

DONGJIANG

Shenzhen Dongjiang Environmental Company Limited*

深圳市東江環保股份有限公司

(a joint stock limited company incorporated in the People's Republic of China)



Interim Report 2003

**For identification purposes only*

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This report, for which the directors (the “Directors”) of Shenzhen Dongjiang Environmental Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover was increased by approximately 20.2% to RMB33,008,000 for the six months ended 30 June, 2003 as compared to that of the same period in 2002 (2002: RMB27,459,000).
- Net profit was increased by approximately 25.0% to RMB10,474,000 for the six months ended 30 June, 2003 as compared to that of the same period in 2002 (2002: RMB8,379,000).
- The Board recommends a distribution of an interim dividend of RMB0.008 per share for the first half of 2003.
- An extraordinary general meeting will be convened on 29 September, 2003 to consider and, if thought fit, to approve the distribution of an interim dividend of RMB0.008 per share.
- The proposed dividend will be payable on or before 15 November, 2003 to shareholders whose names appear in the register of members of the Company on 29 September, 2003. The register of members of the Company will be closed from Friday, 29 August, 2003 to Monday, 29 September, 2003 (both days inclusive). No transfer of shares will be registered during this period.

INTERIM RESULTS

The board of directors (the "Board") of Shenzhen Dongjiang Environmental Company Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June, 2003, together with the comparative figures of the corresponding periods of 2002, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	Six months ended 30 June,		Three months ended 30 June,	
		2003 (unaudited) RMB'000	2002 (audited) RMB'000	2003 (unaudited) RMB'000	2002 (unaudited) RMB'000
TURNOVER	2	33,008	27,459	18,627	13,516
Cost of sales		(16,653)	(13,749)	(9,094)	(6,727)
Gross profit		16,355	13,710	9,533	6,789
Other revenue and gains		99	273	31	130
Selling and distribution costs		(324)	(470)	(152)	(333)
Administrative expenses		(4,366)	(4,547)	(2,800)	(2,771)
Other operating expenses		(452)	(679)	(95)	(315)
PROFIT FROM OPERATING ACTIVITIES	4	11,312	8,287	6,517	3,500
Share of profits of associates		96	—	194	—
PROFIT BEFORE TAX		11,408	8,287	6,711	3,500
Tax	5	(943)	—	(582)	—
PROFIT BEFORE MINORITY INTERESTS		10,465	8,287	6,129	3,500
Minority interests		9	92	(41)	109
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		10,474	8,379	6,088	3,609
PROPOSED DIVIDENDS	6	5,019	—	5,019	—
EARNINGS PER SHARE – BASIC	7	0.0195	0.4245	0.0097	0.1829

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At 30 June, 2003 (unaudited) RMB'000	At 31 December, 2002 (audited) RMB'000
NON-CURRENT ASSETS			
Fixed assets	8	21,801	15,563
Goodwill	9	849	953
Interests in associates		6,409	5,597
Prepayments for fixed assets		16,674	12,000
		45,733	34,113
CURRENT ASSETS			
Inventories		3,086	988
Trade receivables	10	2,709	819
Prepayments, deposits and other receivables		16,845	14,088
Amounts due from customers for contract work		755	527
Due from a shareholder		-	1,047
Cash and cash equivalents		70,313	23,372
		93,708	40,841
CURRENT LIABILITIES			
Short term loans		10,000	-
Trade payables	11	2,565	2,201
Tax payable		603	-
Other payables and accruals		9,096	4,519
Amounts due to customers for contract work		396	400
		22,660	7,120
NET CURRENT ASSETS		71,048	33,721
TOTAL ASSETS LESS CURRENT LIABILITIES		116,781	67,834
NON-CURRENT LIABILITIES			
Deferred revenue		800	800
MINORITY INTERESTS			
		3,970	3,979
		112,011	63,055
CAPITAL AND RESERVES			
Issued capital	12	62,738	46,565
Reserves		44,254	8,490
Proposed dividend	6	5,019	8,000
		112,011	63,055

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Paid-in capital RMB'000	Capital reserve RMB'000	Statutory funds RMB'000	Retained earnings RMB'000	Proposed dividend RMB'000	Total RMB'000
At 1 January, 2002	19,737	7,263	2,250	12,545	–	41,795
Profit for the period	–	–	–	8,379	–	8,379
At 30 June, 2002	<u>19,737</u>	<u>7,263</u>	<u>2,250</u>	<u>20,924</u>	<u>–</u>	<u>50,174</u>
At 1 January, 2003	46,565	–	3,424	5,066	8,000	63,055
Issue of new shares	16,173	30,309	–	–	–	46,482
Profit for the period	–	–	–	10,474	–	10,474
Dividend declared	–	–	–	–	(8,000)	(8,000)
Proposed dividend	–	–	–	(5,019)	5,019	–
At 30 June, 2003	<u>62,738</u>	<u>30,309</u>	<u>3,424</u>	<u>10,521</u>	<u>5,019</u>	<u>112,011</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six months ended 30 June,	
	2003 RMB'000	2002 RMB'000
Net cash inflow from operating activities	8,169	5,481
Net cash outflow from investing activities	(9,710)	(12,112)
Net cash outflow before financing	(1,541)	(6,631)
Net cash inflow from financing	48,482	499
Increase/(decrease) in cash and cash equivalents	46,941	(6,132)
Cash and cash equivalents at beginning of the period	23,372	23,528
Cash and cash equivalents at end of the period	70,313	17,396
Analysis of the balances of cash and cash equivalents: Bank balances and cash	70,313	17,396

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS:**1. Basis of preparation and principal accounting policies**

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Listing Rules of the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited and with SSAP No. 2.125 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The accounting policies and methods of computation used in the preparation of the interim financial reports are consistent with those adopted in the annual financial statements for the year ended 31 December, 2002, except that the Group has adopted the revised SSAPs which became effective on 1 January, 2003. The adoption of the revised SSAPs has no material effect on the Group results.

2. Turnover

Turnover represents the aggregate value of construction services performed, recycled products sold, waste treatment and consultation services rendered, net of value-added tax and business tax, and after allowances for goods returned and trade discounts.

Revenue and gains from the following activities have been included in the Group's turnover:

	Six months ended		Three months ended	
	30 June,		30 June,	
	2003	2002	2003	2002
	(unaudited)	(audited)	(unaudited)	(unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Sale of recycled products, and waste treatment	31,206	22,943	17,758	12,836
Revenue from construction of environmental protection systems	750	4,117	230	501
Others	1,052	399	639	179
	33,008	27,459	18,627	13,516

3. Segment information

The Group adopted business segments as the primary basis of segment reporting and the analysis of the Group's revenue and contribution to results by business segment during the period are as follows:

	Production and sale of recycled products, and waste treatment		Construction of environmental protection systems		Others		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 June,		30 June,		30 June,		30 June,	
	2003	2002	2003	2002	2003	2002	2003	2002
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
<i>Amounts in RMB'000</i>								
Segment revenue:								
Sales to external customers	31,206	22,943	750	4,117	1,052	399	33,008	27,459
Segment results	11,383	8,768	18	138	7	(619)	11,408	8,287

4. Profit from operating activities

The Group's profit from operating activities is arrived at after charging:

	Six months ended	
	30 June,	
	2003	2002
	(unaudited)	(audited)
	RMB'000	RMB'000
Cost of goods sold	15,192	10,542
Depreciation	978	1,281
Amortisation of goodwill	104	—

5. Tax

The Company and a subsidiary, Shenzhen Isoway Corporate Management Consulting Co., Ltd., are located in the Shenzhen Special Economic Zone and as a result, are subject to the PRC corporate income tax at a rate of 15% (2002: 15%) of the estimated assessable income for the half year determined in accordance with the relevant income tax rules and regulations of the PRC.

Chengdu Dangerous Waste Treatment Centre Co., Ltd. is located in Chengdu and is subject to the PRC corporate income tax at a rate of 33% (2002: 33%) of the estimated assessable income for the half year determined in accordance with the relevant income tax rules and regulations of the PRC.

In accordance with the relevant income tax laws and regulations in the PRC, the Company is exempted from corporate income tax for two years commencing from its first year with assessable profits after deducting tax losses brought forward and is entitled to a 50% tax exemption for the next three years. Provision for PRC corporate income tax has been made at a rate of 7.5% for the Company during the period as the Company was within its three-year corporate income tax deduction period and the subsidiaries did not earn any assessable profits.

6. Dividends

The Board proposed a distribution of an interim dividend of RMB0.008 per share on 12 August, 2003 for the six months ended 30 June, 2003 (2002: nil).

7. Earnings per share

The calculation of basic earnings per share ("EPS") is based on the unaudited net profit attributable to shareholders for the six months ended 30 June, 2003 of RMB10,474,000 (2002: RMB8,379,000) and the weighted average number of 537,532,000 (2002: 19,737,000) ordinary shares in issue during the half year.

No diluted earnings per share was presented as no diluting events existed for each of the six months ended 30 June, 2002 and 2003.

The pro forma EPS presented below had been computed by dividing net profit attributable to shareholders by 627,381,872 shares (aggregate of 449,481,872 domestic shares and 177,900,000 H shares) for each of the six months ended 30 June, 2002 and 2003 as if the sub-division of the Company's shares from one domestic share of RMB1.00 each into 10 domestic shares of RMB0.10 each and the placement of 161,727,272 new H shares and 16,172,728 sale H shares had taken place since 1 January, 2002:

	Six months ended 30 June,	
	2003 (unaudited) RMB'000	2002 (audited) RMB'000
Pro forma EPS	0.0167	0.0134

8. Fixed assets

	Group							Total
	Land and buildings	Plant and machinery	Leasehold improvements	Office furniture and fixtures	Motor vehicles	Other equipment	Construction in progress	
Amounts in RMB'000								
Cost:								
At 1 January, 2003	2,800	1,849	1,890	1,668	6,265	3,673	3,886	22,031
Additions	-	144	55	102	534	-	6,381	7,216
At 30 June, 2003	2,800	1,993	1,945	1,770	6,799	3,673	10,267	29,247
Accumulated depreciation:								
At 1 January, 2003	113	660	986	562	2,064	2,083	-	6,468
Provided during the period	45	113	106	107	264	343	-	978
At 30 June, 2003	158	773	1,092	669	2,328	2,426	-	7,446
Net book value:								
At 30 June, 2003	2,642	1,220	853	1,101	4,471	1,247	10,267	21,801
At 31 December, 2002	2,687	1,189	904	1,106	4,201	1,590	3,886	15,563

The balance of fixed assets as at 30 June, 2003 included motor vehicles with net book values of RMB92,000 (2002: RMB146,000), which were registered under the name of Shenzhen Fang Yuan Petrochemical Industrial Co., Ltd.. The registration procedure for changes of title is currently in process.

9. Goodwill

	Group (unaudited) <i>RMB'000</i>
<hr/>	
Cost:	
At beginning and end of period	1,040
Accumulated amortisation:	
At beginning of period	87
Amortisation provided during the period	104
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At 30 June, 2003	191
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Net book value:	
At 30 June, 2003	849
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At 31 December, 2002	953
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10. Trade receivables

The general credit terms of the Group range from 30 days to 90 days.

An aged analysis of trade receivables, based on invoice date, is as follows:

	30 June, 2003 (unaudited) <i>RMB'000</i>	31 December, 2002 (audited) <i>RMB'000</i>
<hr/>		
Current to 90 days	2,061	834
91 to 180 days	503	9
181 to 365 days	145	90
	<hr/>	<hr/>
	2,709	933
Less: Provision for doubtful debts	-	(114)
	<hr/>	<hr/>
	2,709	819
	<hr/>	<hr/>

11. Trade payables

An aged analysis of trade payables is as follows:

	30 June, 2003 (unaudited) RMB'000	31 December, 2002 (audited) RMB'000
Current to 90 days	2,012	1,281
91 to 180 days	244	669
181 to 365 days	111	144
Over 1 year	198	107
	<u>2,565</u>	<u>2,201</u>

12. Issued capital

	30 June, 2003 (unaudited) RMB'000	31 December, 2002 (audited) RMB'000
Authorized, issued and fully paid: 627,381,872 ordinary shares RMB0.10 each (2002: 46,565,000 ordinary shares of RMB1.00 each)	<u>62,738</u>	<u>46,565</u>

13. Capital commitment

	30 June, 2003 (unaudited) RMB'000	31 December, 2002 (audited) RMB'000
Contracted for fixed assets	2,789	1,858
Contracted for the establishment of a new limited company	<u>9,180</u>	<u>4,100</u>
	<u>11,969</u>	<u>5,958</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Facing the outbreak of Severe Acute Respiratory Syndrome (“SARS”) and the relatively low season in the industry in the first six months of 2003, the management and the staff put extra effort to sustain the Group’s growth.

With rapid and effective reactions to the markets in this period, the Group achieved a 20.2% growth in turnover to RMB33,008,000 and a 25.0% growth in net profit to RMB10,474,000 as compared to those of the first half-year in 2002.

The growth was mainly contributed by the sale of recycled products and waste treatment, which recorded a 36.0% growth as compared to that of last year. The Group continued its expansion in waste treatment facilities and enhancement in research and development to enlarge the collection capacity of waste which was then converted to products for sale.

Financial resources, liquidity and treasury policies

As at 30 June, 2003, the Group had current assets of RMB93,708,000 (31 December, 2002: RMB40,841,000) and current liabilities of RMB22,660,000 (31 December, 2002: RMB7,120,000). Included in the current assets, cash and bank balances amounted to RMB70,313,000 (31 December, 2002: RMB23,372,000). The Group had financed its operations and research and development activities with internal financial resources until the end of June 2003, when a short-term bank loan of RMB10,000,000 (31 December, 2002: nil) was granted by a PRC bank at a fixed interest rate of 5.31% per annum.

The Group’s gearing ratio, which is defined as the quotient of total borrowings and shareholders’ equity, was 0.09 (31 December, 2002: nil). The Group’s current ratio was approximately 4.14 times (31 December, 2002: 5.74 times). In view of the strong financial and liquidity positions, the Group will have sufficient resources to meet the needs of its operations and research and development requirements in the future.

Material acquisition and disposals

On 19 June, 2003, the Company entered into the Lishan Agreement with Dencan Development Limited (“Dencan”), pursuant to which the Company agreed to invest RMB9,180,000 in the registered capital of Shenzhen Lishan Environmental Protection Materials Co., Ltd., (深圳立山環保材料有限公司) (“Lishan”) for its 51% equity interest. Lishan was established on 10 July, 2003 as a limited liability company in the PRC. The principal activities of Lishan consist of manufacture and sale of polyamide resin, plasticizing agent and paint activating agent from collected wastes.

On 2 July, 2003, the Company established a 51%-owned subsidiary Shenzhen Longgang Dongjiang Industrial Waste Treatment Company Limited (深圳市龍崗區東江工業廢物處置有限公司), at RMB2,550,000 in PRC with two independent third parties not connected with the Directors, chief executive, substantial shareholder or management shareholder of the Company or any associate of any of them to expand the collection capacity of waste and the production of new environmental protection products.

Pledge of assets

As at 30 June, 2003, the Group had no pledged assets.

Exposure on exchange rate fluctuation

The Group did not expose to any major exchange risk as most of the income and expenses were settled in Renminbi.

Information on employees

As at 30 June 2003, the number of full-time employees stood at 281 (2002: 225) with a total staff cost for the six months ended 30 June, 2003 of approximately RMB3,900,000 (2002: RMB2,316,000). The Group offers a remuneration package and a range of additional benefits to its employees, including pension and retirement benefits.

Shajing Treatment Centre

The independent non-executive directors of the Company convened a board meeting on 12 August, 2003 to review the progress and status in relation to the construction and the obtaining of land use rights of the Shajing Treatment Centre. It was concluded in the board meeting, which was chaired by an independent non-executive director, that:

- (i) the land use rights and building ownership rights could be obtained on or before 31 December, 2005 at a further cost not exceeding RMB10.6 million; and
- (ii) Shenzhen Baoan District Shajing Town Gong He Economic Development Corporation (深圳市寶安區沙井鎮共和經濟發展公司) ("ED Corporation") had not breached any part of the agreements between them, and therefore no compensation should be sought from ED Corporation and no indemnity should be claimed against Mr. Zhang Wei Yang.

As at 30 June, 2003, the Company had paid ED Corporation a construction fee of approximately RMB5.9 million (31 December, 2002: RMB5.9 million) and a portion of land resumption fee of approximately RMB0.4 million (31 December, 2002: RMB0.4 million).

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June, 2003.

FUTURE PROSPECTS

The effect of SARS arouses increasing concern of waste treatment and environmental protection in the PRC. In view of the fact that both the governmental and commercial sectors may spare more resources in these areas, the Group will respond to and cope with the needs of the markets rapidly.

Establishing Lishan is our first step in horizontal expansion in the environmental protection industry. The management has been considering not only to expand geographically but also horizontally within the Pearl River Delta and Chang Jiang River Delta regions. The Group will keep itself abreast of the market changes and may begin to spare more resources on the collection and treatment of domestic and medical wastes.

Business objectives as stated in the prospectus dated 23 January, 2003

Actual business progress from the Latest Practicable Date to 30 June, 2003

Increase waste treatment capacity and expand geographical coverage

i) Pearl River Delta

- | | |
|--|--|
| <ul style="list-style-type: none"> • Complete construction of a new treatment center in Shajing Town of the Baoan District in Shenzhen ("Shajing Treatment Centre"). • Install equipment in Shajing Treatment Centre • Commence construction of a base in Huizhou, Huizhou Dongjiang. | <ul style="list-style-type: none"> • Construction work completed • Industrial design commenced • Construction commenced |
|--|--|

ii) Western China region

Commence construction of a base in Chengdu, Chengdu Treatment Centre.

- Construction of treatment facilities completed and equipment installation was in process

iii) Changjiang River Delta – Shanghai Xiu Yu

- Complete construction of heavy metal waste treatment facility

- Construction completed

- Trial run of heavy metal waste treatment facility

- Trial run commenced

- Commence construction of waste organic solvent treatment facility

- Construction commenced

Development of new recycled products and EP-related services

Expand the variety of wastes that can be treated and recycled and further promote other EP-related services.

i) Waste treatment and recycled variety

- Commence construction of organic solvent and waste oil treatment facility

- Construction completed

- Commence construction of tin-contained wastes treatment facility

- Construction completed

- Commence construction of zinc-contained wastes treatment facility

- Construction delayed due to change of market in supply of zinc-contained wastes

- Complete final test for arsenic-contained wastes treatment facility

- Final test delayed due to change of market in supply of arsenic-contained wastes

- Complete final test for cupric sewage sludge
 - Final test completed
 - Commence construction of waste mineral oil treatment facility
 - Construction commenced
 - Complete development of treatment technology and complete preliminary test for chromium-contained wastes
 - Final test completed
- ii) EP construction and consultation services
- Increase the number turnkey solution projects
 - Number of turnkey solution projects increased and the scope of operation enlarged
- iii) EP products
- Commence marketing and production of belt-type pressurized filtration machine
 - Marketing and production commenced
 - Continue development of other EP equipments
 - An equipment "Cylinder type Electro Floatation System" licensed

Continue its commitment to R&D

- Commence R&D on waste treatment and recycle technology on: nickel-contained wastes, lead-contained wastes, waste acid, waste alkaline and waste inorganic cyanide
- Preliminary tests were in progress

Further enhance its management system

- Complete enhancement of internal control system
- Enhancement was in progress
- Obtain approval for ISO9001 certificate
- Approval obtained

Strengthen its sales and market team

- Enlarge the sales and marketing team by recruiting additional six professionals
- The team has been enlarged to six

USE OF PROCEEDS

The proceeds from the listing of the H shares of the Company on GEM in January 2003, after deduction of related expenses, amounted to approximately HK\$43.4 million. However, the total amount as estimated by the Directors to finance the business objectives (the "Business Objectives") as set out in the prospectus of the Company dated 23 January, 2003 (the "Prospectus") is HK\$66.0 million. As stated in the Prospectus, the Directors intend to finance the shortfall by operating cashflows and, where necessary, bank financing. During the period from 22 January, 2003 (the latest practicable date prior to the printing of the Prospectus for the purpose of ascertaining certain information contained in the Prospectus) to 30 June, 2003 (the "Period"), approximately HK\$10.3 million of the listing proceeds were applied to the Business Objectives. Details of the comparison of the application of the HK\$10.3 million to the Business Objectives are as follows:

	Actual business progress <i>(HK\$ million)</i>	Business Objectives as stated in the prospectus <i>(Note)</i> <i>(HK\$ million)</i>	Difference <i>(HK\$ million)</i>
Increase wastes treatment capacity (new treatment center in Shenzhen)	4.7	5.0	0.3
Enlarge geographical coverage (treatment centers in Chengdu, Huizhou and Shanghai)	3.9	8.7	4.8
Expand waste treatment capability and wider scope of services	0.7	0.1	(0.6)
Continue its commitment in R&D	0.6	0.2	(0.4)
Further enhance its management system	0.2	0.2	–
Strengthen its sales and marketing team	0.2	0.1	(0.1)
Total	10.3	14.3	4.0

Note: As stated in the Prospectus, any additional net proceeds more than HK\$37.1 million will be applied to finance the Business Objectives for the 12 months ending 31 December, 2004 on a proportional basis. As the Company raised approximately HK\$43.4 million from the listing of H shares, the Directors intend to apply (i) the net proceeds as to the amount of HK\$37.1 million to the Business Objectives on a proportional basis up to 31 December, 2005; and (ii) the net proceeds as to the amount of HK\$6.3 million to the Business Objectives for the 12 months ending 31 December, 2004 on a proportional basis. The amount of net proceeds to be utilized for the Business Objectives as per the Prospectus as shown herein has been adjusted to take into account for the aforesaid factors.

The Directors have not changed any of the Business Objectives. The above unutilized amount of approximately HK\$4.0 million, not yet applied to the Business Objectives, was placed on short-term interest bearing deposits with licensed banks in the PRC.

The Directors consider that the actual application of proceeds from the listing of H shares of the Company was in line with the Business Objectives. The unutilized net proceeds of HK\$4.0 million are primarily attributable to:

- change of market conditions after the outbreak of SARS; and
- timing difference in application of fund.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June, 2003, the interests or short positions of the Directors and chief executive of the Company, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register under Section 352 of the SFO or as otherwise notified to the Company and the

Stock Exchange pursuant to the minimum standards of dealing by Directors as required under Rules 5.40 to 5.58 of the GEM Listing Rules were as follows:

Long position in domestic shares of the Company

Name	Personal interests	Family interests	Corporate interests	Other interests	Percentage of shareholding	
					Total	in this class
Mr. Zhang Wei Yang	261,884,150	35,389,750 <i>(Note 1)</i>	–	–	297,273,900	66.1%
Mr. Li Yong Peng	–	–	35,389,750 <i>(Note 2)</i>	–	35,389,750	7.9%

Notes:

- (1) These shares (representing approximately 7.9% of domestic shares issued) are held by Shenzhen Wen Ying Trading Limited, 90% of which is owned by Ms. Zhou Wen Ying, the spouse of Mr. Zhang Wei Yang.
- (2) These shares are held by Shenzhen Fang Yuan Petrochemical Industries Co., Ltd., 90% of which is owned by Mr. Li Yong Peng.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 30 June, 2003, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors or chief executive of the Company, as at 30 June, 2003, the following persons (other than the Directors and chief executive of the Company) had their interests or short positions in shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long position in the shares of the Company

Name of shareholder	Capacity	Number and class of shares	Percentage of shareholding in its class
Shanghai New Margin Venture Capital Co., Ltd (Note 1)	Beneficial	61,566,558 domestic shares	13.7%
The Foundation of Science and Technology for Development of the State Planning Committee, State Economic and Trade Commission and China Science Academy (Note 1)	Interest of a controlled corporation	61,566,558 domestic shares	13.7%
Shanghai Alliance Investment Ltd. (Note 1)	Interest of a controlled corporation	61,566,558 domestic shares	13.7%
I. G. Investment Management (Hong Kong) Limited (Note 5)	Beneficial	23,000,000 H shares	12.9%
Sheen Light Development Ltd. (Note 2)	Beneficial	16,400,000 H shares	9.2%
Zhu Baoguo (Note 2)	Interest of a controlled corporation	16,400,000 H shares	9.2%
Liu Guangxia (Note 2)	Interest of a controlled corporation	16,400,000 H shares	9.2%

Name of shareholder	Capacity	Number and class of shares	Percentage of shareholding in its class
J.P. Morgan Chase & Co. (Note 3)	Interest of a controlled corporations	22,110,000 H shares	12.4%
J.P. Morgan Fleming Asset Management Holdings Inc. (Note 3)	Interest of a controlled corporation	16,210,000 H shares	9.1%
J.P. Morgan Fleming Asset Management (Asia) Inc. (Note 3)	Interest of a controlled corporation	16,210,000 H shares	9.1%
JF Asset Management Limited (Note 3)	Beneficial	12,350,000 H shares	6.9%
China Environmental Fund 2002, LP (Note 4)	Beneficial	11,500,000 H shares	6.5%
Leading Environmental Solutions and Services (Note 4)	Interest of a controlled corporation	11,500,000 H shares	6.5%
Yeung Heung Yeung (Note 5)	Beneficial	9,050,000 H shares	5.1%

Notes:

1. Shanghai News Margin Venture Capital Co., Ltd is owned as to 50% by The Foundation of Science and Technology for Development of the State Planning Committee, State Economic and Trade Commission and China Science Academy, a state-owned entity, and as to 50 % by Shanghai Alliance Investment Ltd., a state-owned enterprise.
2. Sheen Light Development Ltd. is owned as to 51% by Zhu Baoguo and 49% by Liu Guangxia. To the best knowledge of the Directors, these parties are independent of and not connected with the directors, chief executive, substantial shareholder or management shareholders of the Company or an associate of any of them.

3. J.P. Morgan Chase & Co., a company listed on the New York Stock Exchange owns 100% of J.P. Morgan Chase Bank, which holds 5,900,000 H shares (3.3% of the total issued H shares of the Company as at 30 June, 2003) of the Company in its lending pool. In addition, J.P. Morgan Chase & Co. owns 100% of the equity interest in J.P. Morgan Fleming Asset Management Holdings Inc. which in turn owns 100% of the equity interest in J.P. Morgan Fleming Asset Management (Asia) Inc. J.P. Morgan Fleming Asset Management (Asia) Inc. owns 99.9% of JF Asset Management Limited and owns 100% of JF International Management Inc. As at 30 June, 2003, JF Asset Management Limited holds 12,350,000 H shares (6.9% of the total issued H shares of the Company as at 30 June, 2003) of the Company and JF International Management Inc. holds 3,860,000 H shares (2.2% of the total issued H shares of the Company as at the 30 June, 2003) of the Company.
4. Leading Environmental Solutions and Services owns approximately 76.9% of China Environment Fund 2002, LP, which holds 11,500,000 H shares of the Company. To the best knowledge of the Directors, these parties are independent of and not connected with the directors, chief executive, substantial shareholder or management shareholders of the Company or an associate of any of them.
5. To the best knowledge of the Directors, this party is independent of and not connected with the directors, chief executive, substantial shareholder or management shareholders of the Company or an associate of any of them.

Save as disclosed above, as at 30 June, 2003, the Directors are not aware of any other person (other than the Directors and chief executive of the Company) who has interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SPONSOR'S INTERESTS

Pursuant to the agreement dated 23 January, 2003 entered into between the Company and First Shanghai Capital Limited, First Shanghai Capital Limited has been appointed as a sponsor of the Company for a period up to 31 December, 2005 and the Company shall pay an agreed amount of fee to First Shanghai Capital Limited for its provision of services.

Save as disclosed above, neither First Shanghai Capital Limited, its directors, employees or associates have any interest in the securities of the Company, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company as at 30 June, 2003.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of the Best Practice, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company, namely Messrs. Meng Chun, Liu Hong Liang and Wang Ji Wu. The audit committee has reviewed the draft of this interim report and has provided advice and comments thereon.

PRACTICES AND PROCEDURES OF THE BOARD

The Directors considered that the Company has complied with the requirement of Board practices and procedures of Rules 5.28 to 5.39 of the GEM Listing Rules throughout the six months period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Since 29 January, 2003, the date the Company's H shares were listed on the GEM, the Company has not purchased, sold or redeemed any of its listed securities.

By order of the Board
Shenzhen Dongjiang Environmental Company Limited
ZHANG WEI YANG
Chairman

12 August, 2003
Shenzhen, Guangdong Province, the PRC

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Shenzhen Dongjiang Environmental Company Limited (the "Company") will be held at Units A–D, and H, 16th Floor, Shenmao Commercial Center, 59 Xinwen Road, Futian District, Shenzhen, Guangdong Province, the People's Republic of China ("PRC") on Monday, 29 September, 2003 at 2:00 p.m. ("EGM") for the following purposes:

ORDINARY RESOLUTIONS

1. To consider and approve the payment of an interim dividend of RMB0.008 per share as proposed by the Directors.

On the meeting of the board of directors (the "Board") of the Company held on 12 August, 2003, the Board had decided to recommend payment of an interim dividend of RMB0.008 per share (the "Interim Dividend"), amounting to approximately RMB5,019,055 in aggregate. In view of the current favourable operating and financial conditions of the Company, the Board believes that the proposed payment of the Interim Dividend (the "Proposal") will not affect the funding requirements for the normal operation and development of the Company, therefore recommends the Proposal to shareholders for their consideration and approval at the EGM. Payment of the Interim Dividend does not represent the future dividend policy of the Company.

2. To consider and approve any proposal put forward by any shareholder holding 5% or more of the shares with voting rights at such meeting.

By Order of the Board of
Shenzhen Dongjiang Environmental Company Limited
ZHANG WEI YANG
Chairman

Shenzhen, the PRC
12 August, 2003

Notes:

1. The register of members of the Company will be closed from Friday, 29 August, 2003 to Monday, 29 September, 2003 (both days inclusive). No transfer of shares will be registered during this period. Holders of domestic shares and H shares whose names appear on the register of the Company at 4:00 p.m. on Thursday, 28 August, 2003 are entitled to attend and vote at the meeting mentioned above and may appoint one or more proxies to attend and, in the event of a poll, vote on their behalf. A proxy need not be a number of Shareholders of the Company.
2. A proxy form applicable to the EGM is hereinwith enclosed. In order to be valid, the proxy form, under which it is signed, must be deposited by hand or post, for holders of H Shares of the Company to Mr. Tong at the H shares registrar of the Company at Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong and, for holders of Domestic Shares, to the registered address of the Company not less than 24 hours before the time for holding the EGM or not less than 24 hours before the time appointed for taking the poll. If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form.
3. Shareholders or their proxies shall produce their identity documents when attending the meeting.
4. Shareholders who intend to attend the meeting should complete and return the enclosed reply slip and return it by hand or post to the share registrar of the Company (for holders of H shares) or to the registered address of the Company (for holders of domestic shares) before 4:00 p.m. Monday, 8 September, 2003.
5. The EGM is expected to take half a day. Shareholders attending the EGM shall be responsible for their own travel and accommodation expenses.
6. The registered address of the Company and the details of the secretarial office of the Board are as follows:

Units A, B, C, D and H
16th Floor, Shenmao Commercial Center
59 Xinwen Road
Futian District, Shenzhen
Guangdong Province
The PRC
Tel: (86755) 8350 2081
Fax: (86755) 8390 0115
Post Code: 518034