5,850,000.00	115,821,706.45	–	–	121,671,706.45
Profits appropriation	–	–	–	(69,469,368.30)	(69,469,368.30)
Dividends paid to shareholders	–	–	–	(69,469,368.30)	(69,469,368.30)
Equity transfer	115,782,280.00	(115,782,280.00)	–	–	–
Transfer of capital reserves to share capital	115,782,280.00	(115,782,280.00)	–	–	–
At the end of the Period	347,346,841.40	916,134,556.24	96,689,545.31	1,036,189,774.55	2,396,360,717.50

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICES

The unaudited interim financial statements have been prepared based on a going concern basis according to the transactions and events occurred and in accordance with the requirements of “Accounting Standards for Business Enterprises – Basic Standard” and 40 Specific Standards issued by the Ministry of Finance (MOF) of the PRC (including 5 standards modified or issued on January and February 2014), Application Guidance for Accounting Standards for Business Enterprises, Interpretations to Accounting Standards for Business Enterprises and other relevant regulations issued thereafter. 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, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (the “Listing Rules”) and Hong Kong Companies Ordinance.

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 2013. 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	
	2014	2013
	(Unaudited)	(Unaudited)
Industrial waste recycling	492,229,803.14	438,114,796.37
Industrial waste treatment and disposal	154,830,423.13	112,005,286.40
Municipal waste treatment and disposal	93,774,488.70	60,279,353.99
Renewable energy utilization	28,705,218.17	33,023,463.46
Environmental engineering and services	55,818,202.26	45,086,249.60
Trading and others	23,881,798.83	19,645,896.25
Total	<u>849,239,934.23</u>	<u>708,155,046.07</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 2014 (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	736,381,111.99	163,116,146.13	103,236,712.70	28,705,218.17	60,133,278.04	32,277,269.97	–	274,609,802.77	849,239,934.23
Including:									
Revenue from									
external transactions	492,229,803.14	154,830,423.13	93,774,488.70	28,705,218.17	55,818,202.26	23,881,798.83	–	–	849,239,934.23
Revenue from									
intra-segment	244,151,308.85	8,285,723.00	9,462,224.00		4,315,075.78	8,395,471.14	–	274,609,802.77	–
Operating profit (loss)	<u>88,121,947.58</u>	<u>75,191,958.25</u>	<u>14,599,289.27</u>	<u>4,518,518.91</u>	<u>6,347,424.11</u>	<u>5,625,582.56</u>	<u>8,357,206.45</u>	<u>14,120,378.71</u>	<u>171,927,135.52</u>

ii) 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>

4. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Interest expenses	12,859,225.22	6,157,142.65
Less: Interest income	(13,315,892.24)	(13,845,140.65)
Add: Exchange difference	–	21,187.12
Add: Other expenses	550,630.23	554,139.17
Total	93,963.21	(7,112,671.71)

Breakdown of interest expenses is as follows:

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Interest on bank loans		
– Bank loans wholly repayable within 5 years	13,439,363.09	9,900,493.70
Finance lease charge	1,528,241.55	1,009,983.84
	14,967,604.64	10,910,477.54
Less: Amount capitalised	(2,108,379.42)	(4,753,334.89)
Total	12,859,225.22	6,157,142.65

Borrowing cost capitalized during the Period is calculated by applying a capitalization rate of 6.40% (2013: 5.895%) per annum to expenditure on qualifying assets.

5. ASSETS IMPAIRMENT LOSSES

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Provision of provision for bad debts	2,789,950.45	959,458.42
Impairment loss on goodwill	–	–
Total	2,789,950.45	959,458.42

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) ("Kunshan Qiandeng"), Shenzhen Dongjiang Heritage Technology Company Limited (深圳東江華瑞科技有限公司), Qingyuan Xinlv Environmental Technology Limited (清遠市新綠環境技術有限公司) ("Qingyuan Xinlv") and Huizhou Dongjiang Environmental Technology Co., Limited (惠州市東江環保技術有限公司) (Huizhou Dongjiang) as the subsidiaries of the Company which were ranked as national high-tech enterprises in 2010, 2011, 2012 and 2013 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) ("Longgang Treatment"), Qingyuan Dongjiang Environmental Technologies Company Limited (清遠市東江環保技術有限公司) ("Qingyuan Dongjiang"), Hunan Dongjiang Environmental Protection Investment Development Limited (湖南東江環保投資發展有限公司) ("Hunan Dongjiang"), Yancheng Coastal Solid Waste Treatment Co., Ltd. (鹽城市沿海固體廢物處置有限公司) ("Yancheng Solid Waste") and Hefei New Champion Energy Development Co., Ltd (合肥新冠能源開發有限公司) ("Hefei New Champion"), subsidiaries of the Company, enjoy preferential income tax incentive for engaging in projects satisfying environmental protection and conservation of energy and water conditions, the specific preferential treatment periods are as follows: 1) for Longgang Treatment, full exemption of enterprise income tax ("EIT") from 2012 to 2014 and 50% EIT reduction from 2015 to 2017; 2) for Qingyuan Dongjiang, full exemption of EIT from 2013 to 2015 and 50% EIT reduction from 2016 to 2018; 3) for Hunan Dongjiang, full exemption of EIT from 2011 to 2013 and 50% EIT reduction from 2014 to 2016; 4) for Yancheng Solid Waste, full exemption of EIT from 2011 to 2013 and 50% EIT reduction from 2014 to 2016; and 5) for Hefei New Champion, full exemption of EIT from 2009 to 2011 and 50% EIT reduction from 2012 to 2014.

In accordance with the relevant income tax laws and regulations of the PRC, the Company and its subsidiaries, namely Kunshan Qiandeng, Huizhou Dongjiang, Qingyuan Xinlv and Yunnan Dongjiang Environmental Technologies Company Limited (雲南東江環保技術有限公司) enjoyed preferential tax incentive that only 90% of the revenue from sale of recycling products was charged for EIT.

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 RMB136,164,196.39 (2013: RMB115,921,998.76), and the weighted average of 346,371,841 shares (2013: 341,496,841 shares) ordinary shares in issue during the Period.

The Company had no diluted potential shares in both 2013 and 2014 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 (2013: Nil).

9. ACCOUNTS RECEIVABLES

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Accounts receivables	304,376,129.45	190,364,856.98
Less: Provision for bad debts	12,156,344.14	10,780,606.75
Total	<u>292,219,785.31</u>	<u>179,584,250.23</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 2014 (Unaudited)	As at 31 December 2013 (Audited)
Within 90 days	220,808,675.74	137,868,783.93
91 to 180 days	52,710,217.80	31,164,256.77
181 to 365 days	12,799,033.56	3,615,411.20
1 to 2 year(s)	3,849,868.81	4,396,811.63
2 to 3 years	2,051,989.40	1,288,986.70
Over 3 years	–	1,250,000.00
Total	<u>292,219,785.31</u>	<u>179,584,250.23</u>

10. ACCOUNTS PAYABLES

The following is an aging analysis of accounts payables:

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Within 90 days	155,306,270.91	121,189,350.35
91 to 180 days	16,566,960.42	13,161,233.71
181 to 365 days	7,388,699.72	3,437,137.15
Over 1 year	21,095,011.02	20,139,187.34
Total	<u>200,356,942.07</u>	<u>157,926,908.55</u>

11. COMMITMENT

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Construction in progress	80,868,531.71	100,715,550.52
Capital increase and acquisition of equity interest in Xiamen Oasis	315,000,000.00	—
Establish a new Company	6,000,000.00	—
Sub-Total	401,868,531.71	100,715,550.52
Acquisition of equipments	10,703,632.50	8,382,100.00
Total	412,572,164.21	109,097,650.52

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2014, the domestic overall economic condition was worse than expected, and the metal prices fell as compared to the corresponding period last year, the Group accelerated to implement strategic planning, launched the development pattern of internal growth and external expansion to cope with the change of market demand of hazardous substances and wastes, and continued to optimize the business structure to realize the steady growth of various businesses. Meanwhile, the Group vigorously promoted expansion in different areas, actively expanded new areas and new markets, continuously extended the industry chain to realize the two-way expansion of horizontal and vertical expansion. During the Period, the Group achieved an operating revenue of approximately RMB849,239,900, representing an increase of approximately 19.92% as compared to the first half of 2013. Total profit was approximately RMB173,971,600, representing an increase of approximately 19.57% as compared to the first half of 2013. Net profit attributable to shareholders of the Company was RMB136,164,200, representing an increase of 17.46% as compared to the corresponding period in 2013. Total assets of the Group for the period was approximately RMB3,750,168,000, representing an increase of approximately 14.77% as compared to the beginning of the Period. Equity attributable to shareholders of the Company recorded at approximately RMB2,430,426,100, representing an increase of approximately 8.42% as compared to the beginning of the Period. The net assets per share of the Company as at 30 June 2014 recorded at RMB7.00.

Industrial waste treatment

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” (“Two Explanations”), the costs arising from the non-compliance in environmental laws by industrial enterprises have greatly increased, and government’s supervision and regulation are increasingly strict. The Group tightly grasped the favourable opportunity, speeded up the strategic adjustment and upgrading. Taking the integrated services as its guide, the Group actively expanded the detoxification disposal business to further consolidate the market dominant position. With the gradual release of the Group’s expanding production capacity and the relief of the capacity bottleneck, the total waste collection volume and treatment capacity were on the rise. At the same time, the Company continued to optimize the product mix with the market as the guide, and better enhanced its risk resilience against fluctuations in metal prices. To sum up, during the Period, industrial waste treatment business achieved an operating revenue of approximately RMB647,060,200, representing an increase of approximately 17.62% as compared to the corresponding period in 2013. Among them, the recycled products recorded sales revenue of approximately RMB492,229,800, representing an increase of approximately 12.35% as compared to the year of 2013; and the industrial waste treatment and disposal recorded service revenue of approximately RMB154,830,400, representing an increase of approximately 38.23% as compared to the corresponding period in 2013.

Regarding expansion of waste collection market, with the support of two treatment platforms, namely Guangdong Integrated Hazardous Waste Treatment Demonstration Centre and Shenzhen Longgang Hazardous Waste Disposal Base, it fully utilized the advantages of centralized planning, refined

management and concentrated allocation, expanded the detoxification disposal business, and further optimized the business structure. At the same time, the Group further subdivided the regional market structure. Based on the future planning and development of the Group and business requirements for newly constructed project, the Group fostered the development of markets in Jiangmen, Dongguan, Qingyuan, Zhuhai and Shaoguan etc., and the collection volume of wastes and customer numbers recorded an increase as compared to that of the corresponding period last year.

Facing the increase of market demand and collection volume, the Company actively deployed the production capacity. On the one hand, the Group carried out measures to increase efficiency at the existing treatment bases, implemented reconstruction and expansion, improved processing equipment and used quantity reduction technology of various wastes to reduce the actual waste treatment capacity and effectively enhanced the treatment and disposal efficiency; on the other hand, it continued to accelerate the construction of new projects. Among them, it is expected that Phase 1 facility (181,600 tons/year) of Zinc waste, the comprehensive utilization of copper nickel chrome waste, incineration and physical-chemical wastewater, etc will be completed as early as in the 4th quarter of 2014; It is expected that the construction project of Jiangmen Industrial Waste Treatment (198,500 tons/year) and Jiaxing Deda moving and expansion project (60,000 tons/year) will be completed at the end of this year. After the commencement of the production of the above projects, it will better solve the problem of inadequate ability of processing industrial hazardous wastes, and to cope with the increase in demand of the market, and create room for rapid expansion in the future.

Regarding waste recycling, benefited from the increased market size and the well-ordered market competition brought by the “Two Explanations”, the sales volume of recycled products increased approximately 12.35% as compared to that of the same period last year, and the acquisition costs fell. In order to promote the product upgrading strategy, the Group actively launched the product refinement strategy, set up and launched the pilotscale base of high-end copper salt project. At the same time, the Group implemented the debate of brand creation special work of electrolysis grade sulfuric cooper acid, and it laid the foundation for creating brand marketing model by creating proprietary brand.

In order to implement the strategic transformation and upgrading of the Group, the Group actively developed new businesses and extended its industry chain. During the Period, Qingyuan Waste Electrical Appliance Dismantling Treatment Base and Comprehensive Utilization expanded from 10,000 tons to 30,000 tons, 560,000 electric waste objects were dismantled, achieving a revenue of approximately RMB56,150,000. Hubei Dongjiang 50,000 tons Waste Electrical Appliance Dismantling project goes smoothly as planned, it is expected to be completed and carried out trial production in August this year. In order to further expand treatment field of electric waste objects, Qingyuan Dongjiang, a wholly-owned subsidiary of the Company, set up a joint venture subsidiary with Shenzhen Taolv Information Technology Co. Limited* (深圳淘綠信息科技有限公司) to invest in the construction of a comprehensive utilization project of waste mobile phones dismantling and recycling, and it will be equipped with a comprehensive treatment production line for mobile phones dismantling, circuit board, LCD, battery and other components. During the period of construction, it will build a waste mobile phone collection system synchronously and store a certain size of waste mobile phones to lay the foundation for the implementation of the project after completion. In addition, as the Group is optimistic to the soil remediation business in the long-term, the Company established a joint venture with Jiangsu Suntime

Environmental Remediation Co., Ltd.* (江蘇上田環境修復有限公司) (“Jiangsu Suntime”) to engage in soil remediation business and acquired 10% equity interests in Jiangsu Suntime by way of capital contribution in July 2014 so as to increase the investments in soil remediation business.

In addition, the Company actively managed market areas outside Guangdong Province. Among them, (1) the Company acquired 60% interests in Xiamen Oasis Environmental Industrial Company Limited* (廈門綠洲環保產業股份有限公司) (“Xiamen Oasis”) by way of capital increase and equity transfer. The Company takes this as an opportunity to speed up the development of Fujian market, and rapidly join in medical waste disposal field, and further improve the Company’s qualification and industry chain, and expand the size of dismantling business of worn-out electronic products and improve overall competitiveness; (2) the Company obtained 60% equity interests in Yancheng Solid Waste by way of acquisition and capital increase. This project was the only hazardous substances and wastes incineration project with ancillary facilities of Jiangsu Binhai Coastal industrial Park, its currently approved scale for hazardous waste incineration is 6,000 tons/year, and the phase II construction is implemented with planned treatment volume of 3,000 tons/year. Such project is expected to realize 9,000 tons of hazardous waste incineration per annum in the future.

Municipal waste treatment business

The municipal waste treatment business is another pillar business of the Group. In recent years, the Group vigorously promoted the municipal waste treatment business by starting an area from one point, to optimize the business structure and mitigate the impact of macro-economy and fluctuation in metal prices on performance. After having gradually accumulated mature operation management experience over a few years, the integrated model of municipal waste treatment and recyclable energy utilization has tended to be stable and maintain a good growth trend. During the Period, the municipal waste treatment business achieved an operating revenue of approximately RMB122,479,700, representing an increase of approximately 31.27% as compared to the corresponding period in 2013, and the revenue proportion increased from approximately 13.18% in the corresponding period of last year to approximately 14.42%.

On the municipal waste treatment and disposal aspect, the landfill treatment in Hunan Shaoyang landfill increased steadily with good operation performance. Such landfill was qualified as the first class landfill in the PRC, which fully recognized our leading position in landfill treatment operation. In view of its good performance, Hunan Shaoyang waste landfill site was identified as the national grade I landfill. This identification fully affirmed the Group’s leading standard in waste landfill and operation. The Phase II of Fuyong sludge treatment project remained operation at full load, accepted and disposed municipal sludge of approximately 180,000 tons in total in the first half of 2014, and achieved a new revenue of approximately RMB38,489,600.

As for renewable energy utilization, the existing three landfill gas power generation projects have already implemented standardized operation gradually. During the Period, the on-grid volume of electricity of the landfill gas power generation projects was about 42,000,000 watt with an approved carbon emission reduction of approximately 120,000 tons, and achieved an operating revenue of approximately RMB26,500,000, representing a decrease of approximately 17.80% as compared with the corresponding period last year, mainly due to the longer repair and maintenance period of Xiaping landfill gas power generation project which affected the revenue from power generation. During the Period, it acquired the 100% equity interests in Nanchang New Champion Energy Development Co., Ltd* (南昌新冠能源開發有限公司) (“Nanchang New Champion”) and Hefei New Champion, respectively, and added 5 generator sets with the total installed capacity up to 22 MW. As carbon trading market in China has gained its momentum, the Company established CDM project team to cooperate with professional institutions to develop domestic carbon emission reduction projects, and actively study and seek domestic CDM trading opportunity.

For project construction, the preliminary procedures of Shenzhen Luohu District Kitchen Waste Recycling Project are basically completed, so it is expected that the project will be fully completed by the end of 2014.

In order to strengthen the subsequent continuous development momentum of municipal waste treatment business, the Group conducts overall layout through adopting strategy of internal expansion and external merger, and expands into new domains. At the same time, through gradual improvement of the industry chain of the municipal solid waste treatment business, the Group stresses on creating a new model of urban waste comprehensive treatment so as to increase the market competitiveness of that business.

Environmental protection services business

In order to facilitate the creation of a comprehensive environmental services platform, the Group actively explored the environmental engineering and services business, integrated the resources, such as environmental engineering design, construction, equipment installment and testing, operation, in an efficient way to provide one-stop services of design, construction, operation environmental protection facilities projects for different types of clients.

During the Period, the environmental protection services business used the “Two Explanations” regarding the strengthening of management of pollutant discharge, launched ammonia and nitrogen treatment technology in the first half of 2014, increased the development of the environmental engineering operation business market, optimized the client structure and optimized the industrial sewage project operation model, expanded its scope of business from Shenzhen to Hainan, Jiangmen, Kunshan, Zhejiang and other places. Wastewater operations added 6 new clients during the Period, and there are 26 clients in total currently in operation.

As for engineering and services business, market expanding made great achievements in the first half of 2014. The Group successfully won the tender of 7 projects during the Period. With the gradual upgrading of industry in Shenzhen, the relocation of production bases of some polluting enterprises, the Company's engineering and services business was gradually expanded from Shenzhen to surrounding cities of Guangdong Province, Shanxi Province, Jiangsu Province and other Provinces and cities. The tender of 7 projects were successfully granted, including Shennan Circuits, Jiangxi Xinfeng, Heyuan Yuancheng City Sewage Treatment Plant Target Enhancement and Upgrade Project etc. with contract amount of RMB85,530,000. Especially by introducing the Hungarian FBR stereoscopic ecological treatment technology, the Group's competitiveness in municipal wastewater treatment field was significantly improved.

RESEARCH AND DEVELOPMENT

During the Period, the Company continued to strengthen technological research and development. In terms of intellectual property rights filings, it applied for 2 new patents, all practical new models; 5 newly granted patents, including 3 inventions, 2 practical new models in the aspect of government project application, it successfully obtained 2014 special funds for the first batch of bioindustry of RMB5 million in Shenzhen in 2014.

During the Period, based on the Company's technological development planning and production and market requirements, the Company carried out 11 R&D projects, including the Chinese-style Projects such as alkaline zinc chloride project, waste extractions recycling project, nano-copper powder project, municipal sludge reduction project, which are moving toward the industrialization gradually. It is expected that the above research projects will have a positive impact on the enhancement of the core competitiveness and future sustainable development of the Company.

As for technical exchange, during the Period, the Group primarily focused on policy direction and development strategy, and carried out technical exchanges and cooperation with many well-known foreign companies (e.g. Westinghouse Electric Corporation and Eco-nat), famous domestic equipment enterprises and famous domestic research institutes (e.g. Institute of Process Engineering, Chinese Academy of Sciences, Institute of Mechanics, Chinese Academy of Sciences). Fields involved includes treatment technology and equipment of industrial sewage of high ammonia nitrogen heavy metal industry, incineration solid waste and fly ash recycling utilization, key technology and equipment of hazardous waste incineration and key deodorization techniques of municipal solid waste, etc..

ANALYSIS ON CORE COMPETITIVENESS

Extensive industrial experience and brand qualification strength

As one of the earliest participants in the domestic environmental protection industry, the Group accumulated rich experience in the industry, possesses professional waste identification ability, and equips with professional management ability and experience. At present, the Group possesses 73 qualification certificates, including waste treatment, pollution control, environmental engineering, environmental monitoring and worn-out electronic product treatment. For the operations of industrial hazardous waste treatment, it obtained 1 new qualification certificate for hazardous waste treatment during the Period. At present, the Group possesses operation qualifications for 46 hazardous wastes out of the 49 categories listed in the National Catalogue of Hazardous Wastes other than HW10 Wastes containing PCBs and PBBs, HW15 Explosive wastes and HW29 Mercury wastes, creating strong competitive strength in the industry.

Perfection of the industry chain strength and “one-stop” comprehensive environmental protection service

In line with the trend of rapid development of environmental protection industry and industrial consolidation, with solid wastes treatment as a core, the Group actively expands industry chain, integrates advantageous resources and develops a comprehensive environmental service platform. Currently, the business of the Company covers two major areas, namely industrial solid waste and municipal solid waste, complementing with one-stop environmental protection service. Based on the principles of “reduction, bio-safety, recycling”, it built a perfect business chain for waste collection and transportation, integrate recycling treatment, harmless treatment. Its scope of service has extended to kitchen waste, electronic waste, soil remediation and other emerging areas. The Group has the ability to provide one-stop comprehensive environmental protection service to customers, thus effectively improve its comprehensive competitiveness.

Technology innovation strength

Technology innovation is the major impetus for the future development of the Group, and the Group places much importance on technology innovation, and it used no less than 3% of the total operating revenue for technology research and development every year in the past. The research and development center has implemented more than 150 research projects since its establishment, and obtained 70 patents. During the Period, 5 new patents were added, of which 3 were invention patents, 2 practical new models. At the same time, the Company emphasizes on technology innovation and management, and focuses its technology innovation work on production bases gradually, strengthens the construction work of interaction mechanism of technology and production and market, and achieves comprehensive improvement of service ability, quality ability and value-creating ability by technological innovation.

Forecast on operating results for the 9 months ending 30 September 2014

Forecasted change (in percentage) of net profit attributable to shareholders of the Company for the 9 months ending 30 September 2014	5% to 25%
Forecasted change (in range) of net profit attributable to shareholders of the Company for the 9 months ending 30 September 2014	RMB171,960,000 to RMB204,710,000
Net profit attributable to shareholders of the Company for the 9 months ending 30 September 2013	RMB163,770,000

FINANCIAL REVIEW

Total Operating Revenue

For the Period, the Group's total operating revenue increased by approximately 19.92% to approximately RMB849,239,934 (2013: approximately RMB708,155,046) as compared to the corresponding period in 2013. The net profit attributable to shareholders of the Company increased by approximately 17.46% to approximately RMB136,164,196 (2013: approximately RMB115,921,999). The main reasons for the increase of the total operating revenue is that the Group utilized the favourable situation of environmental protection industry policy, accelerated the construction to increase capability and actively explored the market. During the Period, with the exception of a decrease of approximately 13.08% in the gross income of renewable energy and CDM carbon emission reduction business as compared to the corresponding period of last year, the gross income of all other businesses of the Group achieved growth compared with the corresponding period in 2013. Above all, the operating income of industrial waste treatment increased by approximately 38.23% to approximately RMB154,830,423 (2013: approximately RMB112,005,286) as compared to the corresponding period of last year, and the operating income of municipal waste treatment increased by approximately 55.57% to approximately RMB93,774,489 (2013: approximately RMB60,279,354) as compared to the corresponding period of last year.

Profit

During the Period, the Group's gross profit margin was approximately 32.73% (2013: approximately 33.26%), representing a decrease of approximately 0.53% as compared to the corresponding period in 2013. Decrease of integrated gross profit rate is mainly attributable to descending price of metal cooper physicals in the domestic market; and the second reason for such decrease is due to the fact that minimum wage in China was on rise constantly in face of inflation and wastes disposal costs were increased accordingly due to rising rate of chemical materials.

Sales Expenses

For the Period, the Group's selling expenses was approximately RMB15,031,172 (2013: approximately RMB17,692,191), representing approximately 1.77% of the Group's total operating revenue (2013: approximately 2.50%). The decrease in sales expenses is mainly due to the fact that as the overall domestic economic situation did not meet the expectation, the Group strengthened the control of expenses including strict control of expenses for travelling, entertainment, meeting etc. A change in the scope of consolidation also led to a reduction of approximately RMB1,592,577 in sales expenses as compared to that of the corresponding period last year.

Administrative Expenses

For the Period, the Group's administrative expenses were approximately RMB108,515,881 (2013: approximately RMB90,829,635), representing approximately 12.78% of the Group's total operating revenue (2013: approximately 12.83%). The increase in administrative expenses is mainly due to the cost amortization of the issue of incentive shares during the Period. The increase is also due to the continuing investment in research and development and increase in staff training expenses during the Period. An additional cause is the increase in subsidiaries in the Period as compared to the corresponding period of last year.

Finance Cost

For the Period, the Group's finance cost was approximately RMB93,963 (2013: approximately RMB-7,112,672), representing approximately 0.01% of the Group's operating revenue (2013: approximately -1.00%). The increase in finance cost is mainly due to the increase in interest expenses on loans and decrease in interest income as the proceeds raised were gradually utilized during the Period.

Income Tax Expenses

For the Period, the Group's income tax expenses was approximately RMB17,259,912 (2013: approximately RMB14,946,247), representing approximately 9.92% of the Group's profit before tax (2013: approximately 10.27%).

Financial Resources and Liquidity

As at 30 June 2014, the Group had net current assets of approximately RMB1,147,290,814 (31 December 2013: approximately RMB1,020,961,492) and current liabilities of approximately RMB637,576,865 (31 December 2013: approximately RMB605,720,441). The current assets include cash and cash equivalent of approximately RMB842,714,452 (31 December 2013: approximately RMB934,877,456).

As at 30 June 2014, the Group had total liabilities of approximately RMB1,088,991,799 (31 December 2013: approximately RMB817,494,079). The Group's gearing ratio was approximately 29.04% (31 December 2013: approximately 25.02%) which is calculated based on the Group's total liabilities over total assets. As at 30 June 2014, the Group had bank loans of approximately RMB628,907,500 (31 December 2013: approximately RMB434,036,619).

Share Capital Structure

As at 30 June 2014, the Company had an issued share capital of 347,346,841 shares, comprising 267,291,841 A shares of RMB1.00 each and 80,055,000 H shares of RMB1.00 each.

Substantial Investments, Acquisitions and Disposals of Subsidiaries, Jointly Controlled Entities and Associated Companies

In March 2014, the Company entered into an acquisition and capital increase agreement to acquire 60% equity interests in Yancheng Solid Waste at a total consideration of RMB51,200,000 in cash. As at the date of this announcement, Yancheng Solid Waste is owned as to 60% by the Company.

In April 2014, the Company invested RMB1,000,000 to establish a wholly-owned subsidiary of the Company, Shenzhen Dongjiang Kaida Transport Co., Ltd* (深圳市東江愷達運輸有限公司).

In May 2014, Shenzhen Dongjiang Environmental Renewable Energy Co., Ltd.* (深圳市東江環保再生能源有限公司) (“Shenzhen Renewable Energy”) entered into an equity transfer agreement with Wuhan New Champion Billion Carbon Environmental Resources Development Co., Ltd (武漢新冠憶碳環境資源開發股份有限公司) (“Wuhan New Champion”) at a total consideration of RMB96,600,000 of which RMB71,036,271.86 represented the consideration for the transfer of equity interest and the remaining amount, being RMB25,563,728.14, represented the repayment of shareholder loans by Shenzhen Renewable Energy to acquire the 100% equity interests in Nanchang New Champion and the 100% equity interests in Hefei New Champion, both held by Wuhan New Champion. As at the date of this announcement, the Company owns 100% equity interests in Nanchang New Champion and Hefei New Champion, respectively.

In June 2014, the Company utilized part of the proceeds raised for R&D base construction in the amount of RMB48,733,500 (including interest derived thereof) to increase the capital of Shaoguan Green Development Co., Ltd.* (韶關綠然再生資源發展有限公司), a wholly-owned subsidiary of the Company.

In June 2014, the Company entered into a share transfer and capital increase agreement to acquire 60% equity interests in Xiamen Oasis at a total consideration of RMB375,000,000. As at the date of this announcement, Xiamen Oasis is owned as to 60% by the Company.

In June 2014, the Company entered into a share transfer agreement to dispose 11.01% equity interests in Wuhan Yunfeng Recycled Resources Co., Limited* (武漢雲峰再生資源有限公司) (“Wuhan Yunfeng”) held by it at a consideration of approximately RMB2,804,821. Immediately after the disposal and as at the date of this announcement, the Company does not hold any equity interests in Wuhan Yunfeng.

Save as disclosed in this announcement, the Group does not have any substantial investments, acquisitions and disposals of subsidiaries, jointly controlled entities and associated companies 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 2014, 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 2014 <i>(Unaudited)</i>	As at 31 December 2013 <i>(Audited)</i>
Cash and bank balances	<u>5,450,000</u>	<u>12,010,000</u>
Total	<u><u>5,450,000</u></u>	<u><u>12,010,000</u></u>

Information on Employees and Remuneration Policies

As at 30 June 2014, the number of full-time employees was 2,707 (2013: 2,468) with a total staff cost for the Period of approximately RMB110,798,512 (2013: approximately RMB87,473,499). The Group offers 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 2014, financial guarantee provided by the Group was nil (2013: 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 nil.

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 remediation since its establishment. There is, however, no assurance that stringent environmental policies and/or standards on environmental remediation 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 2014.

FUTURE PROSPECTS

(1) Development trend of the industry

Along with the environmental problems such as smog, soil pollution, solid waste pollution etc, with the gradual change to comprehensive improvement from special improvement of environmental issues, and at the same time, the gradual deepening of national pollution emission reduction work, continuous improvement of environmental requirements, broader pollutant categories and increasingly strict emission standards, the demand for specialized pollution control services and environmental facilities operating services is bound to increase. In the Eighteenth Three Plenary Meeting, it was proposed that it should actively develop mixed ownership economy and promote the concept of governance from the third party, introduce specialized third party to bring the pollution under control through marketization mechanism. Faced with broad market potential and room for improvement, and the continuous release of the system vitality, under the circumstances of gradual change to market mechanism and the environmental protection industry, being more regulated and integrated, the environmental protection companies with financial, technological strength and ability to integrate advantageous resources will definitely obtain more market resources and achieve rapid development.

(2) Key tasks in the second half of 2014

The Group will seize the opportunity of favourable policy of environmental protection industry, increase the market expanding, optimize manufacturing techniques, actively explore high end refined products and accelerate the construction of Shaoguan Green, Jiangmen and other projects, and further strengthen the ability against market risks brought by macro-economic situation and metal price fluctuations, etc.. Main tasks include:

1. Continue to increase market planning and expansion throughout the country. Actively promote and improve the industry chain of Yangtze River Delta region while consolidating and deepening the leading position in Guangdong market, to implement the business model of synergetic development of recycling and detoxification treatment in Jiangsu area; besides, with Zhejiang, Fujian, Jiangxi, Hubei, Hebei, Xinjiang provinces as the main target markets to seize market opportunities.
2. Actively promote recycling product refinement and deep processing business through technology research and development, increase the intensity of product upgrading. In the second half of 2014, the Group will actively promote the testing and production of electrolysis grade sulfuric cooper acid of Huizhou Dongjiang and Kunshan Qiandeng, realize early mass production of new products to further increase the market competitiveness; and speed up to promote the treatment capacity of Shenzhen Shajing base and Huizhou base to mitigate the pressure of insufficient qualification of treatment capacity.
3. As for the construction of new projects, we will accelerate the construction of new expansion and reconstruction projects, including North Guangdong Hazardous Waste Centre, Jiangmen project and Jiaxing Deda. At the same time, we will promote the construction and acceptance of qualifications of Hubei Waste Electrical Appliance Dismantling project and Shenzhen Kitchen project.

(3) Risks exposures

1. Falling prices of non-ferrous metals. The overall price of cooper metal still stayed low in recent two years, so sharp rebound is less likely within a short time. The Company will promote the manufacturing and marketing of high-end refined products with high gross margin and low cost. Meanwhile, the gradual release of the expanding production capacity resulting in the increase of the overall treatment capacity will effectively lower the cost, improve gross margin from processing size, and thus to some extent offset the adverse effect brought by fluctuation in metal prices.

2. Risk of delays in engineering projects. The solid waste treatment and disposal projects, particularly those for hazardous waste, are complicated and involve many processes and long 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 the project management accountability system to coordinate the management of newly established projects, and impose strict supervision on their progress, quality and fund investment aspects etc..
3. Operation management risk. Under the situations of huge number of new project systems and rapid business expansion, changes in the corporate management are in urgent need. The Company will further sort out and optimize the management control patten of the Group, and continue to promote the ten key tasks of 2014 of the Group, such as “Optimization of project investment and construction management”, “Optimization of performance management system”, “Innovative human resources management model” to facilitate standardized management and improve efficiency.

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 of the Company 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 all the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the Period.

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 of the Company. The Company, having made specific enquiries with all Directors and supervisors of the Company, confirmed that, during the Period, 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 OF SHARES BY CONVERSION OF CAPITAL RESERVE

On 27 March 2014, the Company announced its proposals to issue 5 new shares of the Company for each 10 then existing shares of the Company by way of conversion of capital reserve to all the then shareholders on record date (the “Proposed Issue”). The Proposed Issue was approved by shareholders at the annual general meeting of the Company held on 10 June 2014, the class meeting of holders of H shares and the class meeting for holders of A shares held on 10 June 2014.

89,097,280 A shares and 26,685,000 H shares were issued on 25 June 2014. The total number of issued shares of the Company increased to 347,346,841 shares (comprising 267,291,841 A shares and 80,055,000 H shares) as a result of such issue. The articles of association of the Company have been amended consequential to the completion of issue of shares by conversion of capital reserve on 25 June 2014.

For details of the issue of shares by conversion of capital reserve, please refer to the announcements of the Company dated 27 March 2014, 24 April 2014, 19 June 2014 and 24 June 2014, and the circular of the Company dated 24 April 2014.

ISSUE OF DOMESTIC CORPORATE BONDS

On 22 August 2013, the Board proposed the issue of domestic corporate bonds with an aggregate principal amount of not exceeding RMB700 million (inclusive of RMB700 million) in the PRC.

On 10 October 2013, the proposed issue of domestic corporate bonds was approved by the shareholders at the extraordinary general meeting of the Company held on 10 October 2013.

On 15 January 2014, the Issuance Examination Committee of China Securities Regulatory Commission of the PRC (“CSRC”) approved the application for issuing corporate bonds to the public from the Company.

On 5 March 2014, the Company received the Approval of Public Issue of Corporate Bonds by Dongjiang Environmental Company Limited (ZJXK[2014] No.190) from CSRC, and the contents of the approval are as follows:—

1. The issuance of corporate bonds with a par value not exceeding RMB700 million by the Company to the public has been approved;
2. The corporate bonds shall be issued by instalments, and the par value of the first phase of issue of the corporate bond shall not be less than 50% of total par value of the corporate bonds, and the first phase of the issue shall be completed within 6 months from the date of approval; The issuance of the remaining instalments shall be completed within 24 months respectively from the date of approval;
3. The issuance of the corporate bonds shall be implemented in strict accordance with the offer documents and announcement in relation to the offer submitted to CSRC;
4. The approval shall be valid within 24 months from the date of approval.

On 1 August 2014, the first tranche of domestic corporate bonds in an aggregate principal amount of RMB350,000,000 has been issued on 1 August 2014 with a term of 5 years at the coupon rate of 6.5%. The remaining tranche(s) of domestic corporate bond shall be issued within 24 months from 7 February 2014 (being the date on which the approval from CSRC to issue corporate bonds was obtained).

For details of the issue of domestic corporate bonds, please refer to the announcements of the Company dated 22 August 2013, 10 October 2013, 15 January 2014, 5 March 2014, 29 July 2014 and 5 August 2014, and the circular of the Company dated 23 August 2013.

ADOPTION OF THE RESTRICTED A SHARE INCENTIVE SCHEME AND THE FIRST GRANT

On 25 September 2013, the Board considered and approved the proposal to adopt the Restricted A Share Incentive Scheme and the proposed grant thereunder.

The share incentive participants of the Restricted A Share Incentive Scheme include directors, senior management and key employees of the Group at the time of implementation of the Restricted A Share Incentive Scheme by the Company.

On 8 November 2013, the Company was notified that CSRC has confirmed that it has no objection and has filed the registration about the initial draft of the Restricted A Share Incentive Scheme and its revised contents submitted by the Company. The proposed adoption of the Restricted A Share Incentive Scheme was approved by the shareholders at the extraordinary general meeting of the Company held on 13 January 2014, the class meeting of holders of H shares and the class meeting for holders of A shares held on 13 January 2014.

On 23 January 2014, the first grant under the Restricted A Share Incentive Scheme (the “First Grant”) was considered and approved by the Board. On the same date, an aggregate of 5,850,000 A shares have been issued and granted to the share incentive participants at the price of RMB19.37 per share pursuant to the Restricted A Share Incentive Scheme.

On 12 February 2014, all the relevant procedures (including the capital verification of the fund for subscription) concerning the First Grant in accordance with the relevant requirements of CSRC, the Shenzhen Stock Exchange and China Securities Depository and Clearing Corporation Limited have been completed.

On 14 February 2014, 5,850,000 A shares commenced trading on the Shenzhen Stock Exchange. Some key information in respect of the listing of A shares is as follows:

Place of listing:	Shenzhen Stock Exchange
Date of listing:	14 February 2014
Stock name:	DJE
Stock code:	002672
Total number of issued shares of the Company immediately after the issue of A shares under the First Grant:	231,564,561 (comprising 178,194,561 A shares and 53,370,000 H shares)

On 21 February 2014, the articles of association of the Company have been amended as a result of the completion of issue of A shares under the First Grant.

For details of the Restricted A Share Incentive Scheme and the First Grant, please refer to the announcements dated 19 September 2013, 26 September 2013, 8 November 2013, 27 November 2013, 28 November 2013, 27 December 2013, 13 January 2014, 23 January 2014, 12 February 2014 and 21 February 2014, and the circular of the Company dated 28 November 2013.

THE CAPITAL INCREASE AND SHARE TRANSFER AGREEMENT

On 18 June 2014, the Company entered into a capital increase and share transfer agreement (the “Capital Increase and Share Transfer Agreement”) with Xiamen Oasis and the shareholders of Xiamen Oasis (the “Vendors”), pursuant to which the Company has agreed (i) to make a capital contribution to Xiamen Oasis in an aggregate amount of RMB125,000,000 in cash to obtain 9,000,000 shares of Xiamen Oasis; and (ii) to acquire an aggregate of 18,000,000 shares of Xiamen Oasis from the Vendors at a total consideration of RMB250,000,000.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transactions contemplated under the Capital Increase and Share Transfer Agreement exceeded 5% but less than 25%, such transaction constituted a discloseable transaction of the Company and was subject to the reporting and announcement requirements but exempted from shareholders' approval under Chapter 14 of the Listing Rules.

As at the date of this announcement, the completion of the Capital Increase and Share Transfer Agreement has taken place and Xiamen Oasis is owned as to 60% by the Company.

For details of the Capital Increase and Share Transfer Agreement and the transactions contemplated thereunder, please refer to the announcement of the Company dated 18 June 2014.

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The principal place of business in Hong Kong of the Company has been changed to Suites 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong with effect from 10 June 2014.

AUDIT COMMITTEE

The Company has 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, and reviewing and providing supervision over the Group's financial reporting process and internal controls of the Company.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Wong Hin Wing (chairman of the Audit Committee), Mr. Qu Jiu Hui and Mr. Wang Ji De. The Audit Committee 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

11 August 2014
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; two non-executive Directors, being Mr. Feng Tao and Ms. Sun Ji Ping; and three independent non-executive Directors, being Mr. Wong Hin Wing, Mr. Qu Jiu Hui and Mr. Wang Ji De.

** For identification purpose only*