



DONGJIANG ENVIRONMENTAL COMPANY LIMITED*

東江環保股份有限公司

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

(Stock Code: 00895)



INTERIM
REPORT
2015

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

ZHANG Wei Yang (*Chairman*)
CHEN Shu Sheng (*Chief Executive Officer*)
LI Yong Peng (*Vice President*)

NON-EXECUTIVE DIRECTORS

FENG Tao (*Vice-chairman*)
SUN Ji Ping

INDEPENDENT NON-EXECUTIVE DIRECTORS

WONG Hin Wing
QU Jiu Hui
SU Qi Yun (*appointed on 16 March 2015*)

SUPERVISORS

YUAN Wei
CAI Wen Sheng
LIU An

COMPANY SECRETARY

WANG Tian

AUDIT COMMITTEE

WONG Hin Wing (*Chairman*)
QU Jiu Hui
SU Qi Yun

REMUNERATION AND APPRAISAL COMMITTEE

SU Qi Yun (*Chairman*)
WONG Hin Wing
QU Jiu Hui

NOMINATION COMMITTEE

QU Jiu Hui (*Chairman*)
ZHANG Wei Yang
WONG Hin Wing

STRATEGIC DEVELOPMENT COMMITTEE

ZHANG Wei Yang (*Chairman*)
FENG Tao
QU Jiu Hui

AUTHORIZED REPRESENTATIVES

ZHANG Wei Yang
WANG Tian

STOCK CODE

A shares: Shenzhen Stock Exchange
Stock short name: Dongjiang Env.
Stock code: 002672
H shares: The Stock Exchange of Hong Kong Limited
Stock short name: Dongjiang Env
Stock code: 00895

AUTHORIZED REPRESENTATIVE TO ACCEPT SERVICE OF PROCESSES AND NOTICES

Loong & Yeung

AUDITORS

ShineWing Certified Public Accountants

LEGAL ADVISORS

Loong & Yeung (*as to Hong Kong law*)
北京國楓（深圳）律師事務所 (*as to PRC law*)

PRINCIPAL BANKER

China Merchants Bank

SHARE REGISTRAR

A Share Registrar
China Securities Depository and Clearing Corporation Limited Shenzhen Branch
18th Floor, CITIC Plaza, 1093 Shennan Zhong Road, Shenzhen, PRC
H Share Registrar
Tricor Tengis Limited
22/F, Hopewell Centre, No. 183 Queen's Road East, Wanchai, Hong Kong

REGISTERED OFFICE

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 People's Republic of China

COMPANY'S WEBSITE

<http://www.dongjiang.com.cn>

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 2001-2006, 20th Floor
Jardine House, 1 Connaught Place
Central, Hong Kong

INTERIM RESULTS (UNAUDITED)

The board (the “Board”) of directors (the “Directors”) of Dongjiang Environmental Company Limited (the “Company”) hereby announces the unaudited results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2015 (the “Reporting Period” or the “Period”), together with the comparative figures of the corresponding period of 2014, as follows:

(Unless specified otherwise, the financial information of the Company in this report was stated in Renminbi (“RMB”) Yuan.)

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2015

	Note	Six months ended 30 June	
		2015 (Unaudited)	2014 (Unaudited)
Total operating revenue	2	1,118,866,876.59	849,239,934.23
Total operating costs		920,645,129.45	701,897,607.46
Including:			
Cost of operation		743,128,294.08	571,290,073.47
Handling charges and commissions		7,311.33	–
Sales tax and levies		5,783,510.80	4,176,567.32
Selling expenses		19,664,684.66	15,031,171.99
Administrative expenses		127,258,633.84	108,515,881.02
Finance costs	4	24,322,044.02	93,963.21
Impairment loss for assets	5	480,650.72	2,789,950.45
Add: Gain (loss) on fair value changes		198,900.00	(156,640.00)
Investment income (loss)		17,657,643.43	24,741,448.75
Including: Investment income from jointly controlled entities and associates		17,148,639.78	22,554,469.11

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

(Continued)

For the six months ended 30 June 2015

	Note	Six months ended 30 June	
		2015 (Unaudited)	2014 (Unaudited)
Operating profit		216,078,290.57	171,927,135.52
Add: Non-operating income		18,714,640.06	6,281,430.27
Including: Gain on disposal of non-current assets		77,104.18	101,778.93
Less: Non-operating expenses		2,839,670.59	4,236,938.79
Including: Loss on disposal of non-current assets		248,693.01	103,891.30
Total profit		231,953,260.04	173,971,627.00
Less: Income tax expenses	6	33,569,243.53	17,259,912.34
Net profit		198,384,016.51	156,711,714.66
Net profit attributable to shareholders of the Company		173,643,031.97	136,164,196.39
Minority interests		24,740,984.54	20,547,518.27
Other comprehensive income, net of tax		(1,145.70)	291,920.51
Other comprehensive income to shareholders of the Company, net of tax		(1,145.70)	291,920.51
Items that cannot be reclassified to profit and loss in future		–	–
Items that can be reclassified to profit and loss when qualified in future		(1,145.70)	291,920.51
Exchange difference on translation of financial statement in foreign currency		(1,145.70)	291,920.51
Total comprehensive income		198,382,870.81	157,003,635.17

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

(Continued)

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Total comprehensive income attributable to shareholders of the Company	173,641,886.27	136,456,116.90
Total comprehensive income attributable to minority interests	24,740,984.54	20,547,518.27
Earnings per share:		
Basic earnings per share	0.20	0.16
Diluted earnings per share	0.20	0.16

INCOME STATEMENT OF THE COMPANY (UNAUDITED)

For the six months ended 30 June 2015

	Note	Six months ended 30 June	
		2015 (Unaudited)	2014 (Unaudited)
Total operating revenue	2	518,530,730.81	477,972,665.94
Less: Cost of operation		365,543,113.01	327,990,237.07
Sales tax and levies		2,622,755.20	1,523,921.46
Selling expenses		6,796,812.12	5,535,508.71
Administrative expenses		45,755,294.42	50,301,961.53
Finance costs	4	19,935,292.79	(609,275.69)
Impairment loss for assets	5	618,444.51	1,802,716.74
Add: Gain on fair value changes		198,900.00	(156,640.00)
Investment income (loss)		42,830,592.72	42,604,827.92
Including: Investment income from jointly controlled entities and associates		17,148,639.78	22,554,469.11
Operating profit		120,288,511.48	133,875,784.04
Add: Non-operating income		2,348,304.31	1,349,406.77
Including : Gain on disposal of non-current assets		46,252.03	
Less: Non-operating expenses		612,030.44	4,001,976.00
Including: Loss on disposal of non-current assets		170,830.28	78,987.76
Total profit		122,024,785.35	131,223,214.81
Less: Income tax expenses	6	9,787,269.98	13,636,577.71
Net profit		112,237,515.37	117,586,637.10
Other comprehensive income, net of tax		–	–
Total comprehensive income		112,237,515.37	117,586,637.10
Earnings per share:			
Basic earnings per share		–	–
Diluted earnings per share		–	–

CONSOLIDATED BALANCE SHEET

As at 30 June 2015

	Note	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Current assets:			
Cash and bank balances		1,066,964,427.52	1,027,750,137.40
Financial assets measured at fair value with movement taken into profit and loss for the current period		2,253,360.00	2,054,460.00
Bills receivables		57,819,642.36	78,904,823.06
Accounts receivables	9	611,369,423.50	471,463,000.99
Prepayments		63,321,988.26	62,972,114.89
Interest receivables		6,539,097.18	–
Other receivables		78,543,384.69	85,181,888.39
Loans		158,000,000.00	–
Inventories		324,307,046.12	300,312,175.25
Non-current assets due within 1 year		29,880,000.00	28,680,000.00
Other current assets		76,164,021.40	183,696,635.45
Total current assets		2,475,162,391.03	2,241,015,235.43
Non-current assets:			
Available-for-sale financial assets		13,431,700.00	–
Long-term accounts receivable		159,043,528.32	102,098,599.96
Long-term equity investments		151,792,282.72	101,383,642.95
Investment properties		53,870,800.00	53,870,800.00
Fixed assets		904,443,691.13	790,008,632.11
Construction in progress		893,487,098.90	724,412,543.84
Engineering materials		949,402.17	–
Intangible assets		721,336,854.71	503,966,799.34
Goodwill		536,332,578.66	345,402,506.21
Long-term deferred expenses		4,798,977.15	1,578,863.29
Deferred income tax assets		17,780,725.85	17,467,808.84
Other non-current assets		220,341,118.28	104,265,197.84
Total non-current assets		3,677,608,757.89	2,744,455,394.38
Total assets		6,152,771,148.92	4,985,470,629.81

CONSOLIDATED BALANCE SHEET

(Continued)

As at 30 June 2015

	Note	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Current liabilities:			
Short-term borrowings		1,051,477,371.42	559,264,227.46
Accounts payables	11	326,912,386.46	290,733,139.43
Receipts in advance		45,010,962.62	34,837,458.01
Employee benefits payables		19,025,075.80	48,915,674.57
Tax payables		32,135,810.14	35,843,004.36
Interest payables		2,759,724.23	2,255,536.85
Dividend payables		14,412,810.00	1,593,150.00
Other payables		294,467,049.24	176,415,524.54
Non-current liabilities repayable within one year		290,822,858.98	157,902,710.91
Other current liabilities		14,775,752.34	9,657,786.27
Total current liabilities		2,091,799,801.23	1,317,418,212.40
Non-current liabilities:			
Long-term borrowings		574,103,278.90	376,459,453.45
Bonds payable		346,517,476.79	355,632,555.15
Long-term payables		5,516,148.33	6,162,843.75
Deferred income		118,629,801.49	83,059,965.96
Deferred income tax liabilities		1,992,514.63	1,992,514.63
Other non-current liabilities		5,313,568.58	6,169,135.84
Total non-current liabilities		1,052,072,788.72	829,476,468.78
Total liabilities		3,143,872,589.95	2,146,894,681.18

CONSOLIDATED BALANCE SHEET

(Continued)

As at 30 June 2015

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Shareholders' equity:		
Share capital	869,517,102.40	347,836,841.40
Capital reserve	359,950,824.46	874,710,682.20
Less: treasury shares	100,735,920.00	122,701,500.00
Other comprehensive income	(739,457.80)	(738,312.10)
Surplus reserve	133,231,913.01	133,231,913.01
Undistributed profits	1,331,476,601.81	1,209,998,595.99
Equity attributable to shareholders of the Company	2,592,701,063.88	2,442,338,220.50
Minority interests	416,197,495.09	396,237,728.13
Total shareholders' equity	3,008,898,558.97	2,838,575,948.63
Total liabilities and shareholders' equity	6,152,771,148.92	4,985,470,629.81
Net current assets	383,362,589.80	923,597,023.03
Total assets less current liabilities	4,060,971,347.69	3,668,052,417.41

BALANCE SHEET OF THE COMPANY

As at 30 June 2015

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Current assets:		
Cash and bank balances	585,496,582.25	718,896,468.89
Financial assets measured at fair value with movement taken into profit and loss for the current period	2,253,360.00	2,054,460.00
Bills receivables	28,880,244.18	50,586,141.65
Accounts receivables	217,383,478.27	176,279,053.50
Prepayments	79,445,874.99	161,959,188.72
Interest receivables	6,385,020.10	–
Other receivables	1,158,545,701.30	933,650,930.73
Inventories	26,568,992.24	34,816,504.03
Non-current assets due within 1 year	29,880,000.00	28,680,000.00
Other current assets	8,987,383.28	8,265,832.66
Total current assets	2,143,826,636.61	2,115,188,580.18
Non-current assets:		
Available-for-sale financial assets	13,431,700.00	–
Long-term accounts receivable	155,049,232.32	102,098,599.96
Long-term equity investments	2,337,306,900.37	1,666,552,933.60
Investment properties	53,870,800.00	53,870,800.00
Fixed assets	194,596,673.83	183,677,239.73
Construction in progress	88,371,011.95	67,723,165.91
Intangible assets	80,585,551.91	90,754,826.98
Deferred income tax assets	11,040,843.44	11,040,843.44
Other non-current assets	18,415,731.80	14,758,129.50
Total non-current assets	2,952,668,445.62	2,190,476,539.12
Total assets	5,096,495,082.23	4,305,665,119.30

BALANCE SHEET OF THE COMPANY

(Continued)

As at 30 June 2015

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Current liabilities:		
Short-term borrowings	934,115,371.42	484,576,227.46
Accounts payables	230,182,582.12	148,575,737.11
Receipts in advance	83,826,214.28	27,547,961.59
Employee benefits payables	10,876,945.13	32,660,328.58
Tax payables	14,011,945.82	24,111,747.57
Interest payables	2,759,724.23	2,255,536.85
Dividend payables	14,412,810.00	1,593,150.00
Other payables	372,118,640.49	398,925,385.60
Non-current liabilities repayable within one year	253,354,166.63	111,500,000.00
Other current liabilities	3,024,979.76	2,173,549.75
Total current liabilities	1,918,683,379.88	1,233,919,624.51
Non-current liabilities:		
Long-term borrowings	318,900,000.00	285,400,000.00
Bonds payable	346,517,476.79	355,632,555.15
Deferred income	18,702,109.56	25,502,696.12
Deferred income tax liabilities	1,992,514.63	1,992,514.63
Other non-current liabilities	1,832,400.00	2,309,000.00
Total non-current liabilities	687,944,500.98	670,836,765.90
Total liabilities	2,606,627,880.86	1,904,756,390.41
Shareholders' equity:		
Share capital	869,517,102.40	347,836,841.40
Capital reserve	420,680,621.18	935,440,478.92
Less: treasury shares	100,735,920.00	122,701,500.00
Surplus reserve	119,186,157.89	119,186,157.89
Undistributed profits	1,181,219,239.90	1,121,146,750.68
Total shareholders' equity	2,489,867,201.37	2,400,908,728.89
Total liabilities and shareholders' equity	5,096,495,082.23	4,305,665,119.30

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the six months ended 30 June 2015

	For the six months ended 30 June 2015							
	Equity attributable to shareholders of the Company							
	Share capital	Capital reserve	Less: treasury shares	Other comprehensive income	Surplus reserve	Undistributed profits	Minority interests	Total shareholders' equity
At the beginning of the Period	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
Increase (decrease) for the Period	521,680,261.00	(514,759,857.74)	(21,965,580.00)	(1,145.70)	-	121,478,005.82	19,959,766.96	170,322,610.34
Total comprehensive income	-	-	-	(1,145.70)	-	173,643,031.97	24,740,984.54	198,382,870.81
Injection (reduction) from shareholders	(30,000.00)	6,950,403.26	(21,965,580.00)	-	-	6,000.00	15,145,798.59	44,037,781.85
Ordinary shares injected by shareholders	-	-	-	-	-	-	8,000,000.00	8,000,000.00
Share-based payments included in the amount of shareholders' equity	(30,000.00)	6,950,403.26	(21,965,580.00)	-	-	6,000.00	-	28,891,983.26
Others	-	-	-	-	-	-	7,145,798.59	7,145,798.59
Profits appropriation	-	-	-	-	-	(52,171,026.15)	(19,927,016.17)	(72,098,042.32)
Dividends paid to shareholders	-	-	-	-	-	(52,171,026.15)	(19,927,016.17)	(72,098,042.32)
Internal transfer of shareholders' equity	521,710,261.00	(521,710,261.00)	-	-	-	-	-	-
Transfer of capital reserve to share capital	521,710,261.00	(521,710,261.00)	-	-	-	-	-	-
At the end of the Period	869,517,102.40	359,950,824.46	100,735,920.00	(739,457.80)	133,231,913.01	1,331,476,601.81	416,197,495.09	3,008,898,558.97

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

(Continued)

For the six months ended 30 June 2015

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

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

For the six months ended 30 June 2015

	For the six months ended 30 June 2015					Total shareholders' equity
	Share capital	Capital reserve	Less: treasury shares	Surplus reserve	Undistributed profits	
At the beginning of the Period	347,836,841.40	935,440,478.92	122,701,500.00	119,186,157.89	1,121,146,750.68	2,400,908,728.89
Increase (decrease) of the Period	521,680,261.00	(514,759,857.74)	(21,965,580.00)	-	60,072,489.22	88,958,472.48
Total comprehensive income	-	-	-	-	112,237,515.37	112,237,515.37
Injection (reduction) from shareholders	(30,000.00)	6,950,403.26	(21,965,580.00)	-	6,000.00	28,891,983.26
Share-based payments included in the amount of shareholders' equity	(30,000.00)	6,950,403.26	(21,965,580.00)	-	6,000.00	28,891,983.26
Profits appropriation	-	-	-	-	(52,171,026.15)	(52,171,026.15)
Dividends paid to shareholders	-	-	-	-	(52,171,026.15)	(52,171,026.15)
Internal transfer of shareholders' equity	521,710,261.00	(521,710,261.00)	-	-	-	-
Transfer of capital reserve to share capital	521,710,261.00	(521,710,261.00)	-	-	-	-
At the end of the Period	869,517,102.40	420,680,621.18	100,735,920.00	119,186,157.89	1,181,219,239.90	2,489,867,201.37

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

(Continued)

For the six months ended 30 June 2015

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

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	1,096,328,773.40	866,131,031.61
Cash received from interest, fees and commissions	6,951,656.58	–
Other cash receipts relating to tax returning	6,433,498.56	4,034,939.37
Other cash receipts relating to operating activities	32,553,454.26	29,891,805.73
Sub-total of cash inflows from operating activities	1,142,267,382.80	900,057,776.71
Cash paid for goods and services	691,342,224.03	579,988,804.68
Net increase in customer loans and advances	158,000,000.00	–
Cash paid for interest, fees and commissions	7,268.33	–
Cash paid to and on behalf of employees	173,594,999.88	119,332,110.68
Payments of taxes and levies	92,192,846.13	61,177,561.00
Other cash payments relating to operating activities	97,462,812.87	56,633,931.08
Sub-total of cash outflows from operating activities	1,212,600,151.24	817,132,407.44
Net cash flows from operating activities	(70,332,768.44)	82,925,369.27
Cash flows from investing activities:		
Cash received from investments	91,000,000.00	–
Cash received from return on investments	509,003.65	999,293.83
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	79,057.70	75,119.66
Sub-total of cash inflows from investing activities	91,588,061.35	1,074,413.49
Cash paid to acquire fixed assets, intangible assets and other long-term assets	285,260,710.65	217,048,550.68
Net cash paid on acquisition of subsidiaries and other operating units	265,805,161.37	79,664,236.92
Other cash payments relating to investing activities	–	74,614,611.56
Sub-total of cash outflows from investing activities	551,065,872.02	371,327,399.16
Net cash flows from investing activities	(459,477,810.67)	(370,252,985.67)

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

(Continued)

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Cash flows from financing activities:		
Cash received from absorption of investments	8,000,000.00	113,314,500.00
Including: cash received by subsidiaries from investment from minority shareholders	8,000,000.00	–
Cash received from borrowings	976,024,177.34	439,200,633.16
Cash received from other financing activities	69,084,840.00	6,560,000.00
Sub-total cash inflows from financing activities	1,053,109,017.34	559,075,133.16
Cash payments for settlement of borrowings	419,720,598.25	279,594,899.20
Cash payments for distribution of dividend, profit or interests expenses	83,768,965.50	84,074,752.36
Including: cash payments for distribution of dividend and profit by subsidiaries to minority shareholders	19,716,442.67	23,140,000.00
Other cash payments relating to financing activities	30,744,611.18	240,869.12
Sub-total of cash outflows from financing activities	534,234,174.93	363,910,520.68
Net cash flows from financing activities	518,874,842.41	195,164,612.48
Effect of foreign exchange rate changes on cash and cash equivalents	1,145.70	–
Net increase in cash and cash equivalents	(10,934,591.00)	(92,163,003.92)
Add: Cash and cash equivalents at the beginning of the period	1,024,299,018.53	934,877,455.89
Cash and cash equivalents at the end of the period	1,013,364,427.53	842,714,451.97

CASH FLOW STATEMENT OF THE COMPANY (UNAUDITED)

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	538,299,272.75	479,058,488.82
Other cash receipts relating to operating activities	54,614,555.82	42,757,128.87
Sub-total of cash inflows from operating activities	592,913,828.57	521,815,617.69
Cash paid for goods and services	253,905,925.90	342,018,884.86
Cash paid to and on behalf of employees	79,909,373.28	51,258,393.05
Payments of taxes and levies	33,479,723.48	23,510,764.49
Other cash payments relating to operating activities	42,443,553.46	12,255,757.81
Sub-total of cash outflows from operating activities	409,738,576.12	429,043,800.21
Net cash flows from operating activities	183,175,252.45	92,771,817.48
Cash flows from investing activities:		
Cash received from investments	5,916,000.00	–
Cash received from returns on investments	23,204,922.95	18,862,673.00
Sub-total of cash inflows from investing activities	29,120,922.95	18,862,673.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets	16,982,131.07	49,295,162.21
Cash paid on investments	–	157,733,500.00
Net cash paid on acquisition of subsidiaries and other operating units	655,724,031.00	–
Other cash payments relating to investing activities	279,568,000.00	165,790,000.00
Sub-total of cash outflows from investing activities	952,274,162.07	372,818,662.21
Net cash flows used in investing activities	(923,153,239.12)	(353,955,989.21)

CASH FLOW STATEMENT OF THE COMPANY (UNAUDITED)

(Continued)

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Cash flows from financing activities:		
Cash received from absorption of investments	–	113,314,500.00
Cash received from borrowings	860,749,681.64	439,200,633.16
Other cash received relating to financing activities	69,084,840.00	6,560,000.00
Sub-total of cash inflows from financing activities	929,834,521.64	559,075,133.16
Cash payments for settlement of borrowings	256,710,537.68	256,000,000.00
Cash payments for interest expenses, distribution of dividend or profits	65,951,272.75	59,246,075.06
Other cash payments relating to financing activities	30,744,611.18	240,869.12
Sub-total of cash outflows from financing activities	353,406,421.61	315,486,944.18
Net cash flows from financing activities	576,428,100.03	243,588,188.98
Effect of foreign exchange rate changes on cash and cash equivalents	–	–
Net increase in cash and cash equivalents	(163,549,886.64)	(17,595,982.75)
Add: Cash and cash equivalents at the beginning of the period	718,396,468.89	539,240,795.08
Cash and cash equivalents at the end of the period	554,846,582.25	521,644,812.33

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICES

The unaudited interim financial statements of the Group are 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 the China Securities Regulatory Commission (“CSRC”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Hong Kong Companies Ordinance. The financial statements of the Group is also made based on the accounting policies and estimates applied for the Group.

The accounting policies and methods of computation used in the preparation of the unaudited interim financial statements are consistent with those adopted in the annual financial statements of the Group for the year ended 31 December 2014. This interim result has not been audited by the auditor of the Company, and has been reviewed by the audit committee of the Company.

2. OPERATING REVENUE

Operating revenue represents the net amount received and receivable for goods sold and services rendered by the Group to outside customers, less trade discounts.

Analysis of the Group’s operating revenue during the Period is as follows:

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Industrial waste recycling	360,268,643.89	436,077,224.10
Industrial waste treatment and disposal	283,148,703.14	154,830,423.13
Municipal waste treatment and disposal	120,612,182.44	93,774,488.70
Renewable energy utilization	46,061,792.41	28,705,218.17
Environmental engineering and services	101,689,016.02	55,818,202.26
Trading and others	34,405,737.21	23,881,798.83
Waste electrical appliance dismantling treatment	172,680,801.48	56,152,579.04
Total	1,118,866,876.59	849,239,934.23

3. SEGMENT INFORMATION

The Group is currently organised into seven operating divisions, namely, (i) industrial waste recycling; (ii) industrial waste treatment and disposal; (iii) municipal waste treatment and disposal; (iv) renewable energy utilization; (v) environmental engineering and services; (vi) trading and others; and (vii) waste electrical appliance dismantling treatment. These divisions are the basis on which the Group reports its primary segment information.

i) For the six months ended 30 June 2015 (unaudited)

	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
Operating revenue	398,720,248.81	297,608,300.88	120,612,182.44	46,061,792.41	105,146,304.37	46,964,521.21	172,680,801.48	-	(68,927,275.01)	1,118,866,876.59
Including: revenue from external transactions	360,288,643.89	283,148,703.14	120,612,182.44	46,061,792.41	101,689,016.02	34,405,737.21	172,680,801.48	-	-	1,118,866,876.59
Revenue from intra-segment transactions	38,451,604.92	14,459,597.74	-	-	3,457,288.35	12,558,784.00	-	-	(68,927,275.01)	-
Operating cost	289,573,767.89	128,455,787.85	100,209,558.59	30,428,174.76	86,113,710.86	26,202,130.53	151,324,534.56	-	(63,389,548.83)	748,919,116.21
Operating profit (loss)	58,801,575.03	103,654,676.55	12,402,623.85	12,944,973.94	14,067,499.87	13,718,041.97	5,560,766.02	17,856,543.43	(22,933,391.84)	216,078,280.57

ii) For the six months ended 30 June 2014 (unaudited)

	Industrial waste recycling	Industrial waste treatment and disposal	Municipal waste treatment and disposal	Renewable energy utilization	Environmental engineering and services	Trading and others	Waste electrical appliance dismantling treatment	Unallocated amounts	Elimination	Total
Operating revenue	680,228,532.95	163,116,146.13	103,236,712.70	28,705,218.17	60,133,278.04	32,277,269.97	56,152,579.04	-	(274,609,802.77)	849,239,934.23
Including: revenue from external transactions	436,077,224.10	154,830,423.13	93,774,488.70	28,705,218.17	55,818,202.26	23,881,798.83	56,152,579.04	-	-	849,239,934.23
Revenue from intra-segment transactions	244,151,308.85	8,285,723.00	9,462,224.00	-	4,315,075.78	8,395,471.14	-	-	(274,609,802.77)	-
Operating cost	535,260,426.92	77,326,973.54	81,182,130.81	18,828,109.98	50,136,105.84	20,388,220.48	44,322,866.09	-	(251,978,192.87)	575,466,640.79
Operating profit (loss)	80,989,362.57	75,191,958.25	14,599,289.27	4,516,518.91	6,347,424.11	5,625,582.56	7,132,585.01	(8,357,206.45)	(14,120,378.71)	171,927,135.52

4. FINANCE COSTS

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Interest expenses	38,571,070.46	12,859,225.22
Less: Interest income	(15,145,609.45)	(13,315,892.24)
Add: Profit or loss from exchange	79,812.96	–
Add: Other expenses	816,770.05	550,630.23
Total	24,322,044.02	93,963.21

Breakdown of interest expenses is as follows:

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Interest on bank loans		
– Bank loans wholly repayable within 5 years	51,413,973.79	13,439,363.09
Finance lease charge	1,248,192.59	1,528,241.55
	52,662,166.38	14,967,604.64
Less: Amount capitalised	(14,091,095.92)	(2,108,379.42)
Total	38,571,070.46	12,859,225.22

Borrowing cost capitalized during the Period is calculated by applying a capitalization rate of 6.31% (2014: 6.40%) per annum to expenditure on qualifying assets.

5. ASSETS IMPAIRMENT LOSSES

	Six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)
Loss on bad debts	480,650.72	2,789,950.45
Impairment loss on goodwill	–	–
Total	480,650.72	2,789,950.45

6. INCOME TAX EXPENSES

In accordance with the relevant income tax laws and regulations of the People's Republic of China (the "PRC"), the Company and its subsidiaries are subject to the PRC enterprise income tax ("EIT") at a rate of 25%. The Company, as a company ranked as a national high-tech enterprise in 2009, is subject to the EIT at a rate of 15%. Kunshan Qiandeng Three Wastes Treatment Company Limited (昆山市千燈三廢淨化有限公司) ("Kunshan Qiandeng"), Qingyuan Xinlv Environmental Technology Limited (清遠市新綠環境技術有限公司) ("Qingyuan Xinlv") and Huizhou Dongjiang Environmental Technology Co., Limited (惠州市東江環保技術有限公司) ("Huizhou Dongjiang") as the subsidiaries of the Company which were ranked as national high-tech enterprises in 2010, 2012 and 2014 respectively are subject to the EIT at a rate of 15%. Shenzhen Longgang Dongjiang Industrial Waste Treatment Co., Ltd. (深圳市龍崗區東江工業廢物處置有限公司) ("Longgang Treatment"), Qingyuan Dongjiang Environmental Technologies Company Limited (清遠市東江環保技術有限公司) ("Qingyuan Dongjiang"), Hunan Dongjiang Environmental Protection Investment Development Limited (湖南東江環保投資發展有限公司) ("Hunan Dongjiang"), Yancheng Coastal Solid Waste Treatment Co., Ltd. (鹽城市沿海固體廢物處置有限公司) ("Yancheng Solid Waste"), Longyan Oasis Environmental Technology Company Limited (龍岩綠洲環境科技有限公司) ("Longyan Oasis"), Fujiang Oasis Solid Waste Treatment Company Limited (福建綠洲固體廢物處置有限公司) ("Fujian Oasis") and Jiangmen Dongjiang Environmental Technology Limited (江門東江環保技術有限公司) ("Jiangmen Dongjiang"), being the subsidiaries of the Company, enjoy preferential income tax incentive for engaging in projects satisfying the conditions of environmental protection and conservation of energy and water, the specific preferential treatment periods are as follows: 1) for Longgang Treatment, full exemption of EIT from 2012 to 2014 and 50% EIT reduction from 2015 to 2017; 2) for the circuit board waste treatment project of Qingyuan Dongjiang, full exemption of EIT from 2012 to 2014 and 50% EIT reduction from 2015 to 2017; 3) for Hunan Dongjiang, full exemption of EIT from 2011 to 2013 and 50% EIT reduction from 2014 to 2016; 4) for Yancheng Solid Waste, full exemption of EIT from 2010 to 2012 and 50% EIT reduction from 2013 to 2015; 5) for Longyan Oasis, full exemption of EIT from 2011 to 2013 and 50% EIT reduction from 2014 to 2016; 6) for Fujiang Oasis, full exemption of EIT from 2014 to 2016 and 50% EIT reduction from 2017 to 2019; and 7) for Jiangmen Dongjiang, full exemption of EIT from 2015 to 2017 and 50% EIT reduction from 2018 to 2020.

In accordance with the relevant income tax laws and regulations of the PRC, the Company and its subsidiaries, namely Kunshan Qiandeng, Huizhou Dongjiang and Qingyuan Xinlv enjoyed preferential tax incentive that only 90% of the revenue from sale of recycling products was charged for EIT; the Company and its subsidiaries, namely Kunshan Qiandeng, Huizhou Dongjiang and Shenzhen Dongjiang Heritage Technology Company Limited (深圳東江華瑞科技有限公司) enjoyed EIT reduction of 50% on research and development fees before tax.

The subsidiaries of the Company incorporated in Hong Kong were subject to the Hong Kong income tax at a rate of 16.5%.

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the Period is based on the unaudited net profit for the Period attributable to shareholders of the Company of RMB173,643,031.97 (2014: RMB136,164,196.39), and the weighted average of approximately 850,607,102 shares (2014: 846,429,603 shares) ordinary shares in issue during the Period.

The Company had no diluted potential shares in the interim periods of both 2015 and 2014 and the diluted earnings per share was same as basic earnings per share.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Period (2014: Nil).

9. ACCOUNTS RECEIVABLES

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Accounts receivables	627,891,812.86	487,508,311.81
Less: Provision for bad debts	16,522,389.36	16,045,310.82
Total	611,369,423.50	471,463,000.99

The Group allows an average credit period of 90 days to its customers, except for new customers where payment in advance is normally required. The Group does not hold any collateral over accounts receivables.

The following is an aging analysis of accounts receivables net of provision for bad debts:

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Within 90 days	276,269,047.90	248,542,176.85
91 to 180 days	134,925,209.43	103,049,730.08
181 to 365 days	174,749,201.58	108,926,690.35
1 to 2 year(s)	16,528,254.20	7,625,735.49
2 to 3 years	6,254,131.29	3,318,668.22
Over 3 years	2,643,579.10	–
Total	611,369,423.50	471,463,000.99

10. FIXED ASSETS

During the Period, net fixed assets value of the Company increased by RMB114,269,214.12, representing a change of 13.56% as compared to the beginning of 2015, which was mainly attributable to the change in the scope of consolidation, two subsidiaries, Hubei Tianyin Circulation Economic Development Co., Ltd. (湖北天銀循環經濟發展有限公司) (“Hubei Tianyin”) and Shenzhen Hengjian Tongda Investment Management Co., Ltd. (深圳市恒建通達投資管理有限公司) (“Hengjian Tongda”) were newly acquired during the Period, which resulted in increase of RMB99,145,301.07 in the net fixed assets value. Besides, construction in progress of the Company and the completion of technology upgrade project of subsidiaries such as Huizhou Dongjiang transferred to the newly added fixed assets of RMB40,626,106.41.

Impairment loss on fixed assets once recognised will not be reversed in subsequent years.

11. ACCOUNTS PAYABLES

The following is an aging analysis of accounts payables:

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Within 90 days	201,327,026.50	214,549,195.55
91 to 180 days	68,957,590.13	9,623,000.21
181 to 365 days	9,986,673.06	36,164,548.23
Over 1 year	46,641,096.77	30,396,395.44
Total	326,912,386.46	290,733,139.43

12. PROFIT BEFORE TAX

Profit before tax had been arrived at after charging (crediting), which is as follows:

	Six months ended 30 June	
	2015 (unaudited)	2014 (unaudited)
Cost of goods sold	681,718,177.51	530,551,851.21
Depreciation	57,393,250.63	40,480,858.00
Amortisation of prepaid lease payments	2,006,127.66	1,273,376.81
Amortisation of intangible assets	26,537,958.93	12,656,895.84

13. RESERVES

Other than the total comprehensive income and minority interests for the Period, there were no movements to or from reserves of the Group and the Company during the Period (2014: Nil).

14. CAPITAL COMMITMENT

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Capital expenditures contracted for but not provided for in the financial statements		
– External investment	266,923,366.00	87,071,400.00
– Construction in progress	292,009,085.18	219,636,663.88
– Acquisition of equipment	93,158,689.60	30,187,750.00
Total	652,091,140.78	336,895,813.88

15. SHORT-TERM BORROWINGS

During the Period, short-term borrowings amounted to RMB1,051,477,371.42 (31 December 2014: RMB559,264,227.46). The main reason for the significant increase in short-term borrowings was due to the increase in the Group's capital requirement which resulted in the increase in short-term bank borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2015, the global economy maintained its recovery and the Chinese macro-economy fell into a period of restructuring with considerable downward pressure while it was stable as a whole. Furthermore, the market of recycled products was severe as metal prices continued declining and demands weakened.

With the new PRC Environmental Protection Law officially taking effect on 1 January 2015, the “Ten Regulations on Air” and “Ten Regulations on Water” promulgated and the “Ten Regulations on Land” coming into force, a heavy-handed approach has become the “new normal” towards pollution prevention. Together with progress in third-party pollution prevention and the public-private partnership (PPP) mode, China’s ecological culture will enter into an uncharted territory and start a flourishing era for the environmental protection sector.

Facing the new normal of domestic and the global economy and the environmental protection sector, the management of the Group adhered to its development strategies of transformation and upgrade and made continuous efforts in business restructuring, strategic deployment, production management and research and innovation. It also achieved significant improvement in the capacity of industrial waste detoxification disposal, environmental protection projects and business expansion, thereby further strengthening the Group’s core competitiveness and facilitating steady and sustainable development.

During the Reporting Period, the Group achieved on a consolidated basis an operating revenue of approximately RMB1,118,866,900, representing an increase of approximately 31.75% as compared to the first half of 2014. Total profit was approximately RMB231,953,300, representing an increase of approximately 33.33% as compared to the first half of 2014. Net profit attributable to shareholders of the Company was approximately RMB173,643,000, representing an increase of approximately 27.52% as compared to the corresponding period in 2014. As at 30 June 2015, total assets of the Group was approximately RMB6,152,771,100, representing an increase of approximately 23.41% as compared to the beginning of the Period. Equity attributable to shareholders of the Company recorded at approximately RMB2,592,701,100, representing an increase of approximately 6.16% as compared to the beginning of the Period. The net assets per share was recorded at RMB2.98.

Since its inception, the Group expanded from its valued-added principal businesses of industrial and municipal waste recycling and detoxification and support to the integrated development of environmental engineering and services, expanding to waste electrical appliances disassembling and recycling. By making good use of its advantage of a complete industry chain, it built a comprehensive environmental services platform focusing on waste recycling to provide one-stop environmental services to companies of different development stages and all-around solutions to municipal waste management authorities. During the Reporting Period, the Group developed through both internal and external growth within its existing coordinated layout of sub-divided operations, which reinforced and expanded existing businesses and further enhanced its profitability and core competitiveness.

1. *Release of capacity and rapid growth in industrial waste treatment business*

In the past two years, demands for industrial waste treatment grew rapidly and under-capacity became a bottleneck against the rapid development of the Company. As such, the Group boosted its relevant capacity and qualification of industrial waste and hazardous disposals to over 1 million tonnes/year as at the end of the Reporting Period through continued capacity development and external expansion, effectively easing the tension between capacity and market demands. With the gradual release of capacity, industrial waste treatment and disposal business achieved rapid growth. During the Reporting Period, operating revenue amounted to approximately RMB283,148,700, representing an increase of approximately 82.88%, as compared with the corresponding period of last year, representing approximately 25.31% of the total operating revenue. Gross profit amounted to approximately RMB168,227,300, which showed great results in business restructuring of the Group and a more sensible structure better resisted adverse effect of volatility of metal prices.

2. *Extended industry chain and expanded operations and regional deployment improving national business layout*

During the Reporting Period, the Group completed five acquisitions and mergers with an amount of RMB631 million foreign investments. One of such investments was acquisition of the first municipal wastewater treatment operation project of the Group, which expanded the municipal wastewater treatment division and was important in the sense that it extended the environment industry chain and enhanced overall capacity of urban environmental service of the Company. Furthermore, the Group materialized the strategic layout of the Company over the central China through acquisition of Hubei Tianyin and further improved the national business distribution by further extending its operations and regional layout to Beijing, Tianjin and Hebei regions through acquisition of 85% equity

interest in Hengshui Ruitao Environmental Technology Company Limited (衡水睿韜環保技術有限公司). Previously acquired Jiangxi Kangtai Environmental Company Limited (江西康泰環保股份有限公司), Xiamen Oasis Environmental Industrial Company Limited (廈門綠洲環保產業股份有限公司) and its subsidiaries, Coastal Solid Waste and Hefei New Champion Energy Development Co., Ltd. (合肥新冠能源開發有限公司) recorded pleasing result after introducing operation and management models of the Group and technological improvements, making contribution to its results.

3. *Opportunities on third-party pollution prevention and outstanding results of environmental protection services*

During the Reporting Period, environmental protection business benefiting from development opportunities brought by the third-party pollution prevention mode recorded excellent revenue of RMB101,689,000, representing an increase of 82.18% as compared to the corresponding period in 2014. In order to adapt to the rapid growth of environmental protection business, the Company embarked on function reorganization and merged its project construction team into the Environmental Protection Services Department to enable the department the full workflow spanning demand – design – construction – inspection – delivery – operation. Regarding business development, a sharing model of operational resources and profits among the Marketing Department and other departments was introduced to produce synergy and higher efficiency. During the Reporting Period, the Group carried out environmental construction for 25 new target clients and paid extra efforts into developing environmental operation markets in other provinces and key industrial parks by launching the one-stop service model, which attracted preliminary cooperation from over 50 clients and secured steady growth of environmental protection business.

4. *Continuous support to technological innovation for future development*

Technological innovation is a core driver of the development of the Company. The Technological R&D Department underwent reorganization during the Reporting Period to strive to build up a marketing/production and application-oriented model for corporate clients by expanding its R&D management service platform and gradually establishing proprietary and introducing new models combining development. During the Reporting Period, the Group initiated pilot study on multiple techniques such as “phosphoric acid recycling from phosphoric acid etch waste” and “precious and base metals separation for waste mobile phones” aiming for production, providing technical support to business expansion and solving difficulties. By virtue of its strength in technological innovation, the Company was awarded the “Guangdong Environmental Protection Science and Technology Award First Prize” and the “Science and Technology Progress Award First Prize by Ministry of Education”, and obtained eight granted patents and two utility

models during the Reporting Period. Moreover, during the Reporting Period, the Company recognized as Guangdong Province Hazardous Waste Recycling and Harmless Engineering Technology Research Center and Shenzhen Hazardous Waste Wastewater Treatment Technology Engineering Laboratory successively, the hazardous waste disposal and treatment centre of Shaoguan Green Development Co., Ltd. (韶關綠然再生資源發展有限公司) (“Shaoguan Green”) in northern Guangdong was recognized as an exemplary unit of the Guangdong recycling economy pilot scheme and included in the list of “City Mining Exemplary Bases”.

5. *New business models to develop a new customer service system*

With the expanding customer groups of the Group, conventional passive service can no longer satisfy business development needs. In order to bring in new business models, the Group developed and launched a mobile APP for customers and a business model integrating online consultation and transaction and offline “one-stop” waste collection, transportation, storage, treatment and reuse through internet platforms such as the official website and Weixin public account of the Company and <http://www.65hj.com>. With online interaction with customers, data collection and analysis on customers’ needs, prompt responses can be made and communicated to every offline stops so as to provide favourable conditions to creating a new customer development and service system oriented to customer value.

6. *Promoting corporate culture as a mental driver of the Group*

During the Reporting Period, the Group completed its corporate culture system based on “sincerity” – “be sincere to yourself, in your work and to others”, which represents the foundation for corporate development. Under the mission of “zero waste on earth” and the vision of “being a respectable leader in the environment protection industry”, the Group promoted the core values “diligence, honesty and devotion” and pass on the corporate philosophy “be pragmatic and go beyond yourself”. In the second half of the year, the Group will make adequate promotion of its corporate culture and become a mental driver to the rapid growth of the Group.

Furthermore, in order to drive its business development and fulfil its strategic goals, the Group further improved the capital structure and financial position to enhance risk resistance and enhance sustainable profitability and core competitiveness. In April 2015, the Group initiated a non-public issue of A shares project proposing to issue no more than 57,860,000 A shares (inclusive) to specific non-public targets to raise a maximum of RMB2,302,828,000 (inclusive). This project is currently under examination of the CSRC.

Analysis on core competitiveness

(1) *Strength of a complete industry chain*

The business of the Group not only covers two major areas, namely industrial solid waste and municipal solid waste, it is also complemented with one-stop environmental protection service. It built a perfect business chain for waste collection and transportation, integrate recycling treatment, harmless treatment and disposal. Its scope of service has extended to kitchen waste, electronic waste, soil remediation and other emerging areas. The Group has the ability to provide "one-stop" comprehensive environmental protection service to customers, thus effectively improve its comprehensive competitiveness.

(2) *Brand qualification strength*

At present, the Group possesses operation qualifications for 46 hazardous wastes out of the 49 categories listed in the National Catalogue of Hazardous Wastes other than HW10 Wastes containing PCBs and PBBs, HW15 Explosive wastes and HW29 Mercury wastes, creating strong competitive strength in the industry. Besides, the Company possesses around 90 qualification certificates, including waste treatment, pollution control, environmental engineering, environmental monitoring and worn-out electronic product treatment.

(3) *Technology innovation strength*

Technology and innovation has the most important role in the development of the Group. Currently, the Group has four major engineering technology research and development centers and has set up an engineering laboratory. There is over 350 technology research and development staff, representing over 15% of total staff of the Group. The Group has undertaken the "863" project, "973" project and the National Natural Science Foundation of China and carried out technical exchanges and cooperation with many well-known foreign companies (e.g. Westinghouse Electric Corporation in the United States and Econat in Malaysia), famous domestic equipment enterprises and renowned domestic research institutes (e.g. Institute of Process Engineering, Chinese Academy of Sciences and Institute of Mechanics of Chinese Academy of Sciences).

Financial Review

Total Operating Revenue

During the Period, the Group's total operating revenue increased by approximately 31.75% to approximately RMB1,118,866,877 (2014: approximately RMB849,239,934) as compared to the corresponding period in 2014. The net profit attributable to shareholders of the Company increased by approximately 27.52% to approximately RMB173,643,032 (2014: approximately RMB136,164,196). The main reasons for the increase of the total operating revenue are that despite the lower-than-expected performance of the domestic economy and the consistent low price of domestic metal during the Period, the Company made reasonable prediction in advance and promptly adjusted the business structure. Through launching the development pattern of internal growth and external expansion, the capacity and market share of businesses such as detoxified treatment of industrial solid waste, environmental engineering and services and dismantling waste electrical appliances were increased. During the Period, except the operating revenue of the industrial waste recycling business dropped by 17.38% as compared to the corresponding period in 2014 due to the drop in sales price, the total operating revenue of other businesses of the Group increased compared to the corresponding period in 2014, in particular, as compared to the corresponding period in 2014, the operating revenue of dismantling electronic waste increased by 207.52% to RMB172,680,801 (2014: approximately RMB56,152,579); the operating revenue of industrial waste treatment and disposal increased by approximately 82.88% to RMB283,148,703 (2014: approximately RMB154,830,423); the operating revenue of environmental engineering and services increased by approximately 82.18% to approximately RMB101,689,016 (2014: approximately RMB55,818,202).

Profit

During the Period, the Group's integrated gross profit margin was approximately 33.58% (2014: approximately 32.73%), representing an increase of approximately 0.85 percentage point as compared to the corresponding period in 2014. The slight increase of integrated gross profit rate is mainly attributable to the investment in research and development made in 2014 and previous years began to take effect. It is also because production technique was improved, new technology used in production and successful trial manufacturing of new product and commencement of production. Meanwhile, under the domestic economy below expectation, production activities in relation to energy and consumption conservation were actively conducted. Overall budget management was strengthened and production costs were effectively controlled. Despite the spot price of metal copper in the domestic market decreased during the Period as compared to the corresponding period in 2014, the gross profit margin of recycled products increased by 0.73 percentage point and the gross profit margin of the business of detoxified treatment of industrial solid waste increased by 4.45 percentage points as compared to the corresponding period in 2014.

Sales Expenses

During the Period, the Group's selling expenses were approximately RMB19,664,685 (2014: approximately RMB15,031,172), representing approximately 1.76% of the Group's total operating revenue (2014: approximately 1.77%). The increase in sales expenses is mainly due to the expansion of business scale of the Group. A change in the scope of consolidation and an increase in subsidiaries also led to an increase in sales expenses as compared to that of the corresponding period last year.

Administrative Expenses

During the Period, the Group's administrative expenses were approximately RMB127,258,634 (2014: approximately RMB108,515,881), representing approximately 11.37% of the Group's total operating revenue (2014: approximately 12.78%). The increase in administrative expenses is mainly due to the continuous increase in the Company's investment in research and development during the Reporting Period. The increase is also due to expansion of the Company and the increase in subsidiaries in the Period as compared to the corresponding period of last year.

Finance Cost

During the Period, the Group's finance cost was approximately RMB24,322,044 (2014: approximately RMB93,963), representing approximately 2.17% of the Group's total operating revenue (2014: approximately 0.01%). The increase in finance cost is mainly due to the high demand for capital and the increase in bank loans during the Period, which in turn led to the increase in interest expenses on loans and decrease in interest income as the proceeds raised were gradually utilized during the Period.

Income Tax Expenses

During the Period, the Group's income tax expenses were approximately RMB33,569,244 (2014: approximately RMB17,259,912), representing approximately 14.47% of the Group's profit before tax (2014: approximately 9.92%).

Financial Resources and Liquidity

As at 30 June 2015, the Group had net current assets of approximately RMB383,362,590 (31 December 2014: approximately RMB923,597,023) and current liabilities of approximately RMB2,091,799,801 (31 December 2014: approximately RMB1,317,418,212). The current assets include cash and cash equivalents of approximately RMB1,013,364,428 (31 December 2014: approximately RMB1,024,299,019).

As at 30 June 2015, the Group had total liabilities of approximately RMB3,143,872,590 (31 December 2014: approximately RMB2,146,894,681). The Group's gearing ratio was approximately 51.10% (31 December 2014: approximately 43.06%) which is calculated based on the Group's total liabilities over total assets. As at 30 June 2015, the Group had bank loans of approximately RMB2,126,278,000 (31 December 2014: approximately RMB1,078,123,022).

Share Capital Structure

As at 30 June 2015, the Company had an issued share capital of 869,517,102 shares, comprising 669,379,602 A shares of RMB1.00 each and 200,137,500 H shares of RMB1.00 each.

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

In January 2015, the Company invested RMB300,000,000 to establish a wholly-owned subsidiary of the Company, Shenzhen Dongjiang Huiyuan Small Loans Co., Ltd.

In February 2015, the Company entered into an equity transfer agreement to acquire Hengjian Tongda at a total consideration of RMB212,000,000. Upon the completion of transaction, the Company owns 100% equity interests in Hengjian Tongda.

In February 2015, the Company invested in RMB800,000 to establish Shenzhen Chaoyue Dongchuang Carbon Asset Investment Consulting Co., Ltd., an associated company, in which the Company owns 40% equity interest.

In February 2015, the Company entered into a capital increase agreement to increase the capital of Jiangsu Suntime Environmental Remediation Co., Ltd. (“Jiangsu Suntime Environmental”) with RMB13,431,700 in cash. Upon the completion of transaction, the Company owns 10% equity interest in Jiangsu Suntime Environmental.

In March 2015, the Company entered into an equity transfer and capital increase agreement to acquire and inject capital into Hubei Tianyin at RMB73,500,000. Upon the completion of transaction, the Company owns 60% equity interest in Hubei Tianyin.

In January 2015 and June 2015 respectively, according to the installment investment agreement, the Company invested RMB20,000,000 in the wholly-owned subsidiary of the Company, Jiangxi Dongjiang Environmental Technology Co., Ltd., totaling RMB40,000,000.

In May 2015, the Company entered into an equity transfer and capital increase agreement to acquire Zhuhai Yongxingsheng Environmental Industrial Waste Recycling and Integrated Treatment Co., Ltd (“Zhuhai Yongxingsheng”) at RMB220,100,000 in cash. Upon the completion of transaction, the Company owns 80% equity interest in Zhuhai Yongxingsheng.

In June 2015, the Company entered into an equity transfer and capital increase agreement at RMB40,500,000 in cash to acquire Xiantao Luyi Environmental Technology Co., Ltd. (“Xiantao Luyi”) Upon the completion of transaction, the Company owns 55% equity interest in Xiantao Luyi.

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 Period.

Interest Rate and Exchange Risk

Interest Rate Risk

The Group is exposed to fair value interest rate risk due to fixed interest rate bank borrowings. Currently, the Group does not have any interest rate hedging policy. However, the interest rate risk is monitored by the management, and the management will consider taking necessary actions in case any material risk is expected.

The Group is also exposed to cash flow interest rate risk due to floating interest rate bank borrowings. The Group’s policy is to maintain the floating interest rate bank borrowings in order to reduce the risk of cash flow interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated in the fluctuation of the benchmark interest rate announced by the People's Bank of China generated from the Group's borrowings in RMB.

Foreign Exchange Risk

The Group's working currency is RMB and most of the Group's transactions are denominated in RMB. However, certain bank balances tradings and other receivables and payables are denominated in currencies other than RMB. The expenses of the Group's overseas business are also settled in foreign currencies.

Pledge of Assets

As at 30 June 2015, certain assets of the Group were pledged to secure bank borrowings and letter of credit facilities granted to the Group, details of which are set out as follows:

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
Fixed assets	170,086,823.77	38,452,620.88
Cash and bank balances	53,600,000.00	3,451,118.87
Intangible assets	130,461,717.63	41,807,474.90
Construction in progress	138,911,394.11	–

Information on Employees and Remuneration Policies

As at 30 June 2015, the number of full-time employees of the Group was 3,674 (2014: 2,707) with a total staff cost for the Period of approximately RMB141,956,199 (2014: approximately RMB110,798,512). The Group offers continuous training and remuneration package of additional benefits to its employees, including retirement benefits, housing allowance and medical insurance.

Contingent Liabilities

Due to the existing collection and processing of industrial waste method adopted by the Group, the Group has not incurred any significant expenditure on environmental remediation since its establishment. There is, however, no assurance that stringent environmental policies and/or standards on environmental remediation will not be implemented by the relevant authorities in the PRC in future which would require the Group to undertake the prescribed environmental measures. The financial position of the Group may be adversely affected by any environmental obligations which may be imposed under such new environmental policies and/or standards.

Save as disclosed above, the Group had no significant contingent liabilities as at 30 June 2015.

FUTURE PROSPECTS

1. Development trend of the industry

With the deepening of environmental law-making of China in recent years, the public awareness of environmental protection has heightened and “stringent laws and supervision” has become a consensus prevailing in environmental-protection-related areas. In 2015, new development opportunities presented themselves in the environmental protection sector with the implementation of the most rigorous Environmental Law on 1 January 2015 and the gradual clarification of governmental policies with respect to third-party pollution prevention and the PPP mode to introduce professional third-party treatment through market-oriented mechanisms. In the first half of 2015, the Opinions on Accelerating the Ecological Civilization Construction was approved by the CPC Central Committee, making clear that in a certain period from now, ecological civilization construction is to be incorporated into every and all economic, political, cultural and social construction aspects. With the successive rolling out of plans and policies for it, the environmental protection sector is met with the best every chapter with huge room for development.

Facing the huge market potential and room for development and more dynamic systems coming into effect, listed environment companies with advantages in capital and technology and competence in consolidating resources will definitely gain more market resources, break through the ceiling over conventional development and enter a new era with innovative cooperation models against the backdrop of market orientation, standardization and integration.

2. Key tasks in the second half of 2015

In the second half of 2015, the Group will continue merger and acquisition and expand the national market. While facing the construction of accelerating projects, the Group will strengthen the regulation and standardization of its existing business to facilitate the promotion of business model of the Group. It will reinforce cost control in order to absorb the negative impact of rapid increase in financial expenses and management expenses due to project expansion. The major tasks include:

- 1) In the second half of 2015, the Group will increase its efforts in expansion externally, with focus on regions such as Jiangsu Province, Zhejiang Province, Shandong Province and Hebei Province, in order to take a solid step in achieving the plan of the Group's foothold in Pearl River Delta, expansion in Yangtze River Delta and planning for Beijing, Tianjin and Hebei and central China.
- 2) In the second half of 2015, continuous effort will be put into speeding up the construction in progress by the Group, in order to provide new sources of profit for the sustainable growth in the results of the Group. Meanwhile, the effort to achieve the promotion of standardization to achieve technology standardization, cost standardization and procurement standardization will also continue to facilitate the promotion and launching of the Group's business model.
- 3) In the aspect of internal management, the Group will promote a management system centered on finance and efficiency, strengthen cost control and expenditure saving and perform well in financial budgeting. Meanwhile, a management model with consistent and clear responsibility, rights and interest will be further implemented. The remuneration and reward policies will be reformed to achieve the independent operation of various subsidiaries and branches of the Company, increase efficiency and provide security.

3. Risk and response

1. There is a talent gap due to the rapid development of the Company. In view of the rapid development of the environmental protection industry, there is a gap in talent other than the gap in capital. The lack of experienced talents in the acquisition of new projects is the bottleneck in the development of the Company. The Company's strategy in response to such condition: First, standardization of market, technology and operation model and the development model of exporting with the talents of Dongjian as least as possible. Second, accelerating the nurturing of talents internally. Third, reserving and recruiting talents quickly. Fourth, integrating available talents from merged and acquired companies.

2. As the expansion of the Company strengthens, financial expenditure has become higher. There will be a market nurturing period for the operation of the new projects, which may bring loss in the short term. In response, the Company will reasonably arrange the investment and financing planning in the second half of the year. On the other hand, continue to strengthen the cost control and budget control, and to implement works related to reduce expenditure and increase efficiency within the whole Group, in order to release the pressure bring from cost increase.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Period (2014: nil).

OTHER EVENTS DURING THE PERIOD

ISSUE OF NEW SHARES BY CONVERSION OF CAPITAL RESERVE

On 26 March 2015 and 20 April 2015, the Company announced its proposal to issue 15 new shares of the Company for each 10 then existing shares of the Company by way of conversion of capital reserve to all the then shareholders whose names appear on the register of members on 25 June 2015 (the "Proposed Issue").

The Proposed Issue was approved by the shareholders of the Company at the annual general meeting and class meetings of the Company held on 5 June 2015 and 401,627,761 A shares and 120,082,500 H shares of the Company were issued on 26 June 2015. The total number of issued shares of the Company increased to 869,517,102 shares (comprising 669,379,602 A shares and 200,137,500 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 new shares by conversion of capital reserve on 26 June 2015.

For details, please refer to the announcements of the Company dated 20 April 2015 and 25 June 2015 and the circular of the Company dated 20 April 2015.

SATISFACTION OF UNLOCKING CONDITIONS OF FIRST UNLOCKING PERIOD AND LISTING OF UNLOCKED RESTRICTED SHARES UNDER THE FIRST GRANT OF THE RESTRICTED A SHARE INCENTIVE SCHEME

On 26 March 2015, the Board has considered and passed a resolution that the unlocking conditions of the first unlocking period in respect of the restricted shares under the first grant (the "First Grant") of the Restricted A Share Incentive Scheme (as defined under the circular of the Company dated 28 November 2013) approved on 23 January 2014 have been satisfied.

Subsequent to the passing of the aforesaid resolution, the first unlocking period will commence from the first trading day after 12 months from the date of first grant to the last trading day within 24 months from the date of first grant. 20% of the restricted shares under the First Grant will be unlocked and become available to the relevant Share Incentive Participants (as defined under the circular of the Company dated 28 November 2013) for application within the unlocking period.

A total number of 99 Share Incentive Participants have applied to unlock, in aggregate, 1,671,000 restricted shares (the "Unlocked Restricted Shares"), representing approximately 0.48% of the then total share capital of the Company. The Unlocked Restricted Shares have been listed on the Shenzhen Stock Exchange on 10 April 2015.

For details, please refer to the announcements of the Company dated 26 March 2015 and 7 April 2015.

NON-PUBLIC ISSUANCE OF NEW A SHARES UNDER SPECIFIC MANDATE AND SUBSCRIPTION FOR NEW A SHARES BY MR. ZHANG

On 26 April 2015, the Company announced its proposal for a non-public issuance of not more than 57,860,000 new A shares (the "New A Shares") under a specific mandate (the "Specific Mandate") to be obtained from the shareholders of the Company, representing approximately 21.61% of the then issued A Shares and approximately 16.64% of the then total issued share capital of the Company before the issue (the "Non-Public Issuance").

On 24 April 2015, the Company and Mr. Zhang Wei Yang ("Mr. Zhang") entered into a subscription agreement (the "A Share Subscription Agreement") pursuant to which Mr. Zhang shall subscribe for an aggregate of 9.26% of the New A Shares to be issued under the Non-Public Issuance.

The number of New A Shares to be subscribed for by Mr. Zhang under the A Share Subscription Agreement represents approximately 1.54% of the then issued share capital of the Company and approximately 2.00% of the then issued A shares.

Since Mr. Zhang is a Director and a substantial shareholder of the Company holding more than 10% of the then total issued share capital of the Company, and hence a connected person of the Company, the issue of New A Shares to Mr. Zhang pursuant to the A Shares Subscription Agreement constitutes a connected transaction of the Company and is subject to announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Specific Mandate, the Non-Public Issuance and the A Shares Subscription Agreement were approved by shareholders of the Company at the extraordinary general meeting and the class meetings held on 12 June 2015.

On 2 July 2015, the Company received a Notice of Acceptance for the Application for Administrative Permission (No.151987) (《中國證監會行政許可申請受理通知書》(151987號)) issued by the CSRC. The CSRC considered that the application materials in relation to the Non-Public Issuance of the Company were complete and had complied with the statutory form and decided to accept the application for administrative permission for further processing.

It is still uncertain whether the Non-Public Issuance will be approved by the CSRC or not. The Company will duly perform its obligation of information disclosure according to the review progress by the CSRC on the Non-Public Issuance.

For details, please refer to the announcements of the Company dated 26 April 2015, 12 June 2015 and 2 July 2015 and the circular of the Company dated 14 May 2015.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2015, the interests and short positions of the Directors, supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules were as follows:

Long positions in the ordinary shares of the Company:

Name	Capacity	Number and class of shares held	Approximate Percentage of equity of the Company/ shareholding in this class
Zhang Wei Yang	Beneficial owner	242,769,173 A shares	27.92%/36.27%
Li Yong Peng	Beneficial owner	36,741,495 A shares	4.23%/5.49%
Chen Shu Sheng	Beneficial owner	14,379,182 A shares	1.65%/2.15%

Save as disclosed above, as at 30 June 2015, none of the Directors, supervisors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Save for the above disclosures in respect of certain Directors, as at 30 June 2015, the Directors, Supervisors and chief executive of the Company are not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) who has interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of the interests required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE H SHARES

As at 30 June 2015, none of the Directors, supervisors and chief executive of the Company was granted options to subscribe for H shares of the Company. As at 30 June 2015, none of the Directors, supervisors and chief executive of the Company had any rights to acquire H shares of the Company.

SHARE OPTION SCHEME

No share option scheme was adopted since the date of incorporation of the Company.

COMPETING INTERESTS

During the Period, none of the Directors, supervisors, chief executive or the management shareholders of the Company and their respective associates are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

AUDIT COMMITTEE

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

The Audit Committee comprises three independent non-executive Directors, namely Mr. Wong Hin Wing (chairman of the Audit Committee), Mr. Qu Jiu Hui and Mr. Su Qi Yun. The Audit Committee has reviewed the Company's unaudited financial statements for the Period and has provided its advice and comments thereon.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

On 15 April 2015, the Company had purchased a total of 30,000 of its own granted but not yet unlocked restrictive A shares of RMB1.00 each (the "Repurchased A Shares") held by a former incentive participant at the price of approximately RMB12.91 per Repurchased A Shares (the "Repurchase"). The aggregate purchase price paid for the Repurchase was approximately RMB387,400. All the Repurchased A Shares were cancelled on 17 April 2015.

The Repurchased A Shares under the Repurchase represented approximately 0.01% of the then total capital of the Company immediately prior to the Repurchase.

For details, please refer to the announcement of the Company dated 17 April 2015.

Save 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 Period.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Model Code has been adopted as a code of securities transactions for the Directors and supervisors. The Company, having made specific enquiries with all Directors and supervisors of the Company, confirmed that, during the Period, all Directors and supervisors of the Company had complied with the required standards of dealing in securities specified in the Model Code.

CORPORATE GOVERNANCE PRACTICES

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

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

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

19 August 2015
Shenzhen, Guangdong Province, the PRC