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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Dongjiang Environmental Company Limited* (the "Company") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2014 (the "Reporting Period"), together with the comparative figures of the year ended 31 December 2013 are as follows:

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

Items	*Note*	**2014**	2013
Total operating revenue	*3*	**2,047,511,528.29**	1,582,936,364.20
Total operating costs		**1,781,151,044.46**	1,378,911,762.92
Cost of operation		**1,382,201,109.45**	1,100,398,704.00
Sales tax and levies		**9,596,811.00**	9,421,694.40
Selling expenses		**32,464,521.51**	38,287,887.95
Administrative expenses		**284,962,606.10**	221,405,603.84
Finance costs	*7*	**24,204,951.38**	1,469,229.49
Impairment loss for assets		**47,721,045.02**	7,928,643.24
Add: Gain on fair value changes		**713,150.00**	(1,049,660.00)
Investment income		**36,165,521.77**	35,875,929.19
Including: Share of profit of associates and jointly controlled entity		**32,105,728.07**	22,427,932.85

Items	Note	2014	2013
Operating profits		**303,239,155.60**	238,850,870.47
Add: Non-operating income		**29,150,448.19**	38,108,156.35
Including: Disposal income on non-current assets		**326,537.55**	556,188.45
Less: Non-operating expenses		**10,876,751.04**	5,481,719.48
Including: Loss on disposal of non-current assets		**2,357,064.94**	2,442,601.41
Total profit		**321,512,852.75**	271,477,307.34
Less: Income tax expenses	*8*	**39,045,324.21**	27,839,095.95
Net profit		**282,467,528.54**	243,638,211.39
Net profit attributable to shareholders of the Company		**251,610,695.08**	208,282,106.18
Minority interests		**30,856,833.46**	35,356,105.21
Earnings per share	*9*		
Basic earnings per share		**0.74**	0.61
Diluted earnings per share		**0.74**	0.61
Other comprehensive income		**(410,955.88)**	(346,913.01)
Other comprehensive income to shareholders of the Company, net of tax		**(410,955.88)**	(346,913.01)
Items cannot be reclassified to profit and loss when qualified in future accounting period		–	–
Items can be classified in the future accounting period		**(410,955.88)**	(346,913.01)
1. Exchange difference on translation of financial statement in foreign currency		**(410,955.88)**	(346,913.01)
Total comprehensive income		**282,056,572.66**	243,291,298.38
Total comprehensive income attributable to shareholders of the Company		**251,199,739.20**	207,935,193.17
Minority interests		**30,856,833.46**	35,356,105.21

CONSOLIDATED BALANCE SHEET
As at 31 December 2014

	Note	**2014**	2013
Current Assets:			
Cash and bank balances		**1,027,750,137.40**	946,887,455.89
Financial assets at fair value through profit and loss		**2,054,460.00**	2,007,400.00
Bills receivable	*11*	**78,904,823.06**	54,051,330.29
Accounts receivable	*11*	**471,463,000.99**	179,584,250.23
Prepayments	*11*	**62,972,114.89**	102,659,646.18
Other receivables	*11*	**85,181,888.39**	53,359,463.07
Inventories		**300,312,175.25**	244,452,387.59
Non-current asset due within one year		**28,680,000.00**	28,680,000.00
Other current assets		**183,696,635.45**	15,000,000.00
Total current assets		**2,241,015,235.43**	1,626,681,933.25
Non-current assets:			
Available-for-sale financial assets			1,800,000.00
Long-term accounts receivable	*11*	**102,098,599.96**	56,310,000.00
Long-term equity investments		**101,383,642.95**	101,756,310.18
Investment Properties		**53,870,800.00**	53,630,900.00
Fixed assets		**790,008,632.11**	587,882,227.61
Construction in progress		**724,412,543.84**	288,345,767.66
Intangible assets		**503,966,799.34**	439,039,924.10
Goodwill		**345,402,506.21**	99,534,307.16
Long-term prepayments		**1,578,863.29**	1,882,667.43
Deferred income tax assets		**17,467,808.84**	10,593,534.90
Other non-current assets		**104,265,197.84**	
Total non-current assets		**2,744,455,394.38**	1,640,775,639.04
Total assets		**4,985,470,629.81**	3,267,457,572.29
Current liabilities:			
Short-term borrowings		**559,264,227.46**	265,724,000.00
Accounts payable	*12*	**290,733,139.43**	157,926,908.55
Receipts in advance	*12*	**34,837,458.01**	38,376,562.90
Accrued staff salaries		**48,915,674.57**	33,478,555.80
Tax payable		**35,843,004.36**	(109,901.02)
Interest payables		**2,255,536.85**	
Dividend payables		**1,593,150.00**	
Other accounts payables	*12*	**176,415,524.54**	46,631,782.14
Non-current liabilities repayable within one year		**157,902,710.91**	57,619,088.61
Other current liabilities		**9,657,786.27**	6,073,444.20
Total current liabilities		**1,317,418,212.40**	605,720,441.18

	Note	2014	2013
Non-current liabilities			
Long-term borrowings		**376,459,453.45**	124,713,278.43
Bonds receivable		**355,632,555.15**	–
Long-term payables		**6,162,843.75**	19,079,554.71
Deferred income tax liabilities		**1,992,514.63**	1,721,720.00
Defferred income		**83,059,965.96**	60,922,912.24
Other non-current liabilities		**6,169,135.84**	5,336,171.96
Total non-current liabilities		**829,476,468.78**	211,773,637.34
Total Liabilities		**2,146,894,681.18**	817,494,078.52
Shareholders' equity:			
Share capital		**347,836,841.40**	225,714,561.40
Capital reserve		**874,710,682.20**	855,365,333.07
Less: treasury stock		**122,701,500.00**	–
Other comprehensive income		**(738,312.10)**	(327,356.22)
Surplus reserve		**133,231,913.01**	110,735,300.43
Undistributed profits		**1,209,998,595.99**	1,050,279,781.79
Total equity attributable to shareholders of the Company		**2,442,338,220.50**	2,241,767,620.47
Minority interests		**396,237,728.13**	208,195,873.30
Total shareholders' equity		**2,838,575,948.63**	2,449,963,493.77
Total liabilities and shareholders' equity		**4,985,470,629.81**	3,267,457,572.29
Net current assets	*13*	**923,597,023.03**	1,020,961,492.07
Total assets less current liabilities	*14*	**3,668,052,417.41**	2,661,737,131.11

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2014

	2014							
	Attributable to shareholders of the Company							
	Share capital	Capital reserve	Less: treasury stock	Others	Surplus reserve	Undistributed profits	Minority interest	Total shareholders' equity
I. Balance at end of previous year	**225,714,561.40**	**855,365,333.07**		**(327,356.22)**	**110,735,300.43**	**1,050,279,781.79**	**208,195,873.30**	**2,449,963,493.77**
II. Balance at beginning of the year	**225,714,561.40**	**855,365,333.07**	**–**	**(327,356.22)**	**110,735,300.43**	**1,050,279,781.79**	**208,195,873.30**	**2,449,963,493.77**
III. Change for the year	**122,122,280.00**	**19,345,349.13**	**122,701,500.00**	**(410,955.88)**	**22,496,612.58**	**159,718,814.20**	**188,041,854.83**	**388,612,454.86**
1. Total comprehensive income				**(410,955.88)**		**251,610,695.08**	**30,856,833.46**	**282,056,572.66**
2. Shareholder's capital injection and capital reduction	**6,340,000.00**	**135,127,629.13**	**122,701,500.00**	**–**	**–**	**–**	**172,325,021.37**	**191,091,150.50**
1) Capital injection from shareholders							**4,480,000.00**	**4,480,000.00**
2) Equity settled share expenses charged to equity	**6,340,000.00**	**135,127,629.13**	**122,701,500.00**					**18,766,129.13**
3) Others							**167,845,021.37**	**167,845,021.37**
3. Profit distribution	**–**	**–**	**–**	**–**	**22,496,612.58**	**(91,891,880.88)**	**(15,140,000.00)**	**(84,535,268.30)**
1) Transfer to surplus reserve					**22,496,612.58**	**(22,496,612.58)**		**–**
2) Transfer to general risk provision								**–**
3) Distribution to shareholders						**(69,395,268.30)**	**(15,140,000.00)**	**(84,535,268.30)**
4) Others								**–**
4. Transfer	**115,782,280.00**	**(115,782,280.00)**	**–**	**–**	**–**	**–**	**–**	**–**
1) Transfer of capital reserve to share capital	**115,782,280.00**	**(115,782,280.00)**						**–**
2) Transfer of undistributed profits to share capital								**–**
3) Making good of losses by surplus reserves								**–**
4) Others								**–**
IV. Balance at the end of year	**347,836,841.40**	**874,710,682.20**	**122,701,500.00**	**(738,312.10)**	**133,231,913.01**	**1,209,998,595.99**	**396,237,728.13**	**2,838,575,948.63**

	2013						
	Attributable to shareholders of the Company						
	Share capital	Capital reserve	Others	Surplus reserve	Undistributed profits	Minority interest	Total shareholders' equity
I. Balance at end of previous year	150,476,374.40	930,603,520.07	19,556.79	93,173,237.74	919,750,287.90	178,923,044.64	2,272,946,021.54
II. Balance at beginning of the year	150,476,374.40	930,603,520.07	19,556.79	93,173,237.74	919,750,287.90	178,923,044.64	2,272,946,021.54
III. Change for the year	75,238,187.00	(75,238,187.00)	(346,913.01)	17,562,062.69	130,529,493.89	29,272,828.66	177,017,472.23
1. Total comprehensive income			(346,913.01)		208,282,106.18	35,356,105.21	243,291,298.38
2. Shareholder's capital injection and capital reduction	–	–	–	–	–	12,404,223.45	12,404,223.45
1) Capital injection from shareholders						4,900,000.00	4,900,000.00
2) Equity settled share expenses charged to equity							–
3) Others						7,504,223.45	7,504,223.45
3. Profit distribution	–	–	–	17,562,062.69	(77,752,612.29)	(18,487,500.00)	(78,678,049.60)
1) Transfer to surplus reserve				17,562,062.69	(17,562,062.69)		–
2) Transfer to general risk provision							–
3) Distribution to shareholders					(60,190,549.60)	(18,487,500.00)	(78,678,049.60)
4) Others							–
4. Transfer	75,238,187.00	(75,238,187.00)	–	–	–	–	–
1) Transfer of capital reserve to share capital	75,238,187.00	(75,238,187.00)					–
2) Transfer of undistributed profits to share capital							–
3) Making good of losses by surplus reserves							–
4) Others							–
IV. Balance at the end of year	225,714,561.40	855,365,333.07	(327,356.22)	110,735,300.43	1,050,279,781.79	208,195,873.30	2,449,963,493.77

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL

The Company is a joint stock limited company incorporated in the People's Republic of China (the "PRC"). Its H shares and A shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and China Shenzhen Stock Exchange, respectively. The address of the registered office and principal place of business of the Company is 1st Floor, 3rd Floor, North of 8th Floor, 9th-12th Floor, Dongjiang Environmental Building, No.9 Langshan Road, North Zone of Hi-tech Industrial Park, Nanshan District, Shenzhen, the PRC.

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

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

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The financial statement of the Group is made based on the going concern and the transaction and trade actually occurred and in line with Accounting Standards for Enterprises – Basic Standards issued by Ministry of Finance and other relevant regulations (hereinafter referred to as Accounting Standard for Business Enterprises), as well as Information Disclosure Rule for the Companies Public Offering Securities, No.15 – General Provisions for Financial Statement (revised in 2014) issued by China Securities Regulatory Commission, the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Hong Kong Companies Ordinance. The financial statement of the Group is also made based on the Accounting Policies and Estimates applied for the Group.

3. TOTAL OPERATING REVENUE

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

Analysis of the total operating revenue is as follows:

Business segment	2014	2013
Industrial waste recycling	**937,570,254.75**	962,591,583.95
Industrial waste treatment and disposal	**395,563,293.89**	243,497,232.44
Municipal waste treatment and disposal	**209,173,851.16**	135,163,624.22
Renewable energy utilization	**63,865,183.74**	65,476,857.26
Environmental engineering and services	**159,335,570.43**	95,850,397.86
Trading and others	**60,798,194.45**	39,201,978.32
Waste Electrical Appliance Dismantling Treatment	**221,205,179.87**	41,154,690.15
Total	**2,047,511,528.29**	1,582,936,364.20

4. SEGMENT INFORMATION

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

Reportable segment	Major activities
Industrial waste recycling	Processing and sale of recycled products
Industrial waste treatment and disposal	Collection, treatment and disposal of industrial waste
Municipal waste treatment and disposal	Collection, treatment and disposal of municipal waste
Renewable energy utilization	Operation of methane-to-energy power plants
Environmental engineering and services	Construction contract work as a main contractor or subcontractor of system and services in respect of environmental services, such as design and construction of environmental projects; operation of environment protection facilities, and assessment of environmental impact segments, environment monitoring and consulting
Trading and others	Sales of chemical products and leasing activities
Waste Electrical Appliance Dismantling Treatment	Collection, disassembling, treatment and recycling of waste electrical appliances

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

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

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

Segment results, assets and liabilities

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

Segment operating results is the total revenue of all segments (including revenue from external transactions and intra-segment transactions), net of expenses attributable to each segment, depreciation, amortization and impairment losses to assets of each segment, and net interest expenses arising from bank deposits and borrowings attributable to one segment. The transfer pricing of revenue from intra-segment transactions is calculated on terms similar to those used in external transactions. Non-operating income and expenses and tax expenses are not allocated to individual segments.

Information regarding the Group's reportable segments set out below is provided to the Group's management regularly, and part of the information is used in measuring profit (loss), assets and liabilities of reportable segments.

The segment information for 2014

	Industrial waste recycling	Industrial waste treatment and disposal	Municipal waste treatment and disposal	Renewable energy utilization	Environmental engineering and services	Trading and others	Waste Electrical Appliance Dismantling Treatment	Unallocated amounts	Elimination	Total
Operation revenue	1,004,314,657.61	422,213,752.71	225,258,623.16	63,865,183.74	173,749,221.39	78,535,715.09	221,205,179.87	–	(141,630,805.28)	2,047,511,528.29
Including:										
Revenue from external transactions	937,570,254.75	395,563,293.89	209,173,851.16	63,865,183.74	159,335,570.43	60,798,194.45	221,205,179.87	–	–	2,047,511,528.29
Revenue from intra-segment transactions	66,744,402.86	26,650,458.82	16,084,772.00	–	14,413,650.96	17,737,520.64	–	–	(141,630,805.28)	–
Operating costs	703,040,090.46	213,160,709.61	185,636,428.72	46,704,076.49	136,261,279.80	50,941,327.35	185,679,799.38	–	(129,625,791.36)	1,391,797,920.45
Period Charge	156,091,126.73	32,491,346.08	25,884,882.51	11,774,159.01	7,360,341.32	16,991,802.46	21,671,533.71	73,901,700.93	(4,534,813.76)	341,632,078.99
Total profit for Segment (total loss)	150,341,417.14	158,444,672.83	8,010,092.17	11,903,937.54	30,908,853.00	9,618,902.74	18,418,508.70	(33,293,331.21)	(32,840,200.16)	321,512,852.75
Total assets	3,319,447,440.13	537,020,002.45	765,683,378.61	292,350,285.71	212,285,111.70	114,918,179.62	676,675,063.69	1,759,951,455.51	(2,692,860,287.61)	4,985,470,629.81
Including:										
Significant impairment loss on individual assets	–	20,309,566.85	7,095,747.49	–	–	–	–	18,991,907.27	–	46,397,221.61
Total liabilities	377,464,454.91	85,763,905.21	126,516,180.06	120,630,627.66	83,408,750.71	138,640,368.93	260,099,412.78	2,357,947,583.82	(1,403,576,602.89)	2,146,894,681.18
Capital expenditure	302,594,595.54	69,109,117.23	65,605,898.95	13,529,605.31	1,213,322.25	7,957,482.63	75,811,632.60	–	–	535,821,654.51
Recognized loss of impairment	(2,589,683.42)	19,797,533.03	7,093,742.37	(88,465.54)	(786,600.91)	130,634.57	(1,338,022.35)	18,991,907.27	6,510,000.00	47,721,045.02
Including:										
Amortization of goodwill impairment	–	–	–	–	–	–	6,600,000.00	–	–	6,600,000.00
Depreciation and amortization	43,299,119.50	26,135,996.64	22,302,296.18	27,076,216.62	803,873.39	2,353,496.52	10,926,029.17	–	–	132,897,028.02
Non-cash expenses other than loss of impairment, depreciation and amortization	727,641.15	508,598.00	–	–	–	35,419.24	746,359.10	1,086,225.00	–	3,104,242.49

The segment information for 2013:

	Industrial waste recycling	Industrial waste treatment and disposal	Municipal waste treatment and disposal	Renewable energy utilization	Environmental engineering and services	Product trading	Waste Electrical Appliance Dismantling Treatment	Unallocated amounts	Elimination	Total
Operation revenue	1,056,419,439.55	243,497,232.44	136,488,720.18	65,476,857.26	99,167,770.36	56,961,905.74	41,154,690.15	–	(116,230,251.48)	1,582,936,364.20
Including:										
Revenue from external transactions	962,591,583.95	243,497,232.44	135,163,624.22	65,476,857.26	95,850,397.86	39,201,978.32	41,154,690.15	–	–	1,582,936,364.20
Revenue from intra-segment transactions	93,827,855.60	–	1,325,095.96	–	3,317,372.50	17,759,927.42	–	–	(116,230,251.48)	–
Operating costs	740,374,068.98	158,712,622.38	117,677,085.14	44,987,896.07	76,431,811.28	35,070,689.37	33,345,238.60	–	(96,779,013.42)	1,109,820,398.40
Period Charge	132,508,337.81	46,636,820.66	46,646,030.75	10,726,867.88	5,403,616.10	14,239,302.45	6,453,495.70	(3,286,182.79)	1,834,432.72	261,162,721.28
Total profit for Segment (total loss)	198,982,217.83	34,742,529.23	(27,633,874.32)	18,551,116.35	18,518,968.72	13,093,104.96	2,867,165.16	54,919,127.27	(42,563,047.86)	271,477,307.34
Total assets	2,630,498,598.22	534,019,287.60	745,102,214.07	235,812,177.23	105,078,376.42	85,396,147.60	199,159,347.80	620,281,805.18	(1,887,890,381.83)	3,267,457,572.29
Including:										
Significant impairment loss on individual assets										
Total liabilities	340,862,755.05	38,967,138.09	86,097,390.77	67,071,010.43	21,039,327.92	18,990,621.52	17,613,621.29	1,169,454,624.91	(942,602,411.46)	817,494,078.52
Supplementary information										
Capital expenditure	197,556,117.07	52,810,830.84	51,276,755.29	5,736,679.67	455,283.00	961,175.83	17,123,807.82	–	–	325,920,649.52
Recognized loss of impairment	136,741.65	4,264,500.37	921,859.49	18,661.35	(1,096,125.37)	135,540.49	495,446.12	–	3,052,019.14	7,928,643.24
Including:										
Amortization of goodwill impairment										
Depreciation and amortization	36,622,438.03	20,760,289.20	11,796,640.80	18,553,357.59	542,013.26	1,143,343.92	3,901,742.65	–	–	93,319,825.45
Non-cash expenses other than loss of impairment, depreciation and amortization	3,053,031.49	508,600.00	–	–	–	–	148,897.65	–	–	3,710,529.14

5. GROSS PROFIT

	2014	2013
Total Operating Revenue	**2,047,511,528.29**	1,582,936,364.20
Less: Cost of operations	**1,382,201,109.45**	1,100,398,704.00
	665,310,418.84	482,537,660.20

6. TOTAL PROFIT

	2014	2013
Total profit has been arrived at after charging (crediting):		
Staff costs (including directors' emolument)		
– Wages, salaries and other benefits	**256,968,218.01**	193,878,945.68
– Retirement scheme contribution	**15,817,407.26**	12,357,690.31
Total staff costs	**272,785,625.27**	206,236,635.99
Amortisation of intangible assets	**34,879,385.65**	17,677,963.10
Auditors remuneration	**1,050,000.00**	800,000.00
Recognised cost of inventories	**1,382,201,109.45**	1,100,398,704.00
Depreciation on fixed assets	**95,801,181.44**	74,316,347.74
Provision (reversal of provision) for bad debts	**(2,212,624.85)**	1,222,929.13
Impairment loss on inventories	**(3,496,565.20)**	3,653,694.97
Impairment loss on goodwill	**6,600,000.00**	3,052,019.14
Minimum lease payment in respect of office, plant and staff quarter	**11,449,703.46**	9,812,404.93
Research and development expenses	**38,316,548.22**	30,195,956.50
Loss on disposal of fixed assets, net	**2,030,527.39**	1,886,412.96
(Increase) Decrease in investment fair value of financial assets at fair value recorded as profit and loss	**(473,250.00)**	1,049,660.00
(Increase) Decrease in fair value of investment properties	**(239,900.00)**	–
Government grants	**(19,704,246.42)**	(36,714,829.11)

7. FINANCE COSTS

	2014	2013
Interest expense	**37,668,628.87**	17,934,737.84
Less: Interest income	**18,271,966.22**	17,564,930.12
Add: Exchange difference	**104,132.00**	(11,970.86)
Add: Other expenses	**4,704,156.73**	1,111,392.63
Total	**24,204,951.38**	1,469,229.49

Breakdown of interest expenses is as follows:

	2014	2013
Interest on bank loans wholly repayable within 5 years	**38,017,872.51**	23,710,992.73
Bond interest based on the actual rate	**10,549,434.31**	–
Finance leases charges	**1,432,534.71**	2,102,472.93
	49,999,841.53	25,813,465.66
Less: Amount capitalised	**12,331,212.66**	7,878,727.82
Total	**37,668,628.87**	17,934,737.84

Borrowing cost capitalized during the year ended 31 December 2014 is calculated by applying a capitalization rate of 6.55% (2013: 6.4%) per annum to expenditure on qualifying assets.

8. INCOME TAX

(1) Income tax expenses comprise:

	2014	2013
Current income tax	**43,850,767.92**	29,273,137.79
Deferred income tax	**(4,805,443.71)**	(1,434,041.84)
Total	**39,045,324.21**	27,839,095.95

(2) Current income tax

	2014	2013
Current income tax		
– PRC	**43,522,928.92**	29,150,768.36
– Hong Kong	**173,547.20**	391,359.89
Over-provision in prior years		
– PRC	**154,291.80**	(268,990.46)
Total	**43,850,767.92**	29,273,137.79

The Company, (Huizhou Dongjiang Environmental Technology Company Limited ("Huizhou Dongjiang") Kunshan Qiandeng Wastes Treatment Company Limited ("Qiandeng Wastes Treatment") and Qingyuan Xinlu Envrionmental Technology Company Limited ("Qiangyuan Xinlu") , are regarded as High-New Technology Enterprises. In accordance with China's income tax rate, all companies pay 15% enterprise income tax. The Company, Qiandeng Wastes Treatment, Qiangyuan Xinlu and Huizhou Dongjiang enjoyed the preferential tax incentive for enterprises engaging in projects satisfying resources recycling utilization and only 90% of the total revenue is accounted for EIT; and only 50% of the research and development expenses of the Company, Qiandeng Wastes Treatment, Qiangyuan Xinlu, and Huizhou Dongjiang are deductible before EIT.

Shenzhen Longgang Dongjiang Industrial Wastes Treatment Company Limited ("Longgang Dongjiang"), Qiangyuan Dongjiang Environmental Technology Company Limited ("Qiangyuan Dongjiang"), Hunan Dongjiang Environmental Investment Development Company Limited ("Hunan Dongjiang"), Yancheng Yanhai Solid Wastes Treatment Company Limited ("Yancheng Yanhai Solid Wastes"), Hefei Xinguan Energy Development Company Limited ("Hefei Xinguan"), Fujian Luzhou Solid Wastes Treatment Company Limited ("Fujian Luzhou"), a wholly-owned subsidiary of Xiamen Luzhou Envirnomental Stock Company Limited, Lonyan Luzhou Environmental Technology Company Limited ("Lonyan Luzhou Environmental") enjoyed preferential tax incentive for enterprises engaging in projects satisfying environmental protection conditions and conservation of energy and water.

Longgang Dongjiang was granted full exemption from EIT for the years 2012 to 2014 and 50% exemption from 2015 to 2017.

Waste Electrical Appliance Dismantling Treatment Project of Qianyuan Dongjinag was granted full exemption from EIT for the years 2013 to 2015 and 50% exemption from 2016 to 2018. Circuit Board Processing Project of Qianyuan Dongjiang was granted full exemption from EIT for the years 2012 to 2014 and 50% exemption from 2015 to 2017.

Hunan Dongjiang was granted full exemption from EIT for the years 2011 to 2013 and 50% exemption from 2014 to 2016.

Yancheng Solid Wastes was granted full exemption from EIT for the years 2010 to 2012 and 50% exemption from 2013 to 2015.

Hefei Xinguan was granted full exemption from EIT for the years 2009 to 2011 and 50% exemption from 2012 to 2014.

Fujian Luzhou Solid Wastes was granted full exemption from EIT for the years 2014 to 2016 and 50% exemption from 2017 to 2019.

Longyan Luzhou was granted full exemption from EIT for the years 2011 to 2013 and 50% exemption from 2014 to 2016.

Shenzhen Dongjiang Property Service Company Limited ("Dongjiang Property") and Shenzhen Huabao Technology Company Limited ("Huabao Technology") were regarded as small profits enterprises, Dongjiang Property was granted 10% exemption from EIT, and Huabao Technology was granted 20% exemption from EIT.

Subsidiaries registered and operated in China shall pay EIT at 25% in accordance to PRC enterprise income tax rate. Subsidiaries registered in Hong Kong shall pay profits tax at 16.5% in accordance to Hong Kong tax rate.

9. EARNINGS PER SHARE

The earnings per share for the year is calculated based on the net profit for the year ended 31 December 2014 attributable to shareholders of the Company of RMB251,610,695.08 (2013: RMB208,282,106.18), and the weighted average of approximately 341,496,841 (2013: 341,496,841) ordinary shares in issue during the year ended 31 December 2014.

Diluted earnings per share was same as basic earnings per share for the two years ended 31 December 2014 as there were no diluting events during both years.

10. DIVIDENDS

Dividends attributable to the year are as follows:

	2014	2013
Interim dividend declared and distributed of RMB0 per share (2013: RMB0)	**–**	–
Final dividend proposed after the balance sheet date of RMB0.15 per share (2013: RMB0.30)	**52,171,026.15**	69,469,368.30
Total	**52,171,026.15**	69,469,368.30

The Board proposed to use 347,836,841 shares of the total share capital as at 31 December 2014, deducting 30,000 restricted shares intended to be repurchased for cancellation, i.e. 347,806,841 shares, as the basis to pay a final dividend of RMB 0.15 per share of the Company (inclusive of tax) (2013:RMB0.3) to all shareholders of the Company, with the total amount of cash dividend of RMB 52,171,026.15, subject to approval by the shareholders of the Company at the 2014 annual general meeting ("AGM") to be convened and held. In addition, the Board proposes to offer to all shareholders of the Company 15 ordinary shares for each 10 ordinary shares held by shareholders of the Company by way of conversion of capital reserve, thereby issuing 521,710,261 shares (including 120,082,500 H shares and 401,627,761 A shares) based on the total number of 347,806,841 shares of the Company. Following the aforesaid conversion of capital reserve, the Company shall have a total of 869,517,102 shares (including 200,137,500 H shares and 669,379,602 A shares). The aforesaid conversion of capital reserve is subject to, among other things, the approval to be granted by shareholders of the Company at the AGM, the class meeting for holders of H shares and the class meeting for holders of A shares to be convened and held, and the approval to be granted by Stock Exchange for the listing of the 120,082,500 H shares to be issued on the Main Board of the Stock Exchange. The Company will make further announcement in accordance with the Listing Rules upon the record date of ascertaining the holders of H shares and the holder of A shares entitled to the final dividends and the conversion of capital reserve is determined.

If there is any change to the total shares of the Company due to the conversion of convertible bonds and repurchase of shares prior to the implementation of profit distribution plan, the Company shall make the distribution according to the percentage share of the latest total shares based on the perpetual principle of "conversion of capital reserves by the total amount of cash dividend, total amount of share capital increased from capital reserves" approved and determined at the general meeting.

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

11. TRADE AND OTHER RECEIVABLES

	2014	2013
Accounts receivable	**487,508,311.81**	190,364,856.98
Less: Provision for bad debts for accounts receivable	**16,045,310.82**	10,780,606.75
	471,463,000.99	179,584,250.23
Bills receivable	**78,904,823.06**	54,051,330.29
Prepayments	**62,972,114.89**	102,659,646.18
Other receivables	**91,914,232.15**	60,728,375.64
Less: Provision for bad debts for other receivable	**6,732,343.76**	7,368,912.57
Long term account receivable	**130,778,599.96**	84,990,000.00
Total	**829,300,427.29**	474,644,689.77

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

	2014	2013
Aged		
Within 90 days	**248,542,176.85**	137,868,783.93
91-180 days	**103,049,730.08**	31,164,256.77
181-365 days	**108,926,690.35**	3,615,411.20
1-2 years	**7,625,735.49**	4,396,811.63
2-3 years	**3,318,668.22**	1,288,986.70
Over 3 years	**–**	1,250,000.00
Total	**471,463,000.99**	179,584,250.23

12. TRADE AND OTHER PAYABLES

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

	2014	2013
Aged		
Within 90 days	**214,549,195.55**	121,189,350.35
91 to 180 days	**9,623,000.21**	13,161,233.71
181 to 365 days	**36,164,548.23**	3,437,137.15
Over 1 year	**30,396,395.44**	20,139,187.34
Accounts payable	**290,733,139.43**	157,926,908.55
Receipts in advance	**34,837,458.01**	38,376,562.90
Other payables	**176,415,524.54**	46,631,782.14
Total	**501,986,121.98**	242,935,253.59

13. NET CURRENT ASSETS

	2014	2013
Current assets	**2,241,015,235.43**	1,626,681,933.25
Less: Current liabilities	**1,317,418,212.40**	605,720,441.18
Net current assets	**923,597,023.03**	1,020,961,492.07

14. TOTAL ASSETS LESS CURRENT LIABILITIES

	2014	2013
Total assets	**4,985,470,629.81**	3,267,457,572.29
Less: Current liabilities	**1,317,418,212.40**	605,720,441.18
Total assets less current liabilities	**3,668,052,417.41**	2,661,737,131.11

15. LEASE COMMITMENTS

As at 31 December 2014, the Group as a lessee, had commitments for future minimum lease payments under non-cancellable operating leases and financial leases in respect of office building, plant and machinery and motor vehicles are as follows:

	Operating leases	Finance leases
Within 1 year	**5,775,931.87**	**14,558,868.39**
In 1 to 2 years	**5,875,335.89**	**5,616,952.86**
In 2 to 3 years	**2,229,565.34**	**1,217,212.72**
After 3 years	**2,618,112.24**	**923,601.48**
Total	**16,498,945.34**	**22,316,635.45**

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

2014 was the beginning year for the comprehensive and deepening of reform of China, and the environmental protection industry continued to enjoy policy privileges under the New Normal, which included the promulgation of a new environmental protection law, the implementation of professional third party governance on environmental issues, the adjustment of waste discharge charging standard and the systematic introduction of the environmental protection tax, etc. However, at the same time, the industry is also exposed to keener market competition, continuous drop of metal and cooper prices, continuous raising of the national waste discharge standard, increasing costs and other challenges. Faced with an overall environment where opportunities and challenges exist side by side, the Group actively pushed ahead the upgrade of its strategic positioning, continued to optimize the business structure, intensify the regional layout and adjust product structure. Together with a focus on building a comprehensive environmental protection platform, and the joint and coordinated development of all businesses, the Group achieved a stable growth. For the year of 2014, the Group achieved an operating revenue of RMB 2,047,511,500, representing an increase of 29.35% as compared to the same period of 2013; and a total profit of RMB 321,512,900, representing an increase of 18.43% as compared to the same period of 2013. The net profit attributable to the shareholders of the parent company was RMB251,610,700, representing an increase of 20.80% as compared to the beginning of the period. As of 31 December 2014, the total assets of the Group was RMB4,985,470,600, representing an increase of 52.58% as compared to the beginning of the period; the total equity interests attributable to the shareholders of the parent company was RMB2,442,338,200, representing an increase of 8.95% as compared to the beginning of the period; and the net asset per share was RMB7.15.

Analysis of the core business

1. *Industrial Waste Treatment*

In the recent two years, the Group continued to focus on strategic adjustment and upgrade, making key regional layout and expanding the detoxification disposal business, greatly promoting the capacity expansion and construction work, so that the bottleneck pressure of the Group's production capacity was effectively relieved and the total volume of waste collection showed an obvious rising trend. At the same time, the Company used a market orientation approach to continue to optimize the product structure, and enhanced its ability to resist against the risks of metal price fluctuations. To sum up, the industrial waste treatment business achieved an operating revenue of RMB1,333,133,500 for the year of 2014, representing an increase of 10.53% as compared to the year of 2013. Among them, the recycled products recorded a sales revenue of RMB937,570,300 for the year of 2014, representing a decrease of 2.6% as compared to the year of 2013. Yet as a result of the optimization of product structure, in contrast with the slight fall in income, gross profit of this business rose 3.57% on a year-on-year basis; and the industrial waste treatment and disposal recorded a revenue of RMB395,563,300 for the year of 2014, representing an increase of 62.45% as compared to the year of 2013. As the Group's business structure continues to improve, the overall profitability and risk resistance of the Group were thus better enhanced.

Regarding market expansion, faced with the trend of the hazardous waste treatment market, relying on the Group's business management experience and the effects of our good brand image, there was a remarkable increase in the total number of clients and waste collection volume. However, at the same time, the Group's faced with the challenges of stricter environmental protection supervision and insufficient capability to handle hazardous waste. In view of these, the Group promoted a development model combining both internal growth and external expansion, upgraded and transformed the existing facilities in the treatment bases of the Group and expanded the production capacity. Meanwhile, the Group also speeded up the establishment of new projects, made more efforts in merger and acquisitions, extended the sector chain and enhanced the comprehensive environmental protection service ability.

In the year of 2014, the main hazardous waste treatment bases of the Group has actively developed potential synergies, on one hand, by actively carrying out efficiency enhancement measures of the existing treatment bases, implementing alteration, expansion and construction, improving the skills and equipments and adopting several waste volume reduction techniques to cut the actual treatment volume of wastes, the Group effectively enhanced the treatment and disposal efficiency; on the other hand, the Group accelerated the construction of new projects. Some of them included the hazardous waste treatment centre project in northern Guangdong, which allowed us to obtain the hazardous waste treatment capability totalling 251300 tonnes/year for 4 sub-projects with incineration, physical-chemical and sewage integrated treatment in October 2014. It is also expected that projects with more construction work involved, namely Jiangmen Industrial Waste Treatment (198,500 tonnes/year), Jiaxing Deda moving and expansion project (60,000 tonnes/year) will be completed in the first half of 2015. When the construction of the above projects are completed and put into operation, the Group will be in a better position to expand the existing capability of treating wastage to undertake the increase in demand in the market.

External expansion is also an important development path of the Group. During the Reporting Period, the Group greatly increased the pace of expansion in other locations, successively acquiring certain companies, namely Xiamen Oasis, Karamay Wosen and Coastal Solid Waste, and successfully entering into the regions of Fujian and Xinjiang, which further improved the layout of the hazardous waste markets outside Guangdong province. Meanwhile, the Group quickly moved into new domains of medical waste treatment and dismantling of mobile phone sets, thus extending and improving the sector chain of environmental protection services of the Group. Besides, it is worthwhile to mention that the Group obtained the franchise of a BOT project – Jiangxi province hazardous waste treatment and disposal project for 25 years via tender, and the designed scale of treatment of hazardous waste is 86,000 tonnes/year, which is significant for the capacity expansion of the Group and the comprehensive expansion of the hazardous waste treatment and disposal market in Jiangxi.

As at the end of the Reporting Period, the Group possessed 27 wholly-owned subsidiaries, 17 controlled subsidiaries and 6 companies in which it had an interest, gradually covering pan Pearl Delta Region, Yangtze Delta Region and central and western regions. Through adopting an industry layout with industrial and municipal waste detoxification treatment and recycling businesses as the core business of the Group, the Group's businesses penetrated into 19 provinces such as Guangdong, Zhejiang, Fujian, Jiangxi and Tibet, etc, offering professional environmental protection solutions to over 10,000 clients. The Group firmly believes that given the favourable policies of energy saving and new environmental protection industries, the complete coverage in terms of business types and involvement of the Group in the sector chain, the Group's industrial waste treatment business will embrace a broader market with more development opportunities and a greater room for improving the business performance.

2. Waste Electrical Appliance Disassembling business

The waste electrical appliance disassembling business is another important business that the Group has recently set up, with waste electrical appliances of "Four Devices and One Computer" as the main treatment targets. The Group has set up a complete production chain comprising the collection, disassembling, treatment and recycling of waste electrical appliances. During the Reporting Period, the waste electrical appliance disassembling business developed rapidly, which achieved an operating revenue of RMB221,205,200, representing an increase of 437.5% as compared to the same period of last year, accounting for 10.80% of the operating revenue of the Group for the year of 2014.

At present, the waste electrical appliance and electronic device disassembling projects set up and operated by the Group include: 1) Qingyuan Waste Electrical Appliance Dismantling Treatment Base and Comprehensive Utilization project, which obtained a treatment qualification of 30,000 tonnes/year in February 2014. In 2014, it disassembled and treated a total of 1.4 million waste electrical appliances, and achieved revenue of RMB153,526,600, becoming the only environmental protection education demonstration base at provincial level in Qingyuan city, one of the consulting firms for the preparation of the regulating of national mobile phone disassembly subsidy and one of the advisors for the adjustment of the national "Four Devices and One Computer" subsidy. Up till now, the Group has completed the construction of all projects with 80 thousand tonnes of treatment capacity and is undergoing final acceptance and is scheduled to obtain the electronic product processing qualification for 80 thousand tonnes of waste electrical appliance at the end of 2015; 2) Hubei Dongjiang Waste Electrical Appliance and Electronic Device Disassembling project with a designed annual treatment capacity of 50,000 tonnes/year. It obtained the waste electrical appliance and electronic device disassembling and treatment qualification at the end of 2014 and it will enter into the production stage in 2015; 3) Xiamen Oasis Waste Electrical Appliances and Electronic Products Treatment project, which disassembled and treated a total of 1.4 million waste electronic devices and achieved revenue of RMB67,678,600 for the Group (since the consolidated financial statements of August 2014). Through the above projects, the Group possesses the capability of disassembling and treating a total of 125,000 tonnes/year of waste electrical appliances and electronic devices, and the Group has gradually set up several channels and collection systems. In addition, the Group has started to set up mobile phone disassembling project, extending to the comprehensive treatment business of components – circuit board, LCD and battery in the future.

3. *Municipal solid waste treatment business*

The municipal solid waste treatment business is another pillar business of the Group. During the Reporting Period, the municipal solid waste treatment business maintained a stable development, and achieved an operating revenue of approximately RMB209,173,900, representing an increase of 54.76% as compared to the same period of 2013.

With regard to municipal waste treatment and disposal, during the Reporting Period, the operation of Xiaping landfill site and Hunan Shaoyang waste landfill site was stable and Phase 2 of Fuyong sludge Treatment Project achieved an operating revenue of approximately RMB95,686,500, representing a substantial increase as compared to the same period of last year. In the field of municipal solid waste treatment, the Group acquired 100% equity interests in Shenzhen Hengjian Tongda Investment Management Co., Ltd. (深圳市恒建通達投資管理有限公司) in February 2015 by using the Group's own fund of RMB147 million (further details of which are set out in the announcement of the Company dated 4 February 2015), which was the first municipal solid waste treatment project and will lay a solid foundation for business development in the future.

As for renewable energy utilization, the three existing landfill gas power generation projects have already implemented standardized operation gradually. Meanwhile, the Group actively explores new projects. During the Reporting Period, the Group acquired 100% equity interest in each of Nanchang Xinguan Energy Development Co., Ltd. (南昌新冠能源開發有限公司) and Hefei Xinguan Energy Development Co., Ltd (合肥新冠能源開發有限公司), and added 8 electric power generator modules, which expanded the companies' overall landfill scale power generation to 22 MWh and achieved an operating revenue of approximately RMB63,865,200. Besides, during the Reporting Period, the Group actively looked for CDM trading opportunity at home and abroad. In view of the emergence of the carbon trading market in China, the Group set up a joint venture consulting company dedicated to carbon trading services to actively look for business opportunities of this business segment.

On the project construction aspect, the collection and transportation system of Shenzhen Luohu District Kitchen Waste Recycling Project – Collection and Transportation has preliminarily been set up, and achieved an operating revenue of approximately RMB1,731,500. It is expected that the project will launch a trial run in 2015. After the construction of the project is completed, the treated kitchen waste will realize the goal of "volume reduction, stabilization, detoxification and recycling" .

The Group will devote efforts in creating a new model of urban waste comprehensive treatment and continue to enhance the competitiveness of this business segment in the market through gradual improvement of the industry chain of municipal solid waste treatment business.

4. *Environmental protection services business*

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

Pursuant to announcement of the "Third Party Opinions on the Promotion of Environmental Pollution Management", China has commenced the road to third party management of environmental pollution protection. This action will create a new model for pollution control and impel the demand for standards-raising transformation for environment protection facilities to be gradually released, while the environment protection services business will enter into a stage of rapid growth. During the Reporting Period, the Group has made important measures to grasp the opportunity and achieved better results in environmental protection operations and construction projects.

On the environmental protection project operation aspect, during the Reporting Period, the business market exploration was increased; the client structure was optimized and at the same time, the industrial sewage project operation model was optimized; the business scope extended from Shenzhen to Hainan, Jiangmen, Kunshan and Zhejiang, etc; and a subsidiary for sewage operation was set up in Shaoxing, Zhejiang, successfully entering into the printing and dyeing sewage treatment operation domain. During the Reporting Period, the sewage operation business obtained 7 new clients, and at present, there are 27 operation clients, having achieved an operating revenue of approximately RMB50,266,000, representing an increase of 30.75% as compared to the same period of last year.

As for engineering and services business, the Group obtained greater results in market expansion during the Reporting Period. The area of market expansion of the engineering and services business of the Group shifted and expanded gradually from Shenzhen to the surrounding cities of Guangdong Province, Jiangxi, Hunan, Hubei and Jiangsu province. During the Reporting Period, a total of 15 projects were undertaken for a contract amount of approximately RMB210,000,000. During the Reporting Period, the business results of this business segment rapidly, having achieved an operating revenue of RMB102,451,600, representing an increase of 88.80% as compared to the same period of last year.

With several years of environmental protection project management experience and successful operation of projects like sewage treatment construction in Jiangmen Suntak project, and through the improvement of project information work flow management and technical system management and other ancillary mechanisms, the environmental protection engineering and services business of the Group has gradually established a brand in the industry, and secured a foundation for undertaking other large scale environmental protection projects subsequently.

Research and Development

During the Reporting Period, the Group continued to actively develop independent innovation and conversion of technological achievements. In response to the Company's technology development plan and production and market demands, the Group collectively carried out 18 research projects, among them, there are 14 independent Research and Development ("R&D") projects, 3 cooperative projects and 1 technology transfer project. These projects include basic zinc new product development, utilization of waste stripping solution, the use of specialty films to process chemical and biological wastewater and other pilot projects, which are gradually moving towards the implementation of industrialization. The above research projects will play a positive role in promoting the enhancement of the company's core competitiveness and sustainable development in the future.

Meanwhile, the Group continued to strengthen the reporting and maintenance management for technological achievements. For the management of intellectual property right, the Group had obtained 17 new patents with 13 additional authorized patents during the Reporting Period; and the Group had made better achievements in the government project reporting, The projects which have been approved includes Guangdong Province hazardous waste resource-based and harmless engineering technology research centre, Shenzhen brand development project, Shenzhen environmental special projects and etc.

As for technical exchange, during the Reporting 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 Plasma Corporation of US and Eco-nat of Malaysia), famous domestic equipment enterprises (e.g. Zhonshan Baodilong Water Treatment Facilities Co., Ltd.(中山寶迪龍水處理設備有限公司) and MFT China Membrane Technology Company ((美富特)中國膜科技公司)) and famous domestic research institutes (e.g. Institute of Process Engineering, Tsinghua University, Guangzhou Institute of Energy Conversion of Chinese Academy of Sciences, and the Sciences, Ecological and Environmental Research Centre of the Chinese Academy of Sciences). The fields involved include treatment technology and equipment of industrial sewage, incineration 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

1. ***Extensive industrial experience and brand qualification strength***

   As one of the earliest participants in the domestic environmental protection industry, the Group has accumulated rich experience in the industry, possesses professional waste identification ability, and is equipped with professional management ability and experience. At present, the Group possesses 88 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 has obtained 16 new qualification certificates for hazardous waste treatment during the Report 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, establishing strong competitive strength in the industry.

2. *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 the core business, the Group actively expands its industry chain, integrating advantageous resources and developing a comprehensive environmental service platform through absorption, introduction, joint work and cooperation. Currently, the business of the Company covers two major areas, namely industrial solid waste and municipal solid waste, complemented by a one-stop environmental protection service at the same time. Based on the principles of "reduction, bio-safety, recycling", the Group has built a perfect business chain for waste collection and transportation, comprehensive recycling treatment and detoxification treatment and disposal. In 2014, it entered into the domains of medical waste and disassembling of mobile phone sets, following which the industry chain was further consolidated and strengthened. As such, the scope of services of the Company 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 improving its comprehensive competitiveness.

3. *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, using no less than 3% of the total operating revenue for technology research and development every year in the past. The research and development centre has implemented more than 200 research and utilization projects since its establishment, and obtained 78 patents. During the Reporting Period, 13 new invention patents were added, of which 5 were invention patents. At the same time, the Company emphasizes on technology innovation and management, and extending its technology innovation work to production bases gradually, strengthening the interaction between technology, production and market, and achieving comprehensive improvement of service ability, quality ability and value-creating ability by technological innovation.

Financial Budget for 2015

I. *Explanation for preparation of budget*

This budget (the "Budget") is prepared based on the principle of prudence, together with market needs and the business expansion plan, based on the Company's budget, according to the requirements of consolidated statements and based on the business expansion plan and production plan of waste collection volume, treatment capacity, sales volume and categories as well as sales price estimated for the year 2015. This budget is prepared based on the assumption that the supply and purchase contracts entered into by the Company are performed as planned.

Building upon summary of the operation condition in 2014 and analysis of the circumstances of the operation in 2015, as well as the Company's corporate development strategy, this budget has taken into consideration the impacts of a number of factors, including market environment, business expansion and sales prices on a full account. This budget includes the parent company, its controlling subsidiaries and branches.

II. Basic assumptions

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

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

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

4. No material changes in the relevant market of wastes collection by the Company in 2015.

5. No material changes in the relevant market of products sold by the Company in 2015.

6. No adverse impacts will arise from material changes in objective factors including transportation, telecommunication, severe shortage in water and electricity and raw materials which will affect production and operation of the Company in 2015.

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

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

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

III. Explanation for the circumstances of the Budget of 2015

In 2015, the Group will grasp the beneficial policy of environmental protection, and through merger and acquisition and the release of production capability of the projects in progress, and combining with the own state of operation of the Company, it is expected that for the year of 2015, the Group will achieve a sales revenue of RMB3,090,260,000; net profit of RMB421,410,000; and net profit attributable to parent company of RMB352,180,000. It is expected that the sales revenue will increase by RMB1,042,750,000, or 50.93%, as compared with 2014. It is expected that net profit will increase by RMB138,950,000, or 49.19% and net profit attributable to shareholders of parent company will increase by RMB100,570,000, or 39.97% as compared with 2014.

IV. Statement of Profit Budget

Unit: RMB

Item	Prediction 2015	Actual for 2014 (audited)	Changes	Percentage of changes
I. Total operating income	3,090,259,631	2,047,511,528	1,042,748,103	50.93%
II. Total operating costs	2,685,565,202	1,781,151,044	904,414,158	50.78%
III. Operating profit	451,424,211	303,239,156	148,185,055	48.87%
IV. Total profit	472,388,522	321,512,853	150,875,669	46.93%
V. Net profit	421,413,375	282,467,529	138,945,846	49.19%
Net profit attributable to shareholders of the Company	352,180,000	251,610,695	100,569,305	39.97%
Minority interests	69,233,375	30,856,833	38,376,542	124.37%

Basis of the Budget: Operating income is based on the product sales plan for 2015 predicted by the Company's sales department; operating costs are based on prediction of net profits margin of different business segements of the Company; business taxes and surcharges, cost of sales, and administrative expenses are based on the expense ratio of the Company in 2014, with due consideration given to the prediction of management control objectives for 2015; financial expenses are based on due consideration given to the impact of the Company's capital demand, growth in loan amount and market rate throughout the whole year. Corporate income tax is calculated on the tax rate actually executed by each company.

V. Measures to ensure the performance of financial budget

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

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

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

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

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

Special notice: The Budget is a control indicator for internal management for the Company's business plan in 2015 and is not representative of the Company's profit forecast in 2015. Whether the Budget could be realized depends on a number of factors including changes in market conditions and extent of efforts of the management team, which are subject to a high degree of uncertainty and investors should pay special attention to this.

FINANCIAL REVIEW

Total Operating Revenue

For the Reporting Period, the Group's total operating revenue increased by approximately 29.35% to approximately RMB2,047,511,528 (2013: RMB1,582,936,364) as compared with the corresponding period in 2013. The main reasons for the increase are that the Group utilized the beneficial situation of environmental protection industry policy; followed the changes of demands in the hazardous wastes markets; accelerated the implementation of the strategic layouts; vigorously promoted the expansion in other places; actively explored new fields and new markets; accelerated the construction of production capacity; and improved the market share. During the Reporting Period, except income the renewable energy utilization and comprehensive utilization of recycled products decreased slightly as compared with the corresponding period in 2013 due to the periodical maintenance of electricity generators and the use of integrated resources products which was affected by the continuous reduction of domestic prices of metals, income from all other businesses of the Group increased as compared with 2013.

Profit

For the Reporting Period, the Group's gross profit increased by approximately 37.88% to approximately RMB665,310,419 (2013: RMB482,537,660). During the Reporting Period, save that the operating income and the gross margin of renewable energy utilization reduced due to the periodical maintenance of electricity generators, the gross margin of the other businesses increased as compared with last year. The first reason for such increase is that the Group actively explored the market, accelerated in promoting the construction of production capacity, increased the market share and expanded the business scale, increasing the total operating revenue; secondly, the Company continued to enhance its control over the costs and expenses during the Reporting Period, promoted overall budget management, and actively conducted production activities in relation to energy and consumption conservation, which effectively controlled the costs and improved the comprehensive gross profit ratio of the Company.

For the Reporting Period, the Group's gross profit margin was 32.49% (2013: approximately 30.48%), representing an increase of approximately 2.01% as compared to the corresponding period in 2013.

For the Reporting Period, net profit attributable to shareholders of the Company increased by approximately 20.80% to approximately RMB251,610,695 as compared with the corresponding period in 2013 (2013: approximately RMB208,282,106). The main reason for the increase is that the business scale expanded while the market share increased. Secondly, during the Reporting Period, the Company continued to expand its control over the cost and expenses, promoted the overall budget management, and actively conducted production activities in relation to energy and consumption conservation, which effectively controlled the costs and improved the gross margin ratio of the Company.

Sales Expenses

For the Reporting Period, the Group's sales expenses was approximately RMB32,464,522 (2013: approximately RMB38,287,888), representing approximately 1.59% (2013: approximately 2.42%) of the total operating revenue. The decrease in sales expenses is mainly due to the Group having intensified the efforts on cost control and strictly controlled the expenses such as the travelling expenses, entertainment expenses and conference expenses; and secondly, the Company having further enhanced management over the waste transportation and reasonably dispatched the wastes according to the business layout, improved the efficiency of waste transportation, and the expenditure of transportation having reduced due to reduction of oil price.

Administrative expenses

For the Reporting Period, the Group's administrative expenses was RMB284,962,606 (2013: RMB221,405,604), representing approximately 13.92% (2013: approximately 13.99%) of the Group's total operating revenue. The increase in administration expenses is mainly due to the amortization of newly issued equity interests during the Reporting Period; secondly, the Company continuing to enhance input in research and development and having increased the staff education costs; and in addition, the number of subsidiaries having increased as compared with the corresponding period in 2013.

Finance Costs

For the Reporting Period, the Group's finance cost was approximately RMB24,204,951 (2013: approximately RMB1,469,229), representing approximately 1.18% (2013: approximately 0.09%) of the Group's total operating revenue. Increase in finance costs is mainly due to the demands for funds having increased along with the expansion of the Company, increase in corporate bonds and bank loans and increase in interest expenses.

Income Tax Expenses

For the Reporting Period, the Group's income tax expenses was approximately RMB39,045,324 (2013: approximately RMB27,839,096), representing approximately 12.14% of the Group's total profits before tax (2013: approximately 10.25%). The increase in income tax expenses was mainly due to the increase in the total profits of the Group.

Financial Resources and Liquidity

As at 31 December 2014, the Group had net current assets of approximately RMB923,597,023 (2013: approximately RMB1,020,961,492), including cash and cash equivalent of approximately RMB1,024,299,019 (2013: approximately RMB934,877,456).

As at 31 December 2014, the Group's total liabilities was approximately RMB2,146,894,681 (2013: approximately RMB817,494,079). The Group's gearing ratio was approximately 43.06% (2013: approximately 25.02%) which is calculated based on the Group's total liabilities and total assets. The current liabilities of the Group was approximately RMB1,317,418,212 (2013: approximately RMB605,720,441). As at 31 December 2014, the Group had outstanding bank loans of approximately RMB1,078,123,022 (2013: approximately RMB434,036,619).

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

In March 2014, the Company entered into an acquisition and capital increase agreement to acquire 60% equity interests in Yancheng Coastal Solid Waste Disposal Co., Ltd. (鹽城市沿海團體廢料處置有限公司) ("Yancheng Solid Waste") at a total consideration of RMB51, 200,000 in cash. Upon the completion of the transaction, 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, namely 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), a wholly-owned subsidiary of the Company, entered into an equity acquisition agreement to acquire Hefei New Champion Energy Development Co., Ltd. (合肥新冠能源開發有限公司) ("Hefei New Champion") at a price of approximately RMB30,557,422 in cash. Upon the completion of the transaction, the Company owned 100% equity interests in Hefei New Champion.

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), a wholly-owned subsidiary of the Company, entered into an equity acquisition agreement to acquire Nanchang New Champion Energy Development Co., Ltd. (南昌新冠能源開發有限公司) ("Nanchang New Champion") at a price of approximately RMB40,478,850 in cash. Upon the completion of the transaction, the Company owned 100% equity interests in Nanchang New Champion.

In June 2014, the Company utilized part of the proceeds raised for R&D base construction (the change of the use of proceeds has been approved) 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 Environmental Industrial Company Limited (廈門綠洲環保產業股份有限公司) ("Xiamen Oasis") at a price of RMB375,000,000 in cash. Upon completion of the transaction, Xiamen Oasis is owned as to 60% by the Company.

In August 2014, the Company entered into an equity acquisition and capital increase agreement to acquire Karamay Wosen Environmental Technology Co., Ltd.(克拉瑪依沃森環保科技有限公司) ("Wosen Environmental") at a price of RMB53,174,000 in cash. Upon the completion of transaction, the Company owned 82.82% equity interests in Wosen Environmental.

In September 2014, Jiangmen Dongjiang Environmental Technology Limited, a wholly-owned subsidiary of the Company invested RMB 6,000,000 to incorporate Jiangmen Dongjiang Lvlvda Fine Chemical Co., Ltd. (江門東江綠綠達精細化工有限公司), a subsidiary, in which the Company owned 60% equity interests.

In November 2014, the Company invested RMB 2,000,000 to incorporate Shenzhen Tricycle Information Technology Co., Ltd. (深圳市三輪車資訊科技有限公司), a subsidiary, in which the Company owned 40% equity interests.

In November 2014, the Company invested RMB 10,000,000 to incorporate Jiangxi Dongjiang Environmental Technology Co., Ltd. (江西東江環保技術有限公司), a wholly-owned subsidiary of the Company.

In November 2014, the Company invested RMB 520,000 to incorporate Shaoxing Dongjiang Environmental Engineering Co., Ltd. (紹興東江環保工程有限公司), a subsidiary, in which the Company owned 52% equity interests.

In December 2014, the Company acquired Jiangxi Kangtai Environmental Co., Ltd. (江西康泰環保股份有限公司) ("Jiangxi Kangtai Enviromental") at a price of RMB 17,693,900 in cash. Upon the completion of the transaction, the Company owned 51% equity interests in Jiangxi Kangtai Environmental.

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) held by it at a consideration of approximately RMB2,804,821.

Save as disclosed in this report, the Group does not have any substantial investments, acquisitions and disposals of subsidiaries, jointly controlled entities and associated companies during the Reporting Period.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Saved as disclosed in this report, the Group does not have other future plans for material investments or capital assets.

INTEREST RATE RISK

The Group is exposed to the fair value interest rate risks as a result of the Group's fixed-rate bank loans. The Group currently has no interest rate hedging policy. However, the management of the Group closely monitors the interest rate risk and should a significant risk be foreseeable, it will consider taking necessary actions.

The Group is also exposed to cash flow interest rate risk as a result of the Group's floating-rate bank loans. The Group's policy is to maintain the floating-rate bank loans to reduce the cash fluent such cash flow interest rate risk.

The Group's cash interest rate risk mainly results from the Group's RMB borrowings, and is subject to the fluctuations of the interest rate benchmark published by the People's Bank of China.

FOREIGN EXCHANGE RISK

The Group's functional currency is RMB, and the majority of transactions are denominated in RMB. However, certain bank balances of trade and other receivables and other payables are denominated in currencies other than RMB. Expenses of the Group's overseas operations are also denominated in foreign currencies.

PLEDGE OF ASSETS

As at 31 December 2014, certain assets of the Group were pledged to secure bank borrowings, guarantees and letters of credit facilities granted to the Group, as follows:

	2014	2013
Fixed assets	38,452,620.88	–
Cash and bank balances	3,451,118.87	12,010,000
Intangible assets	41,807,474.90	–
Total	83,711,214.65	12,010,000

INFORMATION ON EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, the number of full-time employees stood at 3,146 (2013: 2,455) with a total staff cost of approximately RMB272,785,625 (2013: approximately RMB206,236,636). The Group offered continual training, remuneration package of additional benefits to its employees, including retirement benefits, housing fund, and medical insurance.

CONTINGENT LIABILITIES

Pursuant to the method of collection and treatment of industrial waste adopted by the Group, since its incorporation, the Group has not incurred any material expenses due to environmental restoration. However, there is no guarantee that the Chinese authorities will not implement stringent environmental policies and guidelines/environmental restoration standards in the future which would cause the Group to take environmental protection measures. The financial position of the Group may be adversely affected due to any environmental liabilities which may arise as a result of the promulgation of new environmental policies, guidelines and standards.

Save as disclosed above, the Group had no significant contingent liabilities for the years ended 31 December 2013 and 2014.

CAPITAL COMMITMENT

As at 31 December 2014, the capital commitment of the Group was as follows:

Item	**2014**	2013
Capital expenditures contracted for but not provided for in the financial statements		
–Foreign investment	**87,071,400.00**	–
– Construction in progress	**219,636,663.88**	100,715,550.52
– Acquisition of plant and machinery	**30,187,750.00**	8,382,100.00
Total	**336,895,813.88**	109,097,650.52

FUTURE PROSPECTS

1. DEVELOPMENT TREND OF THE INDUSTRY

Along with the environmental problems such as smog, soil pollution, solid waste pollution, etc, the tolerance of the environment of China is close to its maximum limit, the favourable policies for the environmental protection industry will hopefully be implemented, which in turn will realise the positioning of its strategic emerging industries. Meanwhile, the capital market has started to be more involved in the environmental protection industry, which brings new development opportunities for the environmental protection industry, and provides more merger and acquisition opportunities. With increasing concern over the environmental protection industry, the relevant authorities of the government is increasing their supervision step by step. In the Eighteenth Three Plenary Meeting, it was proposed mixed ownership economy and the concept of governance by third party should be actively developed and promoted, by introducing specialized third party to bring the pollution under control through marketization mechanism. This certainly promotes the development of the environmental protection industry, and the promulgation of the "Two Supreme Explanation" continued to induce the demand for the treatment of hazardous waste. Faced with broad market potential and room for improvement, together with 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 listed companies with financial, technological strength and ability to integrate advantageous resources will definitely obtain more market resources and achieve rapid development.

2. DEVELOPMENT STRATEGY OF THE GROUP AND OPERATION PLAN FOR THE YEAR

In 2015, the Company will continue to pioneer with market exploration and use innovation as motivation, to adjust the business structure and network for an in-depth layout, gradually creating the management model of "centralized management, services at the platform" in the form of a group and achieving scale expansion and efficiency enhancement. In this regard, the business working plan of the Company for 2015 is as follows:

(1) To strengthen the management of strategies of the Group, prepare the 3 to 5-year strategic planning of the Group, link up business strategies and function strategies properly, strengthen the management of budgeting and performance, set up efficient business operation management system.

(2) To continue to optimize the adjustment of industry structure, realize upgrade and transformation of strategies. In the future the Group will still stress on expanding the industrial waste detoxification business, raising the proportion business in the entire businesses, enhancing the business results and risk resistance of the Group, and realising a reasonable and stable business structure.

(3) To continue to focus on project establishment, harvesting both the release of capacity and increase of efficiency. It is expected that in the first half of 2015, more projects under construction such as Jiangmen Industrial Waste Treatment project, Jiaxing Deda moving and expansion project and Karamay hazardous waste demonstration centre project will be completed and put to operation.

(4) To set up the market management function of the head office of the Group, set up a data platform of the Group, promote the upgrade of informationization. In the future, the Group will set up a business database of the Group and a client relationship management platform, greatly exploring the potential value of clients and strengthening after-sales services; and strengthen the resource consolidation of regional businesses to achieve smooth information interaction and exchange and resource sharing.

(5) To develop innovation technology R&D management. Technological innovation drives the sustainable development of the Group. The Group wlll set up a multi-level open R&D platform, strengthen resource consolidation and adequately share resources. At the same time, the Group will strengthen the introduction and digestion of fundamental techniques, target at the study of common key technologies, strengthen the study of production technologies, continue to promote standardized skills and techniques, work by modules and realize an interaction between technology and production.

3. RISKS EXPOSURE

(1) Macro economic environment and policy risks

In 2015, the global economy is still uncertain, the Chinese economy also faces huge challenges and competition in the market intensifies. Faced with keen market competition, the Company will make use of comprehensive and reasonable adjustments in technologies, management and market, cutting costs and other measures to further enhance the core competitiveness of the Company and ensure the stable development of the Company.

(2) Human resources management risk

Since currently the Group has over 40 wholly-owned, controlled companies and companies in which it has an interest, and over 3000 staff with a business layout covering 19 provinces and cities, the Company faces the risks of a very long management chain and unstable teams of employees. To tackle this, the Group, through innovating the human resources training, recruitment, retention and deployment mechanisms, particularly strengthening the training of middle management and primary staff, will set up of a platform for input and output of human resources and strengthen the personnel management, make proper analysis of human resources efficiency indicators and strengthen the corporate management, etc to enhance the cohesion of employees. At the same time, the Group will implement a share incentive mechanism to attract more talents to join the Group.

(3) Business management risks.

Amid a huge system of projects under construction and rapid expansion of business scale, the corporate management desperately needs reform. The Company will set up a responsibility and duty system, further specifying the responsibility and duty relationship between the head office and subsidiaries and branches, and continue to promote the ten key tasks for the year of the Group, such as "Optimization of project investment and construction management", "Optimization of performance management system" and "Innovative human resources management model" to facilitate standardized management and improve efficiency.

DIVIDENDS

The Board proposed to use 347,836,841 shares of the total share capital as at 31 December 2014, deducting 30,000 restricted shares intended to be repurchased for cancellation, i.e. 347,806,841 shares, as the basis to pay a final dividend of RMB 0.15 per share of the Company (inclusive of tax) (2013: RMB0.30) to all shareholders of the Company, with the total amount of dividend to be paid be RMB 52,171,026.15, subject to approval by the shareholders of the Company at the 2014 annual general meeting ("AGM") to be convened and held. In addition, the Board proposes to offer to all shareholders of the Company 15 ordinary shares for each 10 ordinary shares held by shareholders of the Company by way of conversion of capital reserve, thereby issuing 521,710,261 shares (including 120,082,500 H shares and 401,627,761 A shares) based on the total number of 347,806,841 shares of the Company. Following the aforesaid conversion of capital reserve, the Company shall have a total of 869,517,102 shares (including 200,137,500 H shares and 669,379,602 A shares). The aforesaid conversion of capital reserve is subject to, among other things, having obtained the approval by shareholders of the Company at the AGM, the class meeting for holders of H shares and the class meeting for holders of A shares to be convened and held, and the Stock Exchange granting approval for the listing of the 120,082,500 H shares to be issued on the Main Board of the Stock Exchange.

If there is any change to the total shares of the Company due to the conversion of convertible bonds and repurchase of shares prior to the implementation of profit distribution plan, the Company shall make the distribution according to the percentage share of the latest total shares based on the perpetual principle of "conversion of capital reserves by the total amount of cash dividend, total amount of share capital increased from capital reserves" approved and determined at the general meeting.

ISSUE OF SHARES BY CONVERSION OF CAPITAL RESERVE

On 27 March 2014, the Company announced its proposals to issue 5 new Shares for each 10 existing Shares by way of conversion of capital reserve to all shareholders. The proposed issue of shares of the Company was approved by the 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, respectively. 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 April 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, 10 June 2014 and 24 June 2014, and the circular of the Company dated 25 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 (CSRC Approval [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 with a term of 5 years at the coupon rate of 6.5%. The remaining tranche(s) of domestic corporate bonds shall be issued within 24 months from 7 February 2014 (being the date on which the approval from the CSRC to issue domestic corporate bonds was obtained).

On 10 September 2014, the first tranche of the domestic corporate bonds was listed on the Shenzhen Stock Exchange.

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, 5 August 2014 and 8 September 2014, and the circular of the Company dated 23 August 2013.

THE RESTRICTED A SHARE INCENTIVE SCHEME

On 26 November 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.

Pursuant to the Restricted A Share Incentive Scheme, the total number of restricted shares that may be granted shall not exceed 6,710,000 A shares. The Restricted A Share Incentive Scheme shall be effective within 48 months from the date of grant of the restricted shares.

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.

On 20 November 2014, the grant of a reserved portion of Restricted A Shares ("Reserved Restricted A Shares") under the Restricted A Share Incentive Scheme was considered and approved by the Board. On 21 November 2014, an aggregate of 900,000 Reserved Restricted A Shares were granted to 68 Share Incentive Participants.

On 15 December 2014, since 3 original incentive participants had left office and were no longer qualified under the conditions of the A Share Incentive Scheme, the Company had repurchased a total of 390,000 of its own restricted A shares (the "Repurchase") and such shares had later been cancelled on 17 December 2014 ("the Cancellation"). For details of the Repurchase and Cancellation, please refer to the section "Purchase, Sale and Redemption of Listed Securities of the Company" below.

On 20 November 2014, the grant of a reserved portion of Restricted A Shares under the Restricted A Share Incentive Scheme was considered and approved by the Board. On 21 November 2014, an aggregate of 900,000 Reserved Restricted A Shares have been granted to 68 Share Incentive Participants. 2 Share Incentive Participants have later surrendered their subscription rights for all the Restricted Shares to be granted to them due to personal reasons, in this connection, the Company has adjusted the list of the Share Incentive Participants and the number of Reserved Restricted A Shares accordingly (the "Adjustment"). Subsequent to the Adjustment, the number of Share Incentive Participants is 66, and the number of Reserved Restricted A Shares is 880,000 shares. On 24 December 2014, the issuance of 880,000 Reserved Restricted A Shares to the 66 Share Incentive Participants have been completed (the "Grant").

On 7 January 2015, the articles of association of the Company have been amended as a result of the completion of the Cancellation and the Grant taken place on 24 December 2014.

For details of the Restricted A Share Incentive Scheme, the First Grant and the 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, 21 February 2014, 20 November 2014, 10 December 2014, 17 December 2014, 24 December 2014 and 7 January 2015, and the circular of the Company dated 28 November 2013.

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

On 15 December 2014, the Company had purchased a total of 390,000 of its own restricted A Shares of RMB1.00 each at the price of approximately RMB 12.91 per A Share. The aggregate purchase price was approximately RMB5,036,200. All these shares have been subsequently cancelled on 17 December 2014. The restricted A Shares under the repurchase represented approximately 0.11% of the total capital of the Company immediately prior to the repurchase. For details, please refer to the announcement dated 17 December 2014.

Saved as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

CHANGE OF INDEPENDENT NON-EXECUTIVE DIRECTOR, MEMBER OF THE AUDIT COMMITTEE AND CHAIRMAN OF THE REMUNERATION AND APPRAISAL COMMITTEE

On 10 December 2014, Mr. Wang Ji De had tendered a resignation from his positions as the independent non-executive Director, member of the audit committee and chairman of the remuneration and appraisal committee of the Company after having considered the "Opinions on Further Regulation on Party and Political Leaders and Cadres Working Part-time (Holding Office) in Enterprises" issued by the Organisation Department of the CPC Central Committee (the "Opinion"). Pursuant to the requirements of the Opinion, retired government officials and leaders are not allowed to have any economic interest in any economic entities.

Following the proposed resignation of Mr. Wang, the appointment of Mr. Su Qi Yun (蘇啟雲) to be an independent non-executive Director has been approved by the Shareholders at the general meeting held on 16 March 2015 to fill the vacancies and the resignation of Mr. Wang became effective on the same day.

For details of the change, please refer to the announcements dated 10 December 2014, 11 December 2014 and 16 March 2015 and the circular dated 28 January 2015.

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 the applicable code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2014 and up to the date of this announcement.

SCOPE OF WORK OF SHINEWING CERTIFIED PUBLIC ACCOUNTANTS

The figures of the Group's financial results for the year ended 31 December 2014 contained in this announcement have been agreed by the Group's auditors, SHINEWING Certified Public Accountants, to the amounts set out in the Group's financial statements for the year ended 31 December 2014. The work performed by SHINEWING Certified Public Accountants in this respect did not constitute an assurance engagement in accordance with the PRC Accounting Standards issued by China Ministry of Finance and consequently, no assurance has been expressed by SHINEWING Certified Public Accountants on this announcement.

AUDIT COMMITTEE

The Company had set up an audit committee (the "Audit Committee") on 14 January 2003 with written terms of reference, for the purpose of reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, formulating and implementing policies in relation to the non-audit services provided by auditors, reviewing the Company's financial information and its disclosure, monitoring the Company's internal control system and its implementation, reviewing and providing supervision over the Group's financial reporting process and internal control of the Company.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Wong Hin Wing, Mr. Qu Yong Hui and Mr. Su Qi Yun. Mr. Wong Hin Wing has been appointed as the chairman of the Audit Committee. The Audit Committee has reviewed the Company's financial statements for the year ended 31 December 2014 and this announcement.

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

26 March 2015
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 Yong Hui and Mr. Su Qi Yun.

In this announcement, the English names of the PRC entities are translation of their Chinese names and included for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

* *For identification purposes only*