



Eastern Environment Solutions Corp.

Eastern Environment Reports 259% Increase in Revenue and Achieves Record \$1.1 Million of Net Income for the First Quarter of 2010; Provides Update on Expansion of Landfill Capacity and Growth Plans for 2010

May 18, 2010 (GlobeNewswire) -- NEW YORK and HARBIN, China, May 18, 2010 (GLOBE NEWSWIRE) -- **Eastern Environment Solutions Corp.** (OTCBB:EESC), a leading provider of municipal solid waste (MSW) processing and disposal services in northeast China, today provided a business update and announced financial results for the first quarter of 2010.

First Quarter 2010 Financial Highlights:

- Revenue increased 259% to \$1.6 million
- Gross profit increased 306% to \$1.4 million
- Gross margin increased to 86.8% from 76.7%
- Income from operations increased 511% to \$1.2 million
- Operating margin increased to 77.6% from 45.6%
- Net income increased 536% to \$1.1 million
- \$1.3 million of cash, \$4.9 million of working capital and shareholders' equity of \$14.1 million

Ms. Feng Yan, Chairman and Chief Executive Officer, stated, "We are quite pleased with our performance now that we have resumed full operations at the landfill. We generated a record \$1.1 million of net income, or \$0.07 per diluted share, for the first quarter. As a result, we are now on pace to achieve in excess of \$4 million of annualized net income, based on our first quarter 2010 results. Looking ahead, we expect to see strong sequential revenue growth for the second quarter and balance of this year as we implement our strategic expansion plans."

"During the first quarter we achieved a number of important milestones that bode extremely well for the balance of 2010. First, in January 2010, we successfully negotiated with the Harbin Municipal Urban Administrative Bureau (HMUAB) to increase the fee payable to us for waste disposal from 42 RMB per ton to 60 RMB per ton. We continue to negotiate with HMUAB to achieve additional price increases. Second, in March 2010, we obtained approval from the HMUAB to increase our daily waste disposal capacity from 1,200 tons to 1,500 tons, and the local government has announced that it will divert this amount of additional waste to our

landfill. As a result, we are now handling approximately 25% more waste on a daily basis. We also plan to increase waste receipts by adding additional shifts and extending the working hours at the landfill. As a result of these initiatives, we expect to benefit from higher revenues and improved pricing in the second half of 2010, which should positively impact both our margins and overall profitability. We appreciate the strong support we have received from the HMUAB and we are proud to have the local government as our partner in improving China's environment."

"In addition to increasing waste receipts and pricing at our Harbin landfill, we formally launched our polyethylene terephthalate (PET) recycling efforts." Ms. Feng Yan explained, "In January 2010, we signed a PET bottle processing agreement with Harbin Dongxin Group. Under this agreement, Dongxin is responsible for processing, packaging and selling the PET bottles sorted from our landfill. In the first quarter alone, we generated over \$465,000, or 29% of our total revenue, from the sale of recovered PET bottles. The use of PET by the bottling industry has increased dramatically in the past decade, as has the demand for recycled PET for a variety of industrial purposes. We see PET recycling as a win-win in terms of environmental impact and revenues, and we believe PET recycling is a trend that will continue to accelerate in China."

Ms. Feng Yan continued: "As one of the largest landfill companies in Heilongjiang Province, Eastern Environment is extremely well positioned to capture market share in this highly fragmented market. We believe we can organically grow the business by bidding on new BOT contracts due to our long and successful track record. Additionally, we remain alert for accretive acquisition opportunities that leverage our core waste expertise and geographic focus. We believe the combination of increased landfill capacity, PET recycling, and our recent agreement with Veolia to convert the landfill gases into green energy and carbon credits will all translate into improved profitability for our shareholders."

Revenue for the first quarter ended March 31, 2010 was \$1.6 million, as compared to \$0.4 million for the first quarter ended March 31, 2009. The increased revenue reflects the initial resumption of landfill operations in late 2009 and an increase in authorized tons of waste per day granted by the HMUAB in February 2010, as well as revenue from PET recycling, which began in January 2010. Gross profit was \$1.4 million for the three months ended March 31, 2010, as compared to \$0.3 million for the three months ended March 31, 2009. Operating income was \$1.3 million for the three months ended March 31, 2010, as compared to \$0.2 million for the three months ended March 31, 2009. Net income for the three months ended March 31, 2010 was \$1.1 million, or \$0.07 per diluted share, compared to net income of \$0.2 million, or \$0.01 per diluted share, for the same period last year.

As of March 31, 2010, the Company had cash and cash equivalents of \$1.3 million,

working capital of \$4.9 million, and shareholders' equity of \$14.1 million.

About Eastern Environment Solutions Corp.

Eastern Environment Solutions Corp. is the first regional environmental engineering company to operate under a Build-Operate-Transfer ("BOT") contract in China. The landfill is 17 km away from urban areas. The Harbin Municipal Urban Administrative Bureau, authorized by the Harbin Municipal Government, signed a franchise contract for 17 years with the company. The landfill can be used to dispose of 1,500 tons of MSW per day, or approximately 42% of the total municipal solid waste produced by the population of Harbin. Additional information about the Company is available at www.useesc.com.

In addition to historical information, this press release contains forward-looking statements, which are generally identifiable by use of the words "believes," "expects," "intends," "anticipates," "plans to," "estimates," "projects," or similar expressions. These forward-looking statements represent Management's belief as to the future of Eastern Environment Solutions, Corp. Whether those beliefs become reality will depend on many factors that are not under Management's control. Many risks and uncertainties exist that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in the section entitled "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2009. Readers are cautioned not to place undue reliance on these forward-looking statements. The Company undertakes no obligation to revise or publicly release the results of any revision to these forward-looking statements.

(tables follow)

EASTERN ENVIRONMENT SOLUTIONS, CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31,	December 31,
	2010	2009
	(Unaudited)	
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ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,298,677	\$ 428,052

Accounts receivable	4,700,006	4,253,203
Inventory	52,964	42,650
Other receivables	778	440,208
Loans to related parties	65,519	42,828
Total Current Assets	<u>6,117,944</u>	<u>5,206,941</u>
Property and equipment, net of accumulated depreciation of \$1,374,767 and \$1,312,131, respectively	<u>6,298,421</u>	<u>6,319,005</u>
Other asset:		
Advance to suppliers	<u>3,784,613</u>	<u>3,783,981</u>
Total Other Asset	<u>3,784,613</u>	<u>3,783,981</u>
Total Assets	<u>\$ 16,200,978</u>	<u>\$ 15,309,927</u>

**LIABILITIES AND STOCKHOLDERS'
EQUITY**

Current liabilities:		
Bank loan payable - current portion	\$ 966,592	\$ 966,592
Accounts payable	810	810
Taxes payable	183,582	174,375
Accrued expenses and other payables	83,048	92,192
Total Current Liabilities	<u>1,234,032</u>	<u>1,233,969</u>
Long-term liabilities:		
Bank loan payable - net of current portion	<u>845,768</u>	<u>1,087,416</u>
Total Liabilities	<u>2,079,800</u>	<u>2,321,385</u>

Commitments and Contingencies

Stockholders' Equity

Common stock, \$0.0001 par value, 100,000,000
shares authorized;

14,970,186 shares issued and outstanding as of March 31, 2010 and December 31, 2009	1,497	1,497
Additional paid-in-capital	3,931,853	3,836,165
Accumulated other comprehensive income	1,896,686	1,945,261
Statutory reserves	186,156	186,156
Retained earnings - Unappropriated	8,104,987	7,019,463
Total Stockholders' Equity	<u>14,121,179</u>	<u>12,988,542</u>
Total Liabilities and Stockholders' Equity	<u>\$ 16,200,978</u>	<u>\$ 15,309,927</u>

EASTERN ENVIRONMENT SOLUTIONS, CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	THREE MONTHS ENDED	
	MARCH 31,	
	2010	2009
Revenues	\$ 1,587,754	\$ 442,345
Cost of Goods Sold	<u>209,831</u>	<u>103,218</u>
Gross Profit	1,377,923	339,127
Selling, General and Administrative	<u>145,918</u>	<u>137,631</u>
Income from operations	<u>1,232,005</u>	<u>201,496</u>

Other Income (Expense)		
Interest income	23,226	7,507
Other expense	(120)	(61)
Total other income, net	<u>23,106</u>	<u>7,446</u>
Income from Operations before Income Taxes	1,255,111	208,942
Provision for Income Taxes	<u>169,587</u>	<u>38,201</u>
Net Income	1,085,524	170,741
Other Comprehensive Income --		
Foreign currency translation loss	<u>(48,575)</u>	<u>(28,038)</u>
Comprehensive Income	<u>\$ 1,036,949</u>	<u>\$ 142,703</u>
Basic & Diluted Income Per Share		
Basic	<u>\$ 0.09</u>	<u>\$ 0.01</u>
Diluted	<u>\$ 0.07</u>	<u>\$ 0.01</u>
Weighted Average Number of Common Shares Outstanding		
Basic	<u>12,408,098</u>	<u>11,539,774</u>
Diluted	<u>14,970,186</u>	<u>14,970,186</u>

EASTERN ENVIRONMENT SOLUTIONS, CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

THREE MONTHS ENDED

	MARCH 31	
	2010	2009
Cash Flows From Operating Activities:		
Net income	\$ 1,085,524	\$ 170,741
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	62,403	61,266
Amortization of stock-based compensation	95,688	95,688
Changes in operating assets and liabilities:		
Accounts receivable	(446,803)	(438,415)
Inventory	(10,314)	18,955
Accounts payable	--	(77)
Taxes payable	9,208	38,195
Accrued expenses and other payables	(9,145)	(16,348)
Net cash used in continuing activities	<u>786,560</u>	<u>(69,995)</u>
Cash Flows From Investing Activities:		
Additions to construction in process	--	(29,626)
Payment of capitalized interests for construction loan	(40,769)	(59,018)
Payments on loans to unrelated party	--	(526,506)
Collections on loans to unrelated party	439,430	--
Payments on loans to related party	(22,692)	--
Collections on loans to related parties	--	226,397
Net cash provided by (used in) investing activities	<u>375,969</u>	<u>(388,753)</u>
Cash Flows From Financing Activities		
Repayment of bank loan payable	<u>(241,648)</u>	<u>(24,165)</u>

Net cash used in financing activities	(241,648)	(24,165)
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Effect of exchange rate changes on cash and cash equivalents	(50,256)	(24,234)
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Increase (decrease) in Cash and Cash Equivalents	870,625	(507,147)
Cash and Cash Equivalents - Beginning of period	428,052	1,112,487
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Cash and Cash Equivalents - End of period	\$ 1,298,677	\$ 605,340
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