



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 2016



CORPORATE INFORMATION

EXECUTIVE DIRECTORS

ZHANG Wei Yang (*Chairman*)
(*Resigned on 13 July 2016*)
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

SUPERVISORS

REN Yunan (*appointed on 6 June 2016*)
HUANG Wei Ming (*appointed on 15 March 2016*)
SHU Yi Xin (*appointed on 13 June 2016*)

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 (*resigned on 13 July 2016*)
WONG Hin Wing

STRATEGIC DEVELOPMENT COMMITTEE

ZHANG Wei Yang (*Chairman*)
(*resigned on 13 July 2016*)
FENG Tao
QU Jiu Hui

AUTHORIZED REPRESENTATIVES

ZHANG Wei Yang (*resigned on 13 July 2016*)
WANG Tian
CHEN Shu Sheng (*appointed on 13 July 2016*)

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

Room 1603, 16/F, China Building
29 Queen's Road
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 2016 (the "Reporting Period" or the "Period"), together with the comparative figures of the corresponding period of 2015, 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 2016

	Note	Six months ended 30 June	
		2016 (Unaudited)	2015 (Unaudited)
Total operating revenue	2	1,169,993,595.81	1,118,866,876.59
Total operating costs		972,719,813.86	920,645,129.45
Including:			
Cost of operation		742,941,479.68	743,128,294.08
Handling charges and commissions		1,525.00	7,311.33
Sales tax and levies		9,040,450.76	5,783,510.80
Selling expenses		22,763,243.83	19,664,684.66
Administrative expenses		161,662,419.21	127,258,633.84
Finance costs	4	43,032,353.15	24,322,044.02
Impairment loss for assets	5	(6,721,657.77)	480,650.72
Add: Gain (loss) on fair value changes		(110,370.00)	198,900.00
Investment income (loss)		7,523,184.26	17,657,643.43
Including: Investment income from jointly controlled entities and associates		7,400,413.15	17,148,639.78

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

(Continued)

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 (Unaudited)	2015 (Unaudited)
Operating profit		204,686,596.21	216,078,290.57
Add: Non-operating income		52,713,033.80	18,714,640.06
Including: Gain on disposal of non-current assets		713,713.68	77,104.18
Less: Non-operating expenses		6,917,082.34	2,839,670.59
Including: Loss on disposal of non-current assets		254,757.07	248,693.01
Total profit		250,482,547.67	231,953,260.04
Less: Income tax expenses	6	28,811,048.60	33,569,243.53
Net profit		221,671,499.07	198,384,016.51
Net profit attributable to shareholders of the Company		206,072,065.40	173,643,031.97
Minority interests		15,599,433.67	24,740,984.54
Other comprehensive income, net of tax		2,367,337.49	(1,145.70)
Other comprehensive income to shareholders of the Company, net of tax		2,367,337.49	(1,145.70)
Items that cannot be reclassified to profit and loss in future		–	–
Items that can be reclassified to profit and loss when qualified in future		2,367,337.49	(1,145.70)
Exchange difference on translation of financial statement in foreign currency		(140,619.87)	(1,145.70)
Other		2,507,957.36	–
Total comprehensive income		224,038,836.56	198,382,870.81

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

(Continued)

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Total comprehensive income attributable to shareholders of the Company	208,439,402.89	173,641,886.27
Total comprehensive income attributable to minority interests	15,599,433.67	24,740,984.54
Earnings per share:		
Basic earnings per share	0.24	0.20
Diluted earnings per share	0.24	0.20

INCOME STATEMENT OF THE COMPANY (UNAUDITED)

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 (Unaudited)	2015 (Unaudited)
Operating revenue	2	443,074,478.94	518,530,730.81
Less: Cost of operation		325,510,006.19	365,543,113.01
Sales tax and levies		2,492,290.05	2,622,755.20
Selling expenses		4,945,771.85	6,796,812.12
Administrative expenses		54,228,888.64	45,755,294.42
Finance costs	4	35,416,997.67	19,935,292.79
Impairment loss for assets	5	(82,316.44)	618,444.51
Add: Gain on fair value changes		(110,370.00)	198,900.00
Investment income (loss)		16,295,219.11	42,830,592.72
Including: Investment income from jointly controlled entities and associates		7,400,413.15	17,148,639.78
Operating profit		36,747,690.09	120,288,511.48
Add: Non-operating income		15,134,527.59	2,348,304.31
Including : Gain on disposal of non-current assets		28,400	46,252.03
Less: Non-operating expenses		2,375,764.61	612,030.44
Including: Loss on disposal of non-current assets		183,155.84	170,830.28
Total profit		49,506,453.07	122,024,785.35
Less: Income tax expenses	6	2,781,685.09	9,787,269.98
Net profit		46,724,767.98	112,237,515.37
Other comprehensive income, net of tax		–	–
Total comprehensive income		46,724,767.98	112,237,515.37
Earnings per share:			
Basic earnings per share		–	–
Diluted earnings per share		–	–

CONSOLIDATED BALANCE SHEET

As at 30 June 2016

	Note	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Current assets:			
Cash		883,981,050.77	857,729,303.89
Financial assets measured at fair value with movement taken into profit and loss for the current period		1,436,580.00	1,546,950.00
Bills receivables		43,224,257.16	37,323,244.22
Accounts receivables	9	783,697,234.20	708,871,228.45
Prepayments		68,751,713.06	72,927,079.31
Interest receivables		9,373,925.70	7,360,824.92
Other receivables		135,271,111.53	111,520,062.60
Loans		205,625,000.00	164,909,000.00
Inventories		288,638,950.69	269,269,500.71
Non-current assets due within 1 year		29,880,000.00	29,880,000.00
Other current assets		49,288,257.27	61,480,719.63
Total current assets		2,499,168,080.38	2,322,817,913.73
Non-current assets:			
Available-for-sale financial assets		14,931,700.00	14,431,700.00
Long-term accounts receivable		252,402,640.64	178,451,741.32
Long-term equity investments		109,390,425.83	135,103,824.53
Investment properties		62,385,496.61	53,870,800.00
Fixed assets		1,462,340,981.61	1,300,163,729.23
Construction in progress		1,192,465,041.10	920,813,006.28
Intangible assets		840,102,323.79	734,909,614.71
Development expenditures		3,989,315.01	–
Goodwill		1,078,807,768.57	678,249,563.02
Long-term deferred expenses		7,458,322.00	4,526,303.98
Deferred income tax assets		14,741,901.75	16,869,453.90
Other non-current assets		214,032,531.95	325,009,553.84
Total non-current assets		5,253,048,448.86	4,362,399,290.81
Total assets		7,752,216,529.24	6,685,217,204.54

CONSOLIDATED BALANCE SHEET

(Continued)

As at 30 June 2016

	Note	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Current liabilities:			
Short-term borrowings		1,666,722,100.25	1,271,195,143.96
Accounts payables	10	599,529,696.31	446,944,120.12
Receipts in advance		86,182,804.97	78,560,760.37
Employee benefits payables		16,756,910.65	43,408,407.97
Tax payables		41,321,192.22	52,059,636.23
Interest payables		843,947.50	4,549,891.86
Dividend payables		18,389,850.00	8,199,300.00
Other payables		400,678,623.07	313,756,577.15
Non-current liabilities repayable within one year		280,919,676.55	358,101,112.94
Other current liabilities		11,936,347.64	15,991,266.68
Total current liabilities		3,123,281,149.16	2,592,766,217.28
Non-current liabilities:			
Long-term borrowings		656,749,883.10	378,612,454.33
Bonds payable		368,137,803.06	356,373,249.26
Long-term payables		4,246,929.65	4,349,002.35
Deferred income		124,671,279.89	124,524,127.11
Deferred income tax liabilities		2,227,324.26	2,227,324.26
Other non-current liabilities		6,792,781.76	6,829,288.18
Total non-current liabilities		1,162,826,001.72	872,915,445.49
Total liabilities		4,286,107,150.88	3,465,681,662.77

CONSOLIDATED BALANCE SHEET

(Continued)

As at 30 June 2016

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Shareholders' equity:		
Share capital	869,382,102.40	869,382,102.40
Capital reserve	363,239,402.01	360,917,434.35
Less: treasury shares	54,146,600.00	99,934,300.00
Other comprehensive income	1,403,483.73	(963,853.76)
Special reserves	146,004.53	146,004.53
Surplus reserve	153,885,483.70	153,885,483.70
Normal risk provision	2,473,635.00	2,473,635.00
Undistributed profits	1,603,774,770.72	1,467,253,273.48
Equity attributable to shareholders of the Company	2,940,158,282.09	2,753,159,779.70
Minority interests	525,951,096.27	466,375,762.07
Total shareholders' equity	3,466,109,378.36	3,219,535,541.77
Total liabilities and shareholders' equity	7,752,216,529.24	6,685,217,204.54

BALANCE SHEET OF THE COMPANY

As at 30 June 2016

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Current assets:		
Cash	302,269,584.35	385,142,403.44
Financial assets measured at fair value with movement taken into profit and loss for the current period	1,436,580.00	1,546,950.00
Bills receivables	10,382,818.07	12,951,241.20
Accounts receivables	218,564,572.89	245,449,290.56
Prepayments	20,781,579.51	10,228,931.61
Interest receivables	9,282,300.70	6,956,697.92
Other receivables	1,744,929,288.45	1,643,552,908.75
Inventories	21,245,745.13	25,382,242.24
Non-current assets due within 1 year	29,880,000.00	29,880,000.00
Other current assets	3,992,275.70	5,163,637.80
Total current assets	2,362,764,744.80	2,366,254,303.52
Non-current assets:		
Available-for-sale financial assets	14,931,700.00	14,431,700.00
Long-term accounts receivable	247,280,424.64	174,457,445.32
Long-term equity investments	3,022,609,343.97	2,587,963,442.17
Investment properties	67,091,299.51	53,870,800.00
Fixed assets	174,220,122.23	181,368,587.45
Construction in progress	110,672,482.31	94,177,364.03
Intangible assets	60,721,120.86	70,034,949.44
Development expenditure	3,989,315.01	–
Long-term-deferred expenses	1,940,513.80	–
Deferred income tax assets	10,984,736.58	10,984,736.58
Other non-current assets	32,153,064.79	205,074,363.90
Total non-current assets	3,746,594,123.70	3,392,363,388.89
Total assets	6,109,358,868.50	5,758,617,692.41

BALANCE SHEET OF THE COMPANY

(Continued)

As at 30 June 2016

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Current liabilities:		
Short-term borrowings	1,574,628,100.25	1,179,439,143.96
Accounts payables	245,932,408.62	223,519,658.75
Receipts in advance	28,240,240.54	28,843,607.22
Employee benefits payables	5,244,664.57	19,383,741.62
Tax payables	16,457,568.08	25,683,829.65
Interest payables	843,947.50	4,164,292.16
Dividend payables	18,066,850.00	2,385,300.00
Other payables	706,486,239.20	814,195,436.97
Non-current liabilities repayable within one year	181,200,000.00	280,000,000.00
Other current liabilities	6,746,083.10	6,746,083.10
Total current liabilities	2,783,846,101.86	2,584,361,093.43
Non-current liabilities:		
Long-term borrowings	319,200,000.00	210,400,000.00
Bonds payable	368,137,803.06	356,373,249.26
Deferred income	13,131,739.76	11,760,536.11
Deferred income tax liabilities	2,227,324.26	2,227,324.26
Other non-current liabilities	2,224,277.36	2,224,277.36
Total non-current liabilities	704,921,144.44	582,985,386.99
Total liabilities	3,488,767,246.30	3,167,346,480.42
Shareholders' equity:		
Share capital	869,382,102.40	869,382,102.40
Capital reserve	429,428,887.94	427,106,920.28
Less: treasury shares	54,146,600.00	99,934,300.00
Other comprehensive income	4,036,542.73	–
Surplus reserve	139,839,728.58	139,839,728.58
Undistributed profits	1,232,050,960.55	1,254,876,760.73
Total shareholders' equity	2,620,591,622.20	2,591,271,211.99
Total liabilities and shareholders' equity	6,109,358,868.50	5,758,617,692.41

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the six months ended 30 June 2016

	For the six months ended 30 June 2016									
	Equity attributable to shareholders of the Company									
	Share capital	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Normal risk-provision	Undistributed profits	Minority interests	Total shareholders' equity
Ending balance of previous year	869,382,102.40	360,917,434.35	99,934,300.00	(963,853.76)	146,004.53	153,885,483.70	2,473,635.00	1,467,253,273.48	466,375,762.07	3,219,535,541.77
Beginning balance of current year	869,382,102.40	360,917,434.35	99,934,300.00	(963,853.76)	146,004.53	153,885,483.70	2,473,635.00	1,467,253,273.48	466,375,762.07	3,219,535,541.77
Current year increase/decrease (decrease to be listed with "-")		2,321,967.66	(45,787,700.00)	2,367,337.49				136,521,497.24	59,575,334.20	246,573,826.59
1. Total comprehensive income				2,367,337.49				206,072,065.40	15,399,433.67	224,038,836.56
2. Invested and decreased capital of shareholders. Amount of share-based payment included in shareholders interest		2,321,967.66	(45,787,700.00)						52,521,890.57	100,631,558.23
Others		2,321,967.66	(45,787,700.00)							48,109,667.66
3. Profit distribution Distribution to owners (or shareholders)								(69,550,568.16)	(8,545,990.04)	(78,096,558.20)
Ending balance of current year	869,382,102.40	363,239,402.01	54,146,600.00	1,403,483.73	146,004.53	153,885,483.70	2,473,635.00	1,603,774,770.72	525,951,096.27	3,466,109,378.36

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

(Continued)

For the six months ended 30 June 2016

	For the six months ended 30 June 2015							Total shareholders' equity
	Equity attributable to shareholders of the Company							
	Share capital	Capital reserve	Less: treasury shares	Other comprehensive income	Surplus reserve	Undistributed profits	Minority interests	
Balances 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) of 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
Common stocks contributed 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
Other	-	-	-	-	-	-	7,145,798.59	7,145,798.59
Profits appropriation	-	-	-	-	-	(52,171,026.15)	(19,927,016.17)	(72,098,042.32)
Distribution 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)	-	-	-	-	-	-
Balances 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

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

For the six months ended 30 June 2016

	For the six months ended 30 June 2016						Total shareholders' equity
	Share capital	Capital reserve	Less: treasury shares	Other comprehensive income	Surplus reserve	Undistributed profits	
Ending balance of previous year	869,382,102.40	427,106,920.28	99,934,300.00		139,839,728.58	1,254,876,760.73	2,591,271,211.99
Beginning balance of current year	869,382,102.40	427,106,920.28	99,934,300.00		139,839,728.58	1,254,876,760.73	2,591,271,211.99
Current year increase/decrease		2,321,967.66	(45,787,700.00)	4,036,542.73		(22,825,800.18)	29,320,410.21
1. Total comprehensive income				4,036,542.73		46,724,767.98	50,761,310.71
2. Invested and decreased capital of shareholders.		2,321,967.66	(45,787,700.00)				48,109,667.66
Amount of share-based payment included in shareholders' interest		2,321,967.66	(45,787,700.00)				48,109,667.66
3. Profit distribution						(69,550,568.16)	(69,550,568.16)
Distribution to owners (or shareholders)						(69,550,568.16)	(69,550,568.16)
Ending balance of current year	869,382,102.40	429,428,887.94	54,146,600.00	4,036,542.73	139,839,728.58	1,232,050,960.55	2,620,591,622.20

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

(Continued)

For the six months ended 30 June 2016

	For the six months ended 30 June 2015					
	Share capital	Capital reserve	Less: treasury shares	Total Surplus reserve	Undistributed profits	shareholders' equity
Balances 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)	-	-	-	-
Balances 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

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	1,207,432,016.72	1,096,328,773.40
Cash received from interest, fees and commissions	20,923,412.07	6,951,656.58
Cash receipts relating to tax returning	29,500,854.48	6,433,498.56
Other cash receipts relating to operating activities	30,138,649.22	32,553,454.26
Sub-total of cash inflows from operating activities	1,287,994,932.49	1,142,267,382.80
Cash paid for goods and services	574,587,865.18	691,342,224.03
Net increase in customer loans and advances	40,716,000.00	158,000,000.00
Cash paid for interest, fees and commissions	–	7,268.33
Cash paid to and on behalf of employees	236,094,141.41	173,594,999.88
Payments of taxes and levies	130,815,483.21	92,192,846.13
Other cash payments relating to operating activities	285,880,866.33	97,462,812.87
Sub-total of cash outflows from operating activities	1,268,094,356.13	1,212,600,151.24
Net cash flows from operating activities	19,900,576.36	(70,332,768.44)
Cash flows from investing activities:		
Cash received from investments	5,000,000.00	91,000,000.00
Cash received from return on investments	50,295.89	509,003.65
Net Cash received from disposal of fixed assets, intangible assets and other long-term assets	–	79,057.70
Net Cash received from disposal of subsidiaries and other operating units	85,800,000.00	–
Other cash receipts relating to investing activities	53,253,948.82	–
Sub-total of cash inflows from investing activities	144,104,244.71	91,588,061.35
Cash paid to acquire fixed assets, intangible assets and other long-term assets	281,413,198.52	285,260,710.65
Net cash paid on acquisition of subsidiaries and other operating units	229,842,716.00	265,805,161.37
Other cash payments relating to investing activities	4,000,000.00	–
Sub-total of cash outflows from investing activities	515,255,914.52	551,065,872.02
Net cash flows from investing activities	(371,151,669.81)	(459,477,810.67)

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

(Continued)

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Cash flows from financing activities:		
Cash received from absorption of investments	180,000.00	8,000,000.00
Including: cash received by subsidiaries from investment of minority shareholders	180,000.00	8,000,000.00
Cash received from borrowings	1,418,515,100.25	976,024,177.34
Cash received from other financing activities	16,195,000.00	69,084,840.00
Sub-total cash inflows from financing activities	1,434,890,100.25	1,053,109,017.34
Cash payments for settlement of borrowings	861,934,510.56	419,720,598.25
Cash payments for distribution of dividend, profit or interests expenses	108,853,470.62	83,768,965.50
Including: cash payments for distribution of dividend and profit by subsidiaries to minority shareholders	14,692,609.87	19,716,442.67
Other cash payments relating to financing activities	69,084,840.00	30,744,611.18
Sub-total of cash outflows from financing activities	1,039,872,821.18	534,234,174.93
Net cash flows from financing activities	395,017,279.07	518,874,842.41
Effect of foreign exchange rate changes on cash and cash equivalents	(140,619.87)	1,145.70
Net increase in cash and cash equivalents	43,625,565.75	(10,934,591.00)
Add: Cash and cash equivalents at the beginning of the period	815,961,534.58	1,024,299,018.53
Cash and cash equivalents at the end of the period	859,587,100.33	1,013,364,427.53

CASH FLOW STATEMENT OF THE COMPANY (UNAUDITED)

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	370,367,193.52	538,299,272.75
Refund of taxes and levies	7,624,175.76	–
Other cash receipts relating to operating activities	28,130,360.98	54,614,555.82
Sub-total of cash inflows from operating activities	406,121,730.26	592,913,828.57
Cash paid for goods and services	299,415,945.19	253,905,925.90
Cash paid to and on behalf of employees	93,364,191.89	79,909,373.28
Payments of taxes and levies	31,539,905.64	33,479,723.48
Other cash payments relating to operating activities	127,244,546.37	42,443,553.46
Sub-total of cash outflows from operating activities	551,564,589.09	409,738,576.12
Net cash flows from operating activities	(145,442,858.83)	183,175,252.45
Cash flows from investing activities:		
Cash received from investments	–	5,916,000.00
Cash received from returns on investments	8,894,805.96	23,204,922.95
Net cash received from disposal of subsidiaries and other operating units	85,800,000.00	–
Sub-total of cash inflows from investing activities	94,694,805.96	29,120,922.95
Cash paid to acquire fixed assets, intangible assets and other long-term assets	21,864,462.08	16,982,131.07
Net cash paid on acquisition of subsidiaries and other operating units	229,842,716.00	655,724,031.00
Other cash payments relating to investing activities	21,300,000.00	279,568,000.00
Sub-total of cash outflows from investing activities	273,007,178.08	952,274,162.07
Net cash flows used in investing activities	(178,312,372.12)	(923,153,239.12)

CASH FLOW STATEMENT OF THE COMPANY (UNAUDITED)

(Continued)

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Cash flows from financing activities:		
Cash received from borrowings	1,197,628,100.25	860,749,681.64
Other cash received relating to financing activities	16,195,000.00	69,084,840.00
Sub-total of cash inflows from financing activities	1,213,823,100.25	929,834,521.64
Cash payments for settlement of borrowings	792,439,143.96	256,710,537.68
Cash payments for distribution of dividend, profit or interest expenses	95,721,704.43	65,951,272.75
Other cash payments relating to financing activities	69,084,840.00	30,744,611.18
Sub-total of cash outflows from financing activities	957,245,688.39	353,406,421.61
Net cash flows from financing activities	256,577,411.86	576,428,100.03
Effect of foreign exchange rate changes on cash and cash equivalents	-	-
Net increase in cash and cash equivalents	(67,177,819.09)	(163,549,886.64)
Add: Cash and cash equivalents at the beginning of the period	345,053,453.00	718,396,468.89
Cash and cash equivalents at the end of the period	277,875,633.91	554,846,582.25

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 2015. 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	
	2016 (Unaudited)	2015 (Unaudited)
Industrial waste recycling	347,838,803.85	360,268,643.89
Industrial waste treatment and disposal	342,699,656.19	283,148,703.14
Municipal waste treatment and disposal	140,714,460.93	120,612,182.44
Renewable energy utilization	45,525,629.89	46,061,792.41
Environmental engineering and services	108,794,495.87	101,689,016.02
Trading and others	58,251,586.35	34,405,737.21
Waste electrical appliance dismantling treatment	126,168,962.73	172,680,801.48
Total	1,169,993,595.81	1,118,866,876.59

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 2016 (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	472,414,750.78	372,020,077.29	140,714,460.93	45,525,629.89	139,990,864.13	74,736,531.29	126,168,962.73	-	(201,577,691.23)	1,169,993,595.81
Including: revenue from external transactions	347,838,803.85	342,699,656.19	140,714,460.93	45,525,629.89	108,794,495.87	58,251,586.35	126,168,962.73	-	-	1,169,993,595.81
Revenue from intra-segment transactions	124,575,946.93	29,320,421.10	-	-	31,196,368.26	16,484,944.94	-	-	(201,577,691.23)	-
Operating cost	360,776,504.40	206,713,392.57	104,686,822.25	21,761,801.76	106,499,521.13	28,012,586.15	114,228,992.52	-	(190,696,065.34)	751,983,455.44
Operating profit (loss)	61,932,908.50	108,893,162.49	16,006,814.36	11,637,988.33	16,524,082.71	16,389,343.14	(7,743,410.36)	7,919,507.65	(26,873,800.61)	204,686,596.21

ii) 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	297,698,300.88	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	360,268,643.89	283,140,703.14	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	12,407,605.71	12,944,973.94	14,067,499.87	13,718,041.97	5,560,766.02	17,856,543.43	(22,933,391.94)	216,078,290.57

4. FINANCE COSTS

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Interest expenses	48,350,452.03	38,571,070.46
Less: Interest income	(6,189,751.18)	(15,145,609.45)
Add: Profit or loss from exchange	–	79,812.96
Add: Other expenses	871,652.30	816,770.05
Total	43,032,353.15	24,322,044.02

Breakdown of interest expenses is as follows:

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Interest on bank loans		
– Bank loans wholly repayable within 5 years	65,791,670.05	51,413,973.79
Finance lease charge	155,606.61	1,248,192.59
Subtotal:	65,947,276.66	52,662,166.38
Less: Amount capitalised	(17,596,824.63)	(14,091,095.92)
Total	48,350,452.03	38,571,070.46

Borrowing cost capitalized during the Period is calculated by applying a capitalization rate of 5.45% (2015: 6.31%) per annum to expenditure on qualifying assets.

5. ASSETS IMPAIRMENT LOSSES

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Loss on bad debts	(6,721,657.77)	480,650.72
Impairment loss on goodwill	–	–
Total	(6,721,657.77)	480,650.72

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 Qiangdeng Three Wastes Treatment Company Limited (昆山市千燈三廢淨化有限公司) ("Kunshan Qiangdeng"), 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, 2014 and 2015 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"), 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) ("Fujiang Oasis"), Karamay Wosen Environmental Technology Co., Ltd. (克拉瑪依沃森環保科技有限公司) ("Karamay Wosen Environmental") 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 Karamay Wosen Environmental, full exemption of EIT from 2015 to 2017 and 50% EIT reduction from 2018 to 2020; 7) for Fujiang Oasis, full exemption of EIT from 2014 to 2016 and 50% EIT reduction from 2017 to 2019; and 8) 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, Qingyuan 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.

According to Cai Shui [2015] No. 34, since the annual taxable profits of the eligible small enterprises and microenterprises were lowered than RMB200,000 (RMB200,000 inclusive) from 1 January 2015 to 31 December 2017 and its reduction of 50% recognised as tax profit, with EIT at 20% Shenzhen Huabao Technology Limited (深圳市華保科技有限公司) and Shenzhen Dongjiang Properties Service Co Limited (深圳市東江物業服務有限公司) are small low profit enterprises what 50% are recognized tax profit and enjoys 20% EIT tax rate reduction.

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 RMB206,072,065.40 (2015: RMB173,643,031.97), and the weighted average of approximately 857,997,602 shares (2015: 850,607,102 shares) ordinary shares in issue during the Period.

The Company had no diluted potential shares in the interim periods of both 2016 and 2015 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 (2015: Nil).

9. ACCOUNTS RECEIVABLES

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Accounts receivables	793,544,886.72	726,651,054.71
Less: Provision for bad debts	9,847,652.52	17,779,826.26
Total	783,697,234.20	708,871,228.45

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 2016 (Unaudited)	As at 31 December 2015 (Audited)
Within 90 days	283,896,046.85	365,028,152.86
91 to 180 days	98,486,051.65	123,326,366.48
181 to 365 days	194,955,703.11	191,975,425.70
1 to 2 year(s)	184,644,247.22	27,876,763.72
2 to 3 years	21,715,185.37	664,519.69
Over 3 years	-	-
Total	783,697,234.20	708,871,228.45

10. FIXED ASSETS

During the Period, net fixed assets value of the Company increased by RMB162,177,252.38, representing a change of 12.47% as compared to the beginning of 2016, which was mainly attributable to the change in the scope of consolidation, five subsidiaries, Rudong Daheng Hazardous Waste Treatment Co., Ltd (如東大恒危險廢物處理有限公司), Nantong Hui Tian Ran Solid Waste Landfills Co., Ltd (南通惠天然固體廢物有限公司), Hengshui Ruitao Environmental Protection Technology Co., Ltd (衡水睿韜環保技術有限公司), Zhejiang Jianglian Environmental Investment Co., Ltd (浙江江聯環保投資有限公司) and Jiangsu Dongheng Airport High-Tech Industrial Park Co., Ltd (江蘇東恒空港高新技術產業園有限公司) were newly acquired during the Period, which resulted in increase of RMB163,989,756.91 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 RMB74,727,182.95.

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 2016 (Unaudited)	As at 31 December 2015 (Audited)
Within 90 days	375,253,635.29	249,270,602.41
91 to 180 days	32,618,517.91	29,663,005.53
181 to 365 days	60,880,291.89	119,855,422.05
Over 1 year	130,727,251.22	48,155,090.13
Total	599,529,696.31	446,944,120.12

12. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2016 (unaudited)	2015 (unaudited)
Cost of goods sold	615,669,882.83	681,718,177.51
Depreciation	115,059,082.49	57,393,250.63
Amortisation of prepaid lease payments	4,445,315.64	2,006,127.66
Amortisation of intangible assets	31,694,807.62	26,537,958.93

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 (2015: Nil).

14. CAPITAL COMMITMENT

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
Capital expenditures contracted for but not provided for in the financial statements		
– External investment	99,000,000.00	287,770,205.00
– Construction in progress	303,190,875.80	269,059,919.77
– Acquisition of machinery equipment	72,457,242.00	143,815,792.00
Total	474,648,117.80	700,645,916.77

15. SHORT-TERM BORROWINGS

During the Period, short-term borrowings amounted to RMB1,666,722,100.25 (31 December 2015: RMB1,271,195,143.96). 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

During the first half of 2016, the State promulgated and implemented various project plans relating to the disposal of hazardous waste, including the Soil Pollution Prevention and Control Action Plan and the National Directory of Hazardous Wastes (2016 Version), which further promoted the growth of the industry. Leveraging the industry development opportunities, the Company set its objective as continuous consolidation of core competitiveness in the hazardous waste business. In view of the new trend resulting from the government's intensive promotion of the PPP model, the Company carried out merger and expansion, new projects and regions exploration, as well as technological innovation, so as to expand its detoxification capacity of industrial wastes, cut disposal cost and improve product added values. During the first half of the year, the Company optimised and upgraded its business structure and secured the continuous growth of profit.

During the Reporting Period, the Company recorded an operating revenue of RMB1,169,993,600, representing an increase of 4.57% as compared to the same period of 2015. Total profit was RMB250,482,500, representing an increase of 7.99% as compared to the same period of 2015. Net profit attributable to shareholders of the Company was RMB206,072,100, representing an increase of 18.68% as compared to the corresponding period in 2015. As at 30 June 2016, total assets of the Company was RMB7,752,216,500, representing an increase of 15.96% as compared to the beginning of the period. Equity attributable to shareholders of the Company recorded at RMB2,940,158,300, representing an increase of 6.79% as compared to the beginning of the period. The net assets per share was RMB3.38.

Industrial waste treatment business

During the Reporting Period, facing the pressure from the prolonged downturn of global economy, decline in bulk commodity price and rising procurement cost of raw materials, the Company maintained steady operation of the projects already launched as well as achieving its targets. Through continuous technology optimisation and upgrade, the cost of waste treatment and value added to recycled products was reduced. Meanwhile, the Company accelerated the planning, construction and adjustment and testing of projects under development, with a view to minimising the shortfall in detoxification capacity and acquiring more market share. During the Reporting Period, the industrial waste treatment business continued to develop steadily and recorded an operating revenue of RMB690,540,000, while the detoxification waste treatment and disposal service recorded a revenue of RMB342,700,000, representing an increase of 21% as compared to the same period of 2015. Gross profit accounted for 40.09% of the total revenue, which was attributable to the continuous optimisation of business structure. Due to the decline in metal prices, sales revenue of recycled products declined by 3.5% as compared to the same period of 2015 to RMB347,840,000.

During the Reporting Period, in order to meet with the fast growing demand in the detoxification treatment market, the Company promoted the development, planning and new expansion of detoxification projects on industrial wastes, which included: 1) securing the Quanzhou Hazardous Waste Disposal Centre PPP Project, which was the first PPP project of the Company and the first hazardous waste disposal PPP project in China. The entering of the project contract not only brought synergy with Xiamen Oasis Environmental Industrial Company Limited* (廈門綠洲環保產業股份有限公司), thereby paving the way for the further development of the hazardous waste market in Fujian Province, but also marked a new initiative of the Company in investment, financing and operation model, which enabled the Company to accumulate valuable practical experience for similar projects in the future; 2) the steady advancement of newly built, expansion and modification projects, which included the rapid completion of adjustment and testing and steady operation of the Jiangxi solid waste disposal center incineration plant after its construction. In the first half of 2016, the plant processed a total of over 5,000 tonnes of wastes, which met the designed capacity. The incineration expansion project of Huizhou Dongjiang Veolia Environmental Services Co., Ltd.* (惠州東江威立雅環境服務有限公司) was completed. It is expected to commence trial operation at the end of August 2016, with a treatment capacity of 20,000 tonnes/year upon expansion. The incineration and disposal project of Coastal Solid Waste Disposal Co. Limited* (沿海固體廢料處置有限公司) with an existing treatment capacity of 12,900 tonnes/year is in stable operation, and has obtained the environmental impact assessment approval of an expansion project with a designed capacity of 50,000 tonnes/year, of which the construction of a incineration treatment facility with a capacity of 20,000 tonnes/year was completed and is undergoing project inspection and acceptance process. The newly acquired project of Rudong Daheng Hazardous Waste Treatment Co., Ltd.* (如東大恒危險廢物處理有限公司) has completed upgrading the incineration technology and commenced operation. The 30,000 tonnes/year landfill project of Nantong Hui Tian Ran Solid Waste Landfills Co., Ltd.* (南通惠天然固體廢物填埋有限公司) is making progress. It is expected to commence operation in the second half of the year. The 6,600 tonnes/year industrial waste incineration expansion project of Shaoxing Huaxin Environmental Technology Company Limited* (華鑫環保科技有限公司) is expected to complete the environmental inspection and acceptance procedures in the second half of the year, when its incineration and disposal capacity is expected to reach 19,800 tonnes/year; 3) the environmental impact assessment of projects obtained satisfying results. The Shandong weifang industrial solid waste recycle and detoxification project has obtained approval on the environmental evaluation. Upon completion of its construction, the annual treatment capacity of various types of hazardous wastes would reach 196,000 tonnes. As the waste production volume of Shandong Province ranked first in the country as a result of its serious shortage of treatment facilities, the project lays a solid foundation for the future development of the Shandong market. Moreover, the expansion project of the Hebei hengshui treatment facility with an increased capacity of 50,000 tonnes (of which 20,000 tonnes are for incineration treatment and 30,000 tonnes are for solidification treatment) has obtained the environmental impact assessment approval during the Reporting Period and is preparing for construction and is expected to commence operation in 2017.

The Company made strategic plan for Eastern China with a focus on Jiangsu and Zhejiang, and continuously strengthened the industrial chain and market network in recent years. Currently, it has 6 projects in operation or under development and treatment capacity exceeding 300,000 tonnes per annum. In order to further enhance the business development and resources integration in Eastern China, the Company upgraded the original its Eastern China Department to Eastern China Headquarter, for the purpose of rapidly replicating and promoting the well-established operation and management model in Guangdong. Meanwhile, the Company actively supported the horizontal integration and cooperation with Jiangsu Suhui Asset Management Company Limited* (江蘇蘇匯資產管理有限公司) and Jiangsu Dongheng International Group Company Limited* (江蘇東恒國際集團有限公司), to jointly develop the Jiangsu Dongheng Konggang High and New Tech Zone project. The High and New Tech Zone will be an important base of industry-university-research cooperation and regional technology innovation centre of the Company in Eastern China. The Company actively built a platform for high-quality researchers on environmental protection technology and a incubation and transformation platform for advanced environmental technology achievements. It also promotes in-depth industry-university-research cooperation and technology innovation, which will offer crucial talent and technology support to its development of the environmental protection market in Eastern China. At the same time, the Company will fully leverage the strengths of cooperative shareholders in local market, customers and government relationship. Through the Eastern China Headquarter, industry-university-research platform and technology innovation centre, the Company will strive to realise external expansion, rapidly tap into the Eastern China market and launch more high-quality industrial hazardous waste disposal projects. In respect of market and customer exploration, the Company rapidly replicated and promoted the well-established market management model in Guangdong in areas such as Eastern China, Jiangxi, Fujian, Hubei and Hebei. Meanwhile, the Company actively worked towards the development of customer service standards with a view to improving customer satisfaction. The efforts in customer exploration have resulted in outstanding outcome. During the Reporting Period, as the handling volume of all types of wastes recorded growth to different extents and the number of customers increased by approximately 30% as compared to the corresponding period last year.

In view of the pressure from economic downturn and decline in metal prices, all treatment bases have carried out waste reduction, technique and technology advancement, treatment cost reduction and product mix adjustment. They also expanded the production of high value-added products such as electrolysis grade copper sulphate, copper sulphate with low iron and chlorine content and verdigris. Meanwhile, Jiangmen Dongjiang achieved progress in the paint residue reduction experiment. It has started purchasing and installing equipment with a view to cutting the treatment cost effectively upon commencement of operation.

Municipal solid waste treatment business

During the Reporting Period, the Company adhered to the principle of standardised and high quality operation, and continued to enhance operation management. The municipal solid waste treatment business (including renewable energy utilization business) recorded a revenue of RMB186,240,000, representing an increase of 11.7% as compared to the corresponding period of last year. The gross profit was RMB55,790,000, representing an increase of 51.99% as compared to the corresponding period of last year. The increase in revenue and gross profit was mainly attributable to the expansion of the scope of service of the Xiaping landfill project, which leveraged the fixed costs.

In respect of project construction, the upgrade and renovation of the Xiaping kitchen waste project was completed while the equipment adjustment and testing and collection of kitchen waste have commenced smoothly. As a result, the project has become the exemplary work in Shenzhen and is operating steadily. The Hunan Zhaoyang domestic waste landfill project operated steadily with a daily treatment capacity of 800 tonnes for domestic wastes. All landfill gas power generation projects were in smooth operation with an average on-grid rate exceeding 90%.

Environmental protection service business

For the purpose of building a comprehensive environmental protection service platform and upgrading the overall service capacity, the Company has been developing environmental engineering and service business so as to provide one-stop service to customers by effectively integrating resources in design, construction, equipment installation, adjustment and testing, and operation of environmental engineering. During the Reporting Period, the environmental protection service business recorded a revenue of RMB108,790,000, representing an increase of 6.99% as compared to the corresponding period last year. Gross profit was RMB29,360,000, representing an increase of 43.26% as compared to the corresponding period of last year. The growth of the environmental protection service business was mainly attributable to the increase in sewage treatment projects of the Company, which resulted in the conversion of part of the costs to value-added tax.

During the Reporting Period, the Company continued to introduce external advanced technology and optimised internal technology and technique, so as to achieve high level of sewage treatment technical capability and customer service. It also actively developed industrial sewage and municipal sewage treatment projects. During the Reporting Period, it won the bid of three projects, namely the Heshan industry transfer zone sewage treatment construction project, the Hubei Yangxin second sewage treatment plant construction project and the Hubei Jiangling Binjiang sewage treatment plant BOT Project. The Company is in the process of negotiating over 20 projects on sewage engineering and operation.

In respect of environmental evaluation, capitalising on its expertise and excellent reputation in the industry, the Company was appointed by the government to conduct major ecology research, risk evaluation on sites and groundwater, and provide environmental monitoring services.

Waste electrical appliance disassembling business

Based on the strategy of “focusing on hazardous wastes and developing principal businesses”, during the Reporting Period, the Company plans to dispose and transfer the waste electrical appliance disassembling business, which creates less synergy with the principal business, so as to focus on the principal business while reducing administrative expenses and financing costs. By doing so, the Company will be able to secure sufficient funds to consolidate its leading position in the industrial hazardous wastes treatment industry, fully leveraging the rapid expansion of the environmental protection industry and pushing forward its business plan. During the Reporting Period, the waste electrical appliance disassembling business recorded an operating revenue of RMB126,170,000, representing a decrease of 26.9% as compared to the same period of 2015.

Research and development

During the Reporting Period, the Technology Research & Development Department continued to explore and summarise the cooperation model that is suitable for the technology research & development, technology introduction and project implementation of the Company, and constantly optimised process and summed up experience to gradually build a tailor-made technology innovation system and an open-ended technology research and management platform for the Company. It actively carried out technology introduction and external cooperation in incineration control, river and watershed treatment and soil remediation, so as to provide technical support for the Company to expand new businesses.

1. Technology Research & Development: During the Reporting Period, the Research & Development centre of the Company carried out 6 Research & Development projects. It achieved breakthrough in the manufacturing of feed grade monocalcium phosphate by comprehensive utilization of waste acid containing phosphate, recycling of high concentrated waste water by applying dialysis technique, and precious and base metals separation for waste mobile phones by separation through chlorination process with controlled voltage.

2. Technology introduction: During the Reporting Period, the Company carried out cooperation and exchange and technical demonstration in innovative technology with the domestic and international well-known enterprise, focusing on the following main areas including waste organic solvents of electrical industry, waste water with high concentrations of nitrate, waste emulsion, wastewater with high COD after physicochemical treatment, oily wastewater, and resin wastewater. The main innovative technologies include magnetism-splitting plus catalytic oxidation technology for treatment of highly-concentrated organic wastewater, low-temperature evaporation technology, supercritical water oxidation technology and high load denitrification technology.
3. Industry-university-research cooperation: During the Reporting Period, the Technology Management Centre of the Company actively carried out exchange and cooperation with scientific research institutions including the Research Centre for Eco-Environmental Sciences of the Chinese Academy of Sciences, the Southern University of Science and Technology of China, the Southern China University of Technology, the Peking University Shenzhen Graduate School, and the Huazhong University of Science and Technology, in respect of school-enterprise platform building, talent introduction, and entrusted development. In respect of wastewater with nitrate content, it cooperated with the Research Center for Eco-Environmental Sciences of the Chinese Academy of Sciences, in conducting denitrification pilot experimental verification. In respect of river and watershed treatment, it joint hands with the Southern China University of Technology to establish a "Research and Development Centre for River Pollution Treatment and Ecological Remediation Projects". The Company, through the vertical integration of industry-university-research resources, completed the preparation and application of technology on highly-concentrated organic sewage, incineration control of hazardous wastes and heavy metal wastewater treatment and water remediation business.
4. Technical results management: During the Reporting Period, the Company reported 11 topics/projects, and obtained government funding of RMB5.096 million; reported 3 platforms, and obtained the title of "Pilot Enterprise of Integration of Informatisation and Industrialisation and Standard Implementation" from the Economic and Information Commission of Guangdong Province. Meanwhile, it implemented the intellectual property strategy of the Group headquarter and its subsidiaries by applying for 17 new patents and obtaining 12 authorised patents.

Financial Review

Total Operating Revenue

During the Period, the Group's total operating revenue increased by approximately 4.57% to approximately RMB1,169,993,596 (2015: approximately RMB1,118,866,877) as compared to the corresponding period in 2015. The net profit attributable to shareholders of the Company increased by approximately 18.68% to approximately RMB206,072,065 (2015: approximately RMB173,643,032). The main reasons for the modest growth in total operating revenue are reduction of the unit price of the State's waste appliances dismantling subsidies fund, the consistent low price of domestic metal and impact of Caishui no.78 during the Period, which led to the decrease in the growth of operating revenue of the harmless disposal of industrial solid waste business, and operating revenue of business of dismantling of discarded appliances as compared to the corresponding period of last year. Nevertheless, the Company implemented corporate strategy in operation by adjusting business structure, actively exploring the market and increasing the market shares in industrial solid waste harmless disposal and municipal waste treatment which ensured an approximately 4.57% growth of total operating revenue during the Period as compared to the corresponding period of last year, in particular, comparing to the corresponding period in last year, the operating revenue of industrial waste treatment and disposal increased by approximately 21.03% to RMB342,699,656 (2015: approximately RMB283,148,703); the operating revenue of municipal waste treatment and disposal increased by approximately 16.67% to RMB140,714,461 (2015: approximately RMB120,612,182); the operating revenue of dismantling of discarded appliances decreased by approximately 26.94% to approximately RMB126,168,963 (2015: approximately RMB172,680,801).

Profit

During the Period, the Group's integrated gross profit margin was approximately 36.50% (2015: approximately 33.58%), representing an increase of approximately 2.92 percentage points as compared to the corresponding period in last year. The increase of integrated gross profit rate is mainly attributable to the adjustment of business structure and the increase in proportion of operating revenue of the industrial harmless business with higher gross margin attributed to the total operating revenue, and 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 last year, together with the overall effect of Caishui no.78, the gross profit margin of recycled products increased by 2.12 percentage points and the gross profit margin of the business of environmental engineering and services increased by 6.83 percentage points as compared to the corresponding period in last year; the gross margin of trading and other business increased by 21.25 percentage points as compared to the corresponding period in last year.

Sales Expenses

During the Period, the Group's sales expenses were approximately RMB22,763,244 (2015: approximately RMB19,664,685), representing approximately 1.95% of the Group's total operating revenue (2015: approximately 1.76%). The increase in sales expenses is mainly because the Group increased marketing and promotion efforts and enhanced the brand management for the business of the Company when the overall domestic economic situation in China was below expectation. 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 in last year.

Administrative Expenses

During the Period, the Group's administrative expenses were approximately RMB161,662,419 (2015: approximately RMB127,258,634), representing approximately 13.82% of the Group's total operating revenue (2015: approximately 11.37%). The increase in administrative expenses is mainly due to the continuous increase in the Company's investment in research and development during the Period. The increase is also due to expansion of the Company, the increase in subsidiaries and the continuous increase in domestic minimum labour cost in the Period as compared to the corresponding period of last year.

Finance Cost

During the Period, the Group's finance cost was approximately RMB43,032,353 (2015: approximately RMB24,322,044), representing approximately 3.68% of the Group's total operating revenue (2015: approximately 2.17%). 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 RMB28,811,049 (2015: approximately RMB33,569,244), representing approximately 11.50% of the Group's profit before tax (2015: approximately 14.47%).

Financial Resources and Liquidity

As at 30 June 2016, the Group had net current assets of approximately RMB-624,113,069 (31 December 2015: approximately RMB-269,948,304) and current liabilities of approximately RMB3,123,281,149 (31 December 2015: approximately RMB2,592,766,217). The current assets include cash and cash equivalents of approximately RMB859,587,100 (31 December 2015: approximately RMB815,961,535).

As at 30 June 2016, the Group had total liabilities of approximately RMB4,286,107,151 (31 December 2015: approximately RMB3,465,681,663). The Group's gearing ratio was approximately 55.30% (31 December 2015: approximately 51.84%) which is calculated based on the Group's total liabilities over total assets. As at 30 June 2016, the Group had bank loans of approximately RMB2,599,117,300 (31 December 2015: approximately RMB2,001,992,965).

Share Capital Structure

As at 30 June 2016, the Company had an issued share capital of 869,382,102 shares, comprising 669,244,602 A shares of RMB1.00 each and 200,137,500 H shares of RMB1.00 each.

Substantial Investments, Acquisitions and Disposals of Subsidiaries and Associated Companies

In November 2015, the Company entered into an equity transfer agreement to acquire 100% equity interests in Nantong Hui Tian Ran Solid Waste Landfills Co., Ltd.* (南通惠天然固體廢物填埋有限公司) at a consideration of RMB150,000,000. In April 2016, the Company has paid RMB112,500,000 as the consideration for the equity transfer.

In July 2015, the Company entered into an equity transfer agreement to acquire 85% equity interests in Hengshui Ruitao Environmental Protection Technology Co., Ltd.* (衡水睿韜環保技術有限公司) at a consideration of RMB85,000,000. In April 2016, the Company has paid RMB55,000,000 as the consideration for the equity transfer.

In November 2015, the Company entered into an equity transfer agreement to acquire 60% equity interests in Zhejiang Jianglian Environmental Investment Co., Ltd* (浙江江聯環保投資有限公司) at a consideration of RMB75,558,000. In May 2016, the Company has paid RMB52,890,600 as the consideration for the equity transfer.

In April 2016, the Company entered into an equity transfer agreement to acquire Weifang Lanhai Environment Protection Co., Ltd.* (濰坊藍海環境保護有限公司) ("Weifang Lanhai") at a total consideration of RMB64,000,000. Upon completion of the transaction, the Company owns 70% equity interests in Weifang Lanhai. During the Period, the Company has paid RMB15,000,000 as the first payment of the consideration for the equity transfer.

In June 2016, the Company invested RMB2,000,000 in the registered capital of Zhenjiang Dongjiang Environmental Technology Development Co., Ltd* (鎮江東江環保技術開發有限公司), a subsidiary in which the Company owned 60% equity interest. During the Period, the Company has paid RMB600,000 for the investment.

* For identification purpose only

In June 2016, the Company and the other shareholders of Shenzhen Huateng Environment Information Technology Co., Ltd* (深圳市華藤環境信息科技有限公司) (“Huateng Environment”), a joint stock company in which the Company held 10% of its whole equity, increased investment in proportion to their shareholding in Huateng Environment, and the amount of such investment was RMB500,000. Upon the completion of the capital increase, the Company still owns 10% equity interests in Huateng Environment.

In June 2016, the Company has paid RMB1,000,000 for the investment in a wholly-owned subsidiary of the Company, Shenzhen Qianhai Dongjiang Environmental Technology Services Ltd* (深圳市前海東江環保科技服務有限公司).

In December 2015, the Company invested RMB60,000,000 to establish Shenzhen Baoan Dongjiang Environmental Technology Co., Ltd.* (深圳市寶安東江環保技術有限公司), in which the Company owned 100% equity interest. In June 2016, the Company has paid the investment amount of RMB4,200,000.

In April 2016, the Company entered into an equity transfer agreement to sell 100% equity interest in the Company’s wholly-owned subsidiaries, namely Qingyuan Dongjiang Environmental Technology Co., Ltd.* (清遠市東江環保技術有限公司) and Hubei Dongjiang Environmental Co., Ltd.* (湖北東江環保有限公司), at a consideration of RMB380,000,000.

Save as disclosed in this report, the Group did not have any substantial investments, acquisitions and disposals of subsidiaries 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.

* *For identification purpose only*

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, trade receivables 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 2016, 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 2016 (Unaudited)	As at 31 December 2015 (Audited)
Fixed assets	179,983,532.96	175,300,121.09
Cash	31,839,473.75	41,767,769.31
Intangible assets	123,108,762.15	109,718,571.27
Construction in progress	169,227,899.27	143,088,288.75

Information on Employees and Remuneration Policies

As at 30 June 2016, the number of full-time employees of the Group was 3,914 (2015: 3,674) with a total staff cost for the Period of approximately RMB176,685,578.28 (2015: approximately RMB141,956,199). 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 2016.

FUTURE PROSPECTS

1. Development trend

With the successive introduction and implementation of the environmental laws and regulations including the Atmospheric Pollution Prevention and Control Law, Soil Pollution Prevention and Control Action Plan, Water Pollution Prevention and Control Law (Consultation Paper), Law on Appraising of Environment Impacts, Regulations on the Administration of Construction Project Environmental Protection and Directory of National Hazardous Wastes, the State showed a strong signal on placing high importance on environment protection and adopting stringent environmental policies. Meanwhile, with the supply-side reform under the new normal state, implementation of cutting over capacity, destocking, deleveraging, reducing costs and identifying growth areas, as well as implementation and deepening of a series of approaches including mixed ownership and PPP, which can give full play of market effect and social capital strength, a trillion-yuan environmental protection market will be brought forward.

2. Mixed ownership contributes to entering a new era of development

Through transferring shares by the majority shareholder and the proposed non-public issue of shares, a large state-owned enterprise in the Guangdong province, Guangdong Rising Assets Management Co., Ltd* (廣東省廣晟資產經營有限公司) (hereinafter referred to as "Guangdong Rising Assets") becomes a shareholder of the Company, enabling the Company to enter into a new era of development in a mixed ownership model. Meanwhile, in order to stabilise its existing team and maximise the vigorous and enthusiasm of key employees, the Company adopted the restricted share incentive scheme, under which the total number of shares issued shall not exceed 20,000,000 Shares (including 1,380,000 reserve shares), representing 2.30% of the Company's total share capital, with 343 key employees participated. Leveraging its powerful alliance with Guangdong Rising Assets, a large size state-owned enterprise boosting its advantages in government resources, funds and financing, and talents, the Company achieved a good combination of its own advantages as a private enterprise with flexibility, fast and high-efficiency, and incentive and motivation, with those of Guangdong Rising Assets, inevitably driving the Company to enter a new era of the development.

* For identification purpose only

3. Highlights for the second half of the year

1) ***Leveraging advantages and promoting development***

In the second half of the year, the Company will further enhance project and market expansion, increase investment and financing and capital operation, actively expand the market in Guangdong province and deepen cooperation with each city across the country. On the basis of continuous consolidating its principle business of hazardous waste, the Company will actively develop and expand comprehensive environment services including operation of environmental engineering, municipal and environmental rehabilitation.

2) ***Accelerating project construction and application for qualification***

The Company will accelerate the process of each of the new projects and projects under construction, and ensure the steady advancement of application for qualification. For the second half of the year, the Company must obtain qualifications for the coastal solid waste phase III incineration project, the Huitianran landfill site project, the Zhuhai Yongxingshen incineration project and the Hubei Tianyin incineration project before putting them into operation.

3) ***Continuous advancing the establishment of professional modularised management system***

Each relevant business unit will set up a modularised and standardised management system in business areas including landfill, physico-chemical treatment, incineration and biogas power generation, set the management standards on unit disposal cost and disposal technology, and gradually promote embellishment and implementation of standards on services and standards including operation of environmental engineering, treatment and disposal of the hazardous waste and transportation services.

4) ***Preparing 2016-2020 strategic planning of the Company***

Facing the trillion-yuan environmental protection market brought about by the strengthening of environmental protection policies, in respect of how to capitalise market opportunities in order to boost development, the Company decides to initiate the preparation of 2016-2020 strategic planning, clarify its future development direction and strategy, gather all of its strengths and resources, and unite together and make it bigger and stronger as fast as possible, and maintain a sustainable development.

4. Risks and solutions

1) *Operating pressure from uncertainties of external economy*

While further downward pressure is weighing on the sluggish global economy, the upstream enterprises are further intensifying their production reductions and limitations. Insisting on implementing its policy of “increasing revenue and controlling costs”, the Company will, on one hand, accelerate the in-depth cooperation and development in the Guangdong province; on the other hand, accelerate the replication and promotion of market model in each business region, expand customer resource, and ensure the realisation of operating revenue. The Company will increase the proportion of detoxification business through business structure adjustment, and promote the establishment and implementation of standardised operation system of each business unit, enhance cost control, improve gross margin and ensure the realisation of profit goals.

2) *Risks and pressures due to unstable operation of equipment and failure of putting into operation of construction projects in a timely manner*

For the second half of the year, the Company will establish an incineration operation and management system, and improve the standards on the operation and management of incineration equipment through building a trans-department professional technical team. Meanwhile, the Company will accelerate the progress of obtaining the qualifications for the coastal solid waste phase III incineration project, the Huitianran landfill site project, the Zhuhai Yongxingsheng incineration project and the Hubei Tianyin incineration project before putting them into operation.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Period (2015: nil).

OTHER EVENTS DURING THE PERIOD

SATISFACTION OF UNLOCKING CONDITIONS OF UNLOCKING PERIOD OF RESTRICTED A SHARES GRANTED UNDER THE RESTRICTED A SHARE INCENTIVE SCHEME

On 5 January 2016, the Board considered and approved a resolution in relation to the satisfaction of unlocking conditions of the first unlocking period of reserved portion of Restricted A Shares under the Restricted A Share Incentive Scheme (as defined in Circular of the Company dated 28 January 2013), which was approved on 23 January 2014. Upon approval of the above resolution, the first unlocking period will be commenced from the first trading day after 12 months from the date of grant of reserved Restricted A Shares to the last trading day within 24 months from the date of grant of the reserved Restricted A Shares. 20% of the reserved portion of total Restricted A Shares will be unlocked and available for application by relevant Share Incentive Participant (as defined in the circular of the Company dated 28 January 2013) during the unlocking period. A total number of 63 Share Incentive Participants have applied to unlock, in aggregate, 425,000 Restricted A Shares, representing approximately 0.05% of the then total share capital of the Company. The Unlocked Restricted A Shares have been listed on the Shenzhen Stock Exchange on 14 January 2016.

On 24 March 2016, the Board considered and approved a resolution in relation to the satisfaction of unlocking conditions of the second unlocking period under the first grant of the Restricted A Share Incentive Scheme (as defined in circular of the Company dated 28 November 2013), which was approved on 23 January 2014. Upon the approval of the above resolution, the second unlocking period will be commenced from the first trading day after 24 months from the date of first grant of Restricted A Shares to the last trading day within 36 months from the date of first grant of the Restricted A Shares. A total number of 98 Share Incentive Participants have applied to unlock, in aggregate, 8,325,000 Restricted Shares, representing approximately 0.96% of the then total share capital of the Company. The Unlocked Restricted Shares have been listed on the Shenzhen Stock Exchange on 6 April 2016.

For details, please refer to the announcements of the Company dated 5 January 2016, 11 January 2016, 24 March 2016 and 31 March 2016.

ENTERING INTO THE FRAMEWORK AGREEMENT FOR COOPERATION AND ESTABLISHMENT OF INDUSTRY MERGER AND ACQUISITION FUND

On 22 March 2016, the Company entered into a non-legal binding Dongjiang Environmental Industry Merger and Acquisition Fund Framework Agreement with Zhongxin Guoan (Shenzhen) Fund Management Co., Ltd.* (中信國安(深圳)基金管理有限公司) and Shenzhen Huihai Yuanfang Investment Management Co., Ltd.* (深圳市匯海遠方投資管理有限公司), pursuant to which the parties agreed to cooperate and set up the Dongjiang Environmental Industry Merger and Acquisition Fund with a total size of RMB3 billion, which would mainly be used in investment in quality companies and assets in the environmental industrial sector (including but not limited to environmental treatment of water, solid waste treatment, recovery of soil environmental biology, third party environmental services).

For details, please refer to the announcement of the Company dated 22 March 2016.

SIGNING STRATEGIC COOPERATION AGREEMENT FOR ESTABLISHMENT OF SPECIAL MERGER AND ACQUISITION FUND

On 29 March 2016, the Company entered into non-legal binding Strategic Cooperation Agreement with Huarong Holding (Shenzhen) Equity Investment Fund Management Co., Ltd.* (華融控股(深圳)股權投資基金管理有限公司) (“Huarong Holding”), pursuant to which both parties agreed to set up a special merger and acquisition fund (“Fund”) the fund size of which shall not exceed RMB3 billion. Huarong Holding is responsible for the daily operation and management of the fund as the general partner, and to assist the Company in the relevant financing work for the proposed merger and acquisition of hazardous waste project; while the Company will carry out the overall planning, due diligence, transaction scheme design, operation management, etc. for the proposed merger and acquisition project.

For details, please refer to the announcement of the Company dated 29 March 2016.

DISPOSAL OF EQUITY INTEREST IN HUBEI DONGJIANG, QINGYUAN DONGJIANG AND XIAMEN OASIS

On 12 April 2016, the Company entered into an equity transfer agreement with Sound (Tianjin) Renewable Resources Investment Holding Co. Ltd.* (桑德(天津)再生資源投資控股有限公司) (“Sound Tianjin”) and the wholly-owned subsidiaries of the Company, Hubei Dongjiang Environmental Co., Ltd.* (湖北東江環保有限公司) (“Hubei Dongjiang”) and Qingyuan Dongjiang Environmental Technology Company Limited* (清遠市東江環保技術有限公司) (“Qingyuan Dongjiang”), pursuant to which the Company agreed to sell and Sound Tianjin agreed to acquire 100% of the equity interest in each of Hubei Dongjiang and Qingyuan Dongjiang at a total consideration of RMB380,000,000.

* For identification purpose only

On the same date, the Company entered into an equity transfer agreement with Sound Tianjin, Beijing Xinyi Resources Science and Technology Co. Ltd.* (北京新易資源科技有限公司) (“Beijing Xinyi”), Xiamen Oasis Environmental Stock Company Limited* (廈門綠洲環保產業股份有限公司) (“Xiamen Oasis”), a 60% owned subsidiary of the Company, and other shareholders of Xiamen Oasis, pursuant to which the Company and the other shareholders of Xiamen Oasis agreed to segregate the non-Target Business of Xiamen Oasis by demerging such business into a new company, and Sound Tianjin and Beijing Xinyi agreed to acquire 100% of the equity interest in Xiamen Oasis (Demerged) at the total consideration of RMB320,000,000 (tentatively), among which the consideration for the Company’s sale of 60% equity interest in Xiamen Oasis (Demerged) is RMB192,000,000 (tentatively).

For details, please refer to the announcement of the Company dated 12 April 2016.

NON-PUBLIC ISSUANCE OF NEW A SHARES

On 26 April 2015, the Board proposed to convene EGM and class meetings, to seek shareholders’ approval to grant special mandate for non-public issuance of not more than 57,860,000 new A shares of the Company. On 12 June 2015, the proposed non-public issuance of new A shares has been approved by the shareholders of the Company at the extraordinary general meeting, A shares class meeting and H shares class meeting held on 12 June 2015.

On 1 March 2016, the Board and supervisory committee of the Company respectively agreed to terminate the non-public issue of A shares, and the China Securities Regulatory Commission decided to terminate the application for non-public issue of A shares of the Company according to Article 20 of the “Rules of the Implementation Programme of Administrative Permission of China Securities Regulatory Commission”.

For details of non-public issuance of new A shares, please refer to announcements of the Company dated 26 April 2015, 12 June 2015, 2 July 2015, 16 February 2016, 1 March 2016 and 15 March 2016, and the circular of the Company dated 14 May 2015.

* *For identification purpose only*

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

As at 30 June 2016, 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%/36.28%
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 2016, 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 2016, 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 2016, 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 2016, 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

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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules has been adopted as a code of securities transactions for the Directors and supervisors. The Company, having made specific enquiries with all Directors and supervisors of the Company, confirmed that, during the Period, 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*
Chen Shu Sheng
Executive Director

24 August 2016
Shenzhen, Guangdong Province, the PRC