



中國環保  
China Environment Ltd.

## **CHINA ENVIRONMENT LTD.**

(Registration No.: 200301902W)

Financial Statements And Related Announcement  
For Fourth Quarter And Full Year Ended  
31 December 2015

**UNAUDITED FINANCIAL RESULT ANNOUNCEMENT FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2015**

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

- 1.(a) **An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Unaudited 3 months ended 31.12.2015	Unaudited 3 months ended 31.12.2014	Increase/ (Decrease) %	Unaudited 12 months ended 31.12.2015	Audited 12 months ended 31.12.2014	Increase/ (Decrease) %
	RMB'000	RMB'000		RMB'000	RMB'000	
<b>Revenue</b>	68,463	56,984	20.1	316,664	583,762	(45.8)
Cost of sales	<u>(44,907)</u>	<u>(45,125)</u>	(0.5)	<u>(227,012)</u>	<u>(444,741)</u>	(49.0)
<b>Gross profit</b>	23,556	11,859	98.6	89,652	139,021	(35.5)
Other income	1,180	1,739	(32.1)	2,296	4,192	(45.2)
Other expenses	(145,944)	-	N.M.	(145,944)	-	N.M.
Selling and distribution expenses	(5,629)	(5,691)	(1.1)	(13,622)	(22,550)	(39.6)
Administrative expenses	(8,424)	(2,920)	188.5	(29,435)	(30,297)	(2.8)
Finance costs	<u>(2,244)</u>	<u>(3,593)</u>	(37.5)	<u>(11,716)</u>	<u>(14,359)</u>	(18.4)
<b>(Loss)/profit before tax</b>	(137,505)	1,394	(9,964.1)	(108,769)	76,007	(243.1)
Income tax (expense)/credit	<u>(2,018)</u>	<u>7,011</u>	(128.8)	<u>(2,157)</u>	<u>(6,583)</u>	(67.2)
<b>Net (loss)/profit for the period/year</b>	<u>(139,523)</u>	<u>8,405</u>	(1,760.0)	<u>(110,926)</u>	<u>69,424</u>	(259.8)
Attributable to:						
Owners of the Company	(139,476)	8,464	(1,747.9)	(110,694)	69,560	(259.1)
Non-controlling interests	<u>(47)</u>	<u>(59)</u>	(20.3)	<u>(232)</u>	<u>(136)</u>	100.0
<b>Net (loss)/profit for the period/year</b>	<u>(139,523)</u>	<u>8,405</u>	(1,760.0)	<u>(110,926)</u>	<u>69,424</u>	(259.8)

1.(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Unaudited 3 months ended		Increase/ (Decrease) %	Unaudited 12 months ended		Increase/ (Decrease) %
	31.12.2015 RMB'000	31.12.2014 RMB'000		31.12.2015 RMB'000	31.12.2014 RMB'000	
<b>Net (loss)/profit for the period/year</b>	(139,523)	8,405	(1,760.0)	(110,926)	69,424	(259.8)
Other comprehensive income:						
Currency translation differences arising from consolidation	2,037	(2,056)	(199.1)	(174)	(1,750)	(90.1)
<b>Total comprehensive (loss)/income for the period/year</b>	<u>(137,486)</u>	<u>6,349</u>	<u>(2,265.5)</u>	<u>(111,100)</u>	<u>67,674</u>	<u>(264.2)</u>
Attributable to:						
Owners of the Company	(137,439)	6,408	(2,244.8)	(110,868)	67,810	(263.5)
Non-controlling interests	<u>(47)</u>	<u>(59)</u>	<u>(20.3)</u>	<u>(232)</u>	<u>(136)</u>	<u>100.0</u>
<b>Total comprehensive (loss)/income for the period/year</b>	<u>(137,486)</u>	<u>6,349</u>	<u>(2,265.5)</u>	<u>(111,100)</u>	<u>67,674</u>	<u>(264.2)</u>
(Loss)/profit before tax is arrived at after charging/(crediting):						
Depreciation of property, plant and equipment	1,788	1,681	6.4	7,197	5,146	39.9
Amortisation of land use rights	286	285	0.4	1,142	793	44.0
Impairment allowance on trade receivables	135,212	-	N.M.	135,212	-	N.M.
Impairment loss on property, plant and equipment	10,732	-	N.M.	10,732	-	N.M.
Research and development costs	3,126	866	261.0	3,481	4,651	(25.2)
Foreign exchange gain	(2,361)	(3,240)	(27.1)	(4,743)	(2,733)	73.5
Interest expense	2,197	3,439	(36.1)	11,418	10,838	5.4
Interest income	(5)	(389)	(98.7)	(549)	(2,198)	(75.0)
Share option expense	-	617	(100.0)	-	6,957	(100.0)

N.M. - Not meaningful

1.(b)(i) **A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

**STATEMENTS OF FINANCIAL POSITION**

	Unaudited		Audited	
	Group		Company	
	As at			
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-current assets</b>				
Property, plant and equipment	276,453	294,028	59	86
Land use rights	51,708	52,849	-	-
Investment in subsidiaries	-	-	692,864	673,467
Investment in associated company	2,450	2,450	-	-
	<u>330,611</u>	<u>349,327</u>	<u>692,923</u>	<u>673,553</u>
<b>Current assets</b>				
Inventories	8,135	12,449	-	-
Trade and bills receivables	677,774	660,133	52	27
Due from customers (construction contracts)	-	106	-	-
Other receivables, deposits and prepayments	27,005	167,434	209	135
Loan to subsidiaries	-	-	51,292	41,627
Dividend receivable from a subsidiary	-	-	20,674	20,927
Cash and cash equivalents	63,517	48,306	639	230
	<u>776,431</u>	<u>888,428</u>	<u>72,866</u>	<u>62,946</u>
<b>Total assets</b>	<u>1,107,042</u>	<u>1,237,755</u>	<u>765,789</u>	<u>736,499</u>
<b>Non-current liability</b>				
Deferred tax liability	-	5,030	-	-
<b>Current liabilities</b>				
Trade and bill payables	14,941	52,501	-	-
Other payables and accruals	72,533	44,855	1,870	2,787
Short-term borrowings	173,611	169,904	-	-
Amount due to subsidiaries (non-trade)	-	-	3,115	2,927
Amount due to a director (non-trade)	321	325	321	325
Amount due to related parties (non-trade)	27,688	86,597	-	-
Tax payable	2,348	210	-	-
	<u>291,442</u>	<u>354,392</u>	<u>5,306</u>	<u>6,039</u>
<b>Total liabilities</b>	<u>291,442</u>	<u>359,422</u>	<u>5,306</u>	<u>6,039</u>
<b>Net assets</b>	<u>815,600</u>	<u>878,333</u>	<u>760,483</u>	<u>730,460</u>
<b>Equity attributable to owners of the Company</b>				
Share capital	400,608	352,241	821,916	773,549
Statutory reserves	91,352	91,352	-	-
Currency translation reserve	1,769	1,943	(27,788)	(19,142)
Share option reserve	8,128	8,128	8,128	8,128
Revenue reserve	304,111	414,805	(41,773)	(32,075)
	<u>805,968</u>	<u>868,469</u>	<u>760,483</u>	<u>730,460</u>
<b>Non-controlling interests</b>	9,632	9,864	-	-
<b>Total equity</b>	<u>815,600</u>	<u>878,333</u>	<u>760,483</u>	<u>730,460</u>

**1.(b)(ii) Aggregate amount of group's borrowings and debt securities.**

**Amount repayable in one year or less, or on demand**

<b>As at 31.12.2015 (RMB'000)</b>		<b>As at 31.12.2014 (RMB'000)</b>	
Secured	Unsecured	Secured	Unsecured
146,611	27,000	75,000	94,904

**Amount repayable after one year**

<b>As at 31.12.2015 (RMB'000)</b>		<b>As at 31.12.2014 (RMB'000)</b>	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

**Details of any collateral**

**As at 31.12.2015**

1. USD8.0 million (approximately RMB50.0 million) of the short-term borrowings was secured by bank deposits of RMB52.8 million.
2. RMB96.7 million of the short-term borrowings was secured by the the Group's land use rights and property title deeds, as detailed below:
  - a) RMB60.0 million of the short-term borrowings was secured by the Group's land use rights and plant in Anhui and guaranteed by one of the Company's directors, his spouse and one of the subsidiaries of the Company; and
  - b) RMB36.7 million of the short-term borrowings was secured by the Group's land use rights and plant in Fujian, one of the trade receivables of a subsidiary and guaranteed by one of the Company's directors, his spouse and one of the subsidiaries of the Company.
3. RMB27 million of the short-term borrowings were not secured by the Company's assets. These short-term borrowings were guaranteed by one of the Company's directors and secured by the land use rights and leasehold buildings of a related party, Fujian Mintai Environmental Protection Co., Ltd.

All the securities and guarantees mentioned above were provided free-of-charge to the Group.

**As at 31.12.2014**

1. RMB70.0 million of the short-term borrowings was secured by the the Group's land use rights and property title deeds of our Anhui plant and guaranteed by one of the Company's directors, his spouse and the subsidiary of the Company. Another RMB5.0 million short-term borrowings was secured by the Group's land use rights in Fujian.
2. RMB94.9 million of the short-term borrowings were not secured by the Company's assets. These short-term borrowings were guaranteed or secured by:
  - a) RMB30.0 million of the short-term borrowings was guaranteed by one of the Company's directors and secured by the land use rights and leasehold buildings of a related party, Fujian Mintai Environmental Protection Co., Ltd.;
  - b) RMB9.9 million of the short-term borrowings was guaranteed by one of the Company's directors and the subsidiary of the Company;
  - c) RMB50.0 million of the short-term borrowings was guaranteed by one of the Company's directors and his spouse; and
  - d) RMB5.0 million of the short-term borrowings was guaranteed by a credit guarantee company.

All the securities and guarantees mentioned above were provided free-of-charge to the Group, except for RMB264,000 guarantee charges paid to a credit guarantee company in FY2014.

1.(c) **A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Unaudited 3 months ended 31.12.2015	Unaudited 31.12.2014	Unaudited 12 months ended 31.12.2015	Audited 31.12.2014
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cash flows from operating activities</b>				
(Loss)/profit before tax	(137,505)	1,394	(108,769)	76,007
Adjustment for:-				
Depreciation of property, plant and equipment	1,788	1,681	7,197	5,146
Amortisation of land use rights	286	285	1,142	793
Impairment allowance on trade receivables	135,212	-	135,212	-
Impairment loss on property, plant and equipment	10,732	-	10,732	-
Interest expense	2,197	3,439	11,418	10,838
Interest income	(5)	(389)	(549)	(2,198)
Share option expense	-	617	-	6,957
Property, plant and equipment written off	-	-	-	-
<b>Operating cash flow before movements in working capital</b>	12,705	7,027	56,383	97,543
Inventories	4,181	7,779	4,314	8,067
Project work-in-progress	-	(106)	106	(106)
Trade and other receivables	(19,305)	(47,418)	(11,948)	(251,899)
Trade and other payables	(15,911)	22,269	(10,881)	21,507
Currency translation adjustment	2,025	(2,044)	(173)	(1,732)
<b>Cash (used in)/generated from operations</b>	(16,305)	(12,493)	37,801	(126,620)
Interest received	5	389	549	2,198
Income tax paid	(2,201)	(5,214)	(6,112)	(17,932)
Income tax refund	584	7,880	588	7,880
<b>Net cash (used in)/generated from operating activities</b>	(17,917)	(9,438)	32,826	(134,474)
<b>Cash flows from investing activities</b>				
Investment in associated company	-	-	-	-
Increase in construction work-in-progress	(190)	(189)	(279)	(2,136)
Purchase of property, plant and equipment	(7)	(15)	(72)	(651)
Proceeds from disposal of property, plant and equipment	-	-	-	-
<b>Net cash used in investing activities</b>	(197)	(204)	(351)	(2,787)
<b>Cash flows from financing activities</b>				
Net proceeds from new shares placement	14,004	-	48,367	-
Bank borrowing proceeds	36,670	33,042	188,611	235,872
Bank borrowing repayments	(43,516)	(66,642)	(184,904)	(243,896)
Contribution from minority interests	-	9,500	-	10,000
Advance from related parties	-	1,325	12,220	86,597
Repayment of advances from related parties	(4,129)	-	(71,129)	-
Advances from/(Repayment to) a director	-	325	-	(57,496)
Decrease/(Increase) in deposits restricted-in-use	23,000	(3,970)	(13,388)	35,528
Interest paid	(1,199)	(3,439)	(10,420)	(10,838)
<b>Net cash generated from/(used in) financing activities</b>	24,830	(29,859)	(30,643)	55,767
<b>Net increase in cash and cash equivalents</b>	6,716	(39,501)	1,832	(81,494)
Cash and cash equivalents at beginning of financial period/year	3,898	48,322	8,806	90,315
Effect of exchange rate changes on cash equivalents	15	(15)	(9)	(15)
<b>Cash and cash equivalents at end of financial period/year (Note A)</b>	10,629	8,806	10,629	8,806

1.(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

**Note A:**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	<b>Unaudited</b>		<b>Audited</b>	
	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>31.12.2015</b>	<b>31.12.2014</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Cash on hand and at banks	63,517	48,306	63,517	48,306
Less: Deposits restricted-in-use	(52,888)	(39,500)	(52,888)	(39,500)
	<u>10,629</u>	<u>8,806</u>	<u>10,629</u>	<u>8,806</u>

1.(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

**STATEMENTS OF CHANGES IN EQUITY**

Unaudited Group	← Equity attributable to owners of the Company →					Non-controlling		
	Share capital	Statutory reserves	Currency translation reserve	Share option reserve	Revenue reserve	Total	interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2015	352,241	91,352	1,943	8,128	414,805	868,469	9,864	878,333
Net profit/(loss) for the period	-	-	-	-	28,782	28,782	(185)	28,597
Other comprehensive (loss)/income, net of tax								
- Currency translation differences arising from consolidation	-	-	(2,211)	-	-	(2,211)	-	(2,211)
Total comprehensive (loss)/income for the 9 months ended 30 September 2015	-	-	(2,211)	-	28,782	26,571	(185)	26,386
Proceeds from new shares placement	34,645					34,645		34,645
Share issue expenses	(282)					(282)		(282)
Transfer to statutory reserves	-	5,163	-	-	(5,163)	-	-	-
Balance at 30 September 2015	386,604	96,515	(268)	8,128	438,424	929,403	9,679	939,082
Net loss for the period	-	-	-	-	(139,476)	(139,476)	(47)	(139,523)
Other comprehensive income, net of tax								
- Currency translation differences arising from consolidation	-	-	2,037	-	-	2,037	-	2,037
Total comprehensive (loss)/income for the 3 months ended 31 December 2015	-	-	2,037	-	(139,476)	(137,439)	(47)	(137,486)
Proceeds from new shares placement	14,416	-	-	-	-	14,416	-	14,416
Share issue expenses	(412)	-	-	-	-	(412)	-	(412)
Transfer to statutory reserves	-	(5,163)	-	-	5,163	-	-	-
<b>Balance at 31 December 2015</b>	<b>400,608</b>	<b>91,352</b>	<b>1,769</b>	<b>8,128</b>	<b>304,111</b>	<b>805,968</b>	<b>9,632</b>	<b>815,600</b>



1.(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

**STATEMENTS OF CHANGES IN EQUITY (CONT'D)**

Audited Group	← Equity attributable to owners of the Company →					Non-controlling interests		Total equity
	Share capital	Statutory reserves	Currency translation reserve	Share option reserve	Revenue reserve	Total	interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014	352,241	78,081	3,693	1,171	358,516	793,702	-	793,702
Net profit/(loss) for the period	-	-	-	-	61,096	61,096	(77)	61,019
Other comprehensive (loss)/income, net of tax							-	
- Currency translation differences arising from consolidation	-	-	306	-	-	306	-	306
Total comprehensive income/(loss) for the 9 months ended 30 September 2014	-	-	306	-	61,096	61,402	(77)	61,325
Grant of equity-settled share options to employees	-	-	-	6,340	-	6,340	-	6,340
Contribution from non-controlling interests	-	-	-	-	-	-	500	500
Transfer to statutory reserves	-	11,358	-	-	(11,358)	-	-	-
Balance at 30 September 2014	352,241	89,439	3,999	7,511	408,254	861,444	423	861,867
Net profit/(loss) for the period	-	-	-	-	8,464	8,464	(59)	8,405
Other comprehensive loss, net of tax								
- Currency translation differences arising from consolidation	-	-	(2,056)	-	-	(2,056)	-	(2,056)
Total comprehensive (loss)/income for the 3 months ended 31 December 2014	-	-	(2,056)	-	8,464	6,408	(59)	6,349
Grant of equity-settled share options to employees	-	-	-	617	-	617	-	617
Contribution from non-controlling interests	-	-	-	-	-	-	9,500	9,500
Transfer to statutory reserves	-	1,913	-	-	(1,913)	-	-	-
Balance at 31 December 2014	352,241	91,352	1,943	8,128	414,805	868,469	9,864	878,333

**1.(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

<b>Unaudited Company</b>	<b>Share capital RMB'000</b>	<b>Currency translation reserve RMB'000</b>	<b>Share option reserve RMB'000</b>	<b>Accumulated losses RMB'000</b>	<b>Total equity RMB'000</b>
Balance at 1 January 2015	773,549	(19,142)	8,128	(32,075)	730,460
Net loss for the period	-	-	-	(7,703)	(7,703)
Other comprehensive income/(loss), net of tax - Currency translation differences arising from consolidation	-	(31,243)	-	-	(31,243)
Total comprehensive income/(loss) for the 9 months ended 30 September 2015	-	(31,243)	-	(7,703)	(38,946)
Proceeds from new shares placement	34,645				34,645
Share issue expenses	(282)				(282)
<b>Balance at 30 September 2015</b>	<b>807,912</b>	<b>(50,385)</b>	<b>8,128</b>	<b>(39,778)</b>	<b>725,877</b>
Net loss for the period	-	-	-	(1,995)	(1,995)
Other comprehensive income, net of tax - Currency translation differences arising from consolidation	-	22,597	-	-	22,597
Total comprehensive income/(loss) for the 3 months ended 31 December 2015	-	22,597	-	(1,995)	20,602
Proceeds from new shares placement	14,416				14,416
Share issue expenses	(412)				(412)
<b>Balance at 31 December 2015</b>	<b>821,916</b>	<b>(27,788)</b>	<b>8,128</b>	<b>(41,773)</b>	<b>760,483</b>
Balance at 1 January 2014	773,549	7,783	1,171	(16,911)	765,592
Net loss for the period	-	-	-	(12,265)	(12,265)
Other comprehensive income, net of tax - Currency translation differences arising from consolidation	-	1,801	-	-	1,801
Total comprehensive income/(loss) for the 9 months ended 30 September 2014	-	1,801	-	(12,265)	(10,464)
Grant of equity-settled share options to employees	-	-	6,340	-	6,340
<b>Balance at 30 September 2014</b>	<b>773,549</b>	<b>9,584</b>	<b>7,511</b>	<b>(29,176)</b>	<b>761,468</b>
Net loss for the period	-	-	-	(2,899)	(2,899)
Other comprehensive income, net of tax - Currency translation differences arising from consolidation	-	(28,726)	-	-	(28,726)
Total comprehensive loss for the 3 months ended 31 December 2014	-	(28,726)	-	(2,899)	(31,625)
Grant of equity-settled share options to employees	-	-	617	-	617
<b>Balance at 31 December 2014</b>	<b>773,549</b>	<b>(19,142)</b>	<b>8,128</b>	<b>(32,075)</b>	<b>730,460</b>

- 1.(d)(ii) **Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

	Number of Shares	Share Capital RMB'000
As at 1 January 2015	735,520,646	773,549
Issue of new shares pursuant to share placement *	72,500,000	34,645
Share issue expenses	-	(282)
<b>As at 30 September 2015</b>	<b>808,020,646</b>	<b>807,912</b>
Issue of new shares pursuant to share placement **	35,000,000	14,416
Share issue expenses	-	(412)
<b>As at 31 December 2015</b>	<b>843,020,646</b>	<b>821,916</b>

\* 72.5 million new ordinary shares issued at S\$0.104 per share on 7 January 2015.

\*\* 35.0 million new ordinary shares issued at \$0.092 per share on 16 November 2015.

- 1.(d)(iii) **To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	Company	
	As at 31.12.2015	As at 31.12.2014
Total number of shares issued	<u>843,020,646</u>	<u>735,520,646</u>

The Company does not have any treasury shares at the end of the current financial year (as at 31 December 2015) and at the end of the immediately preceding year (as at 31 December 2014).

- 1.(d)(iv) **A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

2. **Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the auditors.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation in the financial information for the current financial period as those used in the audited financial statements for the financial year ended 31 December 2014, except for the adoption of certain revised Financial Reporting Standards ("FRS") which are effective for the financial period commencing 1 January 2015. The adoption of these FRS has no material impact on the Group's financial statements.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Please refer to Paragraph 4.

**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	3 months ended		12 months ended	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Net (loss)/profit for the period/year attributable to owners of the Company (RMB'000)	(139,476)	8,464	(110,694)	69,560
(a) EPS based on weighted average number of shares in issue (RMB cents/share)	(17.19)	1.2	(13.6)	9.5
(b) EPS based on fully diluted basis (RMB cents/share)	(15.80)	1.2	(0.0)	9.5
Weighted average number of shares applicable to earnings per share ('000)	811,239,824	735,520,646	811,239,824	735,520,646
Weighted average number of shares fully diluted basis ('000)	882,548,043	735,520,646	882,548,043	735,520,646

Basic earnings per share is calculated by dividing earnings for the period attributable to the owners of the Company by the weighted average number of ordinary shares issued during the financial period under review.

Diluted earnings per share is calculated on the same basis as the basic earnings per share except that the weighted average number of shares issued during the financial period under review is adjusted for the effects of all dilutive potential ordinary shares (i.e. 72.5 million unlisted warrants which have been allotted to the subscriber on 7 January 2015). The Group has 3.5 million (31 December 2014: 3.5 million) share options granted to an employee under the employee share option plan have not been included in the calculation of diluted earnings per share as they are anti-dilutive.

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**  
**(a) current financial period reported on; and**  
**(b) immediately preceding financial year.**

	Group As at		Company As at	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Net asset value per share (RMB cents) based on issued share capital as at the end of period reported on	95.6	118.1	90.2	99.3
Number of shares used in calculating net asset value per shares ('000)	843,021	735,521	843,021	735,521

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

**Review of Financial Performance**

a) Revenue

The Group achieved a total revenue of RMB68.5 million in the three months ended 31 December 2015 ("4Q2015"), an increase of 20.1% from RMB57.0 million achieved in the three months ended 31 December 2014 ("4Q2014"). In 4Q2015, we completed 12 dust collectors projects as compared to 10 projects in 4Q2014. The contract sum per project in 4Q2015 was higher as compared to that in 4Q2014.

Revenue for financial year ended 31 December 2015 ("FY2015") was RMB316.7 million, a decrease of 45.8% or RMB267.1 million from RMB583.8 million achieved in financial year ended 31 December 2014 ("FY2014"). For FY2015, we completed 31 dust collectors projects and as at 31 December 2015, there were one on-going project. In FY2014, we completed 45 dust collectors projects and as at 31 December 2014, there were two on-going projects.

The detailed breakdown of revenue of the Group by industry is as follows:

	<b>4Q2015</b>	<b>4Q2014</b>	<b>FY2015</b>	<b>FY2014</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Power generation	52.1	66.8	71.5	51.8
Steel and metallurgy	30.8	28.3	17.1	31.6
Cement	6.0	-	5.1	1.2
Chemical	-	-	-	6.6
Paper mill	-	0.2	-	0.0
Others	11.1	4.7	6.3	8.8
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

For 4Q2015, 52.1% of our total revenue was from the power generation industry, 30.8% from the steel and metallurgy industry, 6.0% from the cement industry, and the remaining 11.1% was from other industries.

For FY2015, 71.5% of our total revenue was from the power generation industry, 17.1% from the steel and metallurgy industry, 5.1% from the cement industry, and the remaining 6.3% was from other industries.

**Review of Financial Performance (cont'd)**

b) Cost of Sales

Detailed breakdown of cost of sales is as follows:

	<b>4Q2015</b>	<b>4Q2014</b>	<b>FY2015</b>	<b>FY2014</b>
	%	%	%	%
Direct materials	82.3	76.0	83.8	79.8
Direct labour, processing and installation fees	10.9	16.1	12.5	17.4
Depreciation and rental charges	4.7	5.3	1.8	1.2
Utilities charges	-	0.4	0.2	0.2
Miscellaneous expenses	2.1	2.3	1.7	1.4
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Direct materials which consisted mainly of steel plates, channel and angle steel, discharge electrode and collection electrode systems made up 82.3%, 76.0%, 83.8% and 79.8% of our total cost of sales in 4Q2015, 4Q2014, FY2015 and FY2014 respectively.

Total cost of sales for 4Q2015 amounted to RMB44.9 million, which was 0.5% or RMB0.2 million lower than RMB45.1 million incurred in 4Q2014. Gross profit for 4Q2015 amounted to RMB23.6 million, increased by RMB11.7 million as compared to 4Q2014. Gross profit margin increased from 20.8% in 4Q2014 to 34.4% in 4Q2015.

The Group's revenue increased 20.1% from RMB57.0 million in 4Q2014 to RMB68.5 million in 4Q2015, while cost of sales for 4Q2015 decreased by 0.5% from RMB45.1 million in 4Q2014 to RMB44.9 million in 4Q2015. As a result, the gross profit margin increased from 20.8% in 4Q2014 to 34.4% in 4Q2015.

The Group's revenue decreased 45.8% from RMB583.8 million in FY2014 to RMB316.7 million in FY2015, resulted in gross profit decreased 35.5% from RMB139.0 million in FY2014 to RMB89.7 million in FY2015. However, gross profit margin increased from 23.8% in FY2014 to 28.3% in FY2015.

c) Other Income

Other income decreased by RMB0.5 million or 32.1% from RMB1.7 million in 4Q2014 to RMB1.2 million in 4Q2015. The decrease was mainly due to the decrease in interest income.

Other income decreased by RMB1.9 million or 45.2% from RMB4.2 million in FY2014 to RMB2.3 million in FY2015. The decrease was mainly due to decrease in interest income of RMB1.7 million and sales of scrap metal of RMB0.2.

d) Operating Expenses

Total operating expenses in 4Q2015 which amounted to RMB162.2 million and FY2015 of RMB200.7 million including an one-off impairment allowance of accounts receivables and impairment loss of property, plant and equipment which assessed at the financial year end of approximately RMB145.9 million. Total operating expenses excluding the impairment in 4Q2015 amounted to RMB16.3 million was 33.6% higher than the RMB12.2 million incurred in 4Q2014, and the total operating expenses (excluding impairment) in FY2015 was RMB54.8 million, 18.5% lower than the RMB67.2 million incurred in FY2014.

Selling and distribution expenses in 4Q2015 was RMB5.6 million, which was approximately same to 4Q2014 which amounted to RMB5.7 million.

Selling and distribution expenses in FY2015 amounted to RMB13.6 million which was RMB9.0 million or 39.6% lower than RMB22.6 million incurred in FY2014. The decrease was mainly due to decrease in sales commission of RMB6.4 million in-line with the lower revenue for FY2015, decrease in delivery charges of RMB1.8 million in-line with less project deliveries and decrease in salaries, travelling expenses and entertainment of RMB0.8 million.

### Review of Financial Performance (cont'd)

#### d) Operating Expenses (cont'd)

Administrative expenses increased by RMB5.5 million from RMB2.9 million in 4Q2014 to RMB8.4 million in 4Q2015. The increase mainly arose from increase in research and development of RMB2.2 million, increase in depreciation charge of RMB1.6 million, increase of salaries and retirement funds of RMB1.2 million.

Administrative expenses decreased marginally by RMB0.9 million or 3.0% from RMB30.3 million in FY2014 to RMB29.4 million in FY2015.

Finance costs decreased by RMB1.4 million or 37.5% from RMB3.6 million in 4Q2014 to RMB2.2 million in 4Q2015. Finance costs decreased by RMB2.7 million or 18.4% from RMB14.4 million in FY2014 to RMB11.7 million in FY2015. The decrease was mainly due to decrease in bank interest expense as the monthly average bank loan balance for FY2015 was lower than that in FY2014.

Other expenses of RMB145.9 million in 4Q2015 and FY2015 was arose from impairment allowance of trade receivables and impairment loss on property, plant and equipment of RMB135.2 million and RMB10.7 million respectively. Upon review and in compliance with Singapore Financial Reporting Standards, the Company has taken a prudent approach to make the necessary impairment for this 4Q2015 and FY2015.

#### e) Tax Expense

For 4Q2015 and FY2015, the tax expenses were provided at an income tax rate of 15% based on our wholly owned subsidiary, Fujian Dongyuan's 4Q2015 and FY2015 profit before tax. Included in FY2015, was the reversal of an over provision of deferred tax expense in prior years of approximately RMB5.0 million.

In 4Q2014, Fujian Dongyuan received 10% income tax refund of RMB5.9 million as a result of high-tech enterprise status. The tax was previously filed at 25% tax rate. In addition, Fujian Dongyuan and Anhui Dongyuan received another RMB1.7 million and RMB0.3 million respectively of the income tax refund for FY2013 income tax filing after the tax authority completed its tax review.

For FY2014, the tax expense comprises mainly of current year tax provision of RMB14.5 million was based on a tax rate of 15% on Fujian Dongyuan's FY2014 profit before tax. This tax expense was partially offset by the total income tax refund of RMB7.9 million received in 4Q2014.

#### f) Net Profit

The Group incurred net loss of RMB139.5 million in 4Q2015 from profit of RMB8.4 million in 4Q2014. This was mainly due to impairment expenses of RMB145.9 million recognised for trade receivables and property, plant and equipment. The Group's net profit before impairment expenses for 4Q2015 was approximately RMB6.4 million. The net profit before impairment expenses was due to the increase in gross profit by 13.6% or RMB11.7 million, and decrease in finance costs by 37.5% or RMB1.4 million, partially offset by increase in administrative expenses of 188.5% or RMB5.5 million, increase in income tax expense of 128.8%, or RMB9.0 million (as compared to income tax credit of RMB7.0 million in 4Q2014) and decrease in other income by 32.1%.

The Group incurred net loss of RMB110.9 million in FY2015 from profit of RMB69.4 million in FY2014. This was mainly due to impairment expenses of RMB145.9 million recognised for trade receivables and property, plant and equipment. The Group's net profit before impairment expenses for FY2015 was approximately RMB35.0 million. The net profit before impairment expenses was due to the increase in gross profit by 35.5% or RMB49.4 million, decrease in total operating expenses of RMB12.4 million and decrease in income tax expense of RMB4.4 million, partially offset by the decrease in other income of or 45.2% or RMB1.9 million.

## Review of Financial Position

### Non-Current Assets

In FY2015, the Group's non-current assets decreased by RMB18.7 million. The significant decrease mainly due to the Group has made an impairment allowance for property, plant and equipment of RMB10.7 million. The decrease was further resulted by additional depreciation of property, plant and equipment and amortisation of land use rights of RMB7.2 million and RMB1.1 million respectively.

### Current Assets

Current assets comprise of inventories, trade and bill receivables, other receivables, deposits and prepayments, and cash and bank balances. Total current assets amounted to RMB776.4 million as at 31 December 2015, which was approximately RMB112.0 million lower than that as at 31 December 2014.

As at 31 December 2015, inventories stood at RMB8.1 million, which was approximately RMB4.4 million lower compared to RMB12.5 million as at 31 December 2014.

Trade and bills receivables balance amounted to RMB677.8 million as at 31 December 2015, increased by RMB17.7 million or 2.7% from RMB660.1 million as at 31 December 2014. Included in the trade and bills receivables was retention monies from completed projects, which amounted to RMB110.5 million (31 December 2014: RMB82.4 million). The increase in trade receivables was due to overall slower debt collection as a result of tighter government credit control in PRC. Majority of our customers are either state-owned enterprises or government-linked enterprises. Nevertheless, the Group closely monitors the collections from the customers, and have made an impairment allowance of RMB135.2 million due to delay in collection from certain customers that have past due.

Other receivables, deposits and prepayments amounted to RMB27.0 million as at 31 December 2015, which was RMB140.4 million lower than RMB167.4 million as at 31 December 2014. The decrease was mainly due to the repayment of short-term non-interest bearing advances of approximately RMB82.2 million to the Group by sub-contractor and the completion of sub-contracted projects of approximately RMB45.2 million where advances were previously paid to the sub-contractors. Included in the other receivables, deposits and prepayments were advances to suppliers and sub-contractor amounted to RMB19.2 million as at 31 December 2015 (31 December 2014: RMB154.3 million), tender deposits for projects of RMB1.6 million (31 December 2014: RMB1.4 million), advances to employees of RMB5.1 million (31 December 2014: RMB5.8 million), and advance payments to the contractors for the construction of the Anhui plant of RMB1.2 million (31 December 2014: RMB1.2 million).

As at 31 December 2015, the Group has cash and cash equivalents of RMB63.5 million, approximately RMB15.2 million higher than RMB48.3 million as at 31 December 2014 which was due mainly to net cash generated from operating activities. Included in the cash and bank balances was an amount of RMB52.9 million (31 December 2014: RMB39.5 million) of deposits restricted-in-use, which were pledged with financial institutions as security deposits.

### Current Liabilities

Current liabilities comprise of trade and bills payables, other payables and accruals, short-term borrowings, amount due to a director, amount due to related parties and tax payable.

Trade and bills payables amounted to RMB14.9 million as at 31 December 2015, which was RMB37.6 million lower than the RMB52.5 million as at 31 December 2014. The decrease was mainly due to the decrease in bill payable of RMB42.5 million.



### **Review of Financial Position (cont'd)**

#### Current Liabilities (cont'd)

Other payables and accruals amounted to RMB72.5 million as at 31 December 2015, which increased by RMB27.6 million than the RMB44.9 million as at 31 December 2014. The increase mainly arose from increase in accrued sales commission of RMB7.3 million, advance receipts from customers and other parties of RMB15.2 million and other payables by RMB5.1 million.

The Executive Chairman had through his related parties advanced another RMB86.6 million interest-free loan to the Group in FY2014 in order to support the business growth of the Group. The amount has been reduced to RMB27.7 million following repayment of RMB71.1 million which partially offset by additional advance of RMB12.2 million during FY2015.

As at 31 December 2015, the Group had short-term borrowings of RMB173.6 million from the banks. Please refer to Paragraph 1(b)(ii) for the details of the collaterals.

### **Review of Cash Flows**

For 4Q2015, the Group's net cash used in operating activities was approximately RMB17.9 million. Operating cash flow before working capital changes was approximately RMB12.7 million after adjusting for non-cash flow items, interest expense and interest income. The Group registered net cash flow used in working capital of approximately RMB29.0 million as a result of decrease in inventories of approximately RMB4.2 million, increase trade and other receivables of approximately RMB19.3 million and decrease in trade and other payables of approximately RMB15.9 million.

For FY2015, the Group generated positive cash flows from operating activities of approximately RMB32.8 million. Operating cash flow before working capital changes was approximately RMB56.4 million after adjusting for non-cash flow items, interest expense and interest income. The Group registered net cash flow used in working capital of approximately RMB18.6 million as a result of decrease in inventories of RMB4.3 million, decrease in trade and other payables of approximately RMB10.9 million and decrease in trade and other receivables of approximately RMB11.9 million.

For 4Q2015, the Group recorded net cash used in investing activities of approximately RMB0.2 million due mainly to increase in construction work-in-progress.

For FY2015, the Group recorded net cash used in investing activities of approximately RMB0.4 million due mainly to increase in construction work-in-progress and additions to property, plant and equipment.

For 4Q2015, the Group recorded net cash generated from financing activities of approximately RMB24.8 million. This was a result of proceeds from new shares placement of RMB14.0 million, proceed from bank borrowings of RMB36.7 million and increase in deposits restricted-in-use by RMB23.0 million, partially offset by repayment of bank borrowing of RMB43.5 million, repayment of advances from related parties by approximately RMB4.1 million and payment of interests charged by the banks of approximately RMB1.2 million.

For FY2015, the Group recorded net cash used in financing activities of approximately RMB30.6 million. This was a result of repayment of bank borrowings of RMB184.9 million, repayment of advances from related parties of approximately RMB71.1 million, increase in deposits restricted-in-use of RMB13.4 million and payment of interests charged by the banks of approximately RMB10.4 million, partially offset by proceed from new shares placement of RMB48.4 million, proceed from bank borrowings of RMB188.6 million, and advances from related parties of RMB12.2 million.

The Group had a net increase in cash and cash equivalents of RMB6.7 million and RMB1.8 million for 4Q2015 and FY2015 respectively. Cash and cash equivalents (excluding deposits restricted-in-use) stood at RMB10.6 million as at 31 December 2015.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

The Company has not previously disclosed any forecast or a prospect statement to shareholders.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

Although increasing tightening of anti-air pollution laws and policies in China is a positive factor for the anti-pollution industry, the Group also expects slowing economic growth, generally tight credit environment and intense competition in this industry which may affect the near term of this industry more. As such the Group will focus more on cash collection for our trade receivables and securing projects from customers with good credibility only.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

No.

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12. If no dividend has been declared/recommended, a statement to that effect.**

No dividend has been declared or recommended for the financial year ended 31 December 2015.

**13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

No IPT mandate has been obtained from shareholders.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
Fujian Mintai Environmental Protection Co., Ltd. (wholly-owned by the Group's Executive Chairman and his spouse)	RMB639,000

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

**14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

	<b>Construction Contracts</b>	
	<b>Unaudited 2015 RMB'000</b>	<b>Audited 2014 RMB'000</b>
Revenue	316,664	583,762
Segment (loss)/profit	(102,345)	85,435
Depreciation and amortisation	8,339	5,939
Segment assets	1,043,525	1,189,449
Unallocated assets	63,517	48,306
Total assets	1,107,042	1,237,755
Segment liabilities	87,474	97,356
Unallocated liabilities	203,968	262,066
Total liabilities	291,442	359,422

A reconciliation of segment (loss)/profit to the (loss)/profit before tax is as follows:-

	<b>Unaudited 2015 RMB'000</b>	<b>Audited 2014 RMB'000</b>
Segment (loss)/profit	(102,345)	85,435
Interest income	549	2,198
Foreign exchange gain	4,743	2,733
Finance costs	(11,716)	(14,359)
(Loss)/profit before tax	(108,769)	76,007

Geographical information

	<b>Sales to external customers</b>		<b>Non-current assets</b>	
	<b>Unaudited 2015 RMB'000</b>	<b>Audited 2014 RMB'000</b>	<b>Unaudited 2015 RMB'000</b>	<b>Audited 2014 RMB'000</b>
China	316,664	583,762	330,525	349,241
Singapore	-	-	86	86
	316,664	583,762	330,611	349,327

Information about major customers

In FY2015, about 60% of total revenue is derived from two external customers.

In FY2014, about 50% of total revenue is derived from two external customers.

**15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Please refer to Section 8 above.

**16. A breakdown of sales.**

	Group		Change %
	2015 RMB'000	2014 RMB'000	
<u>First Half</u>			
Sales reported for first half year	158,865	343,803	-53.8%
Operating profit after tax reported for first half year	12,858	40,164	-68.0%
<u>Second Half</u>			
Sales reported for second half year	157,799	239,959	-34.2%
Operating (loss)/profit after tax reported for second half year	(123,784)	29,260	-523.0%

**17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

	Latest Full Year RMB'000	Previous Full Year RMB'000
<b>Ordinary</b>	Nil	Nil

**18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

Pursuant to Rule 704(13) of the Listing Manual, we confirm that there is no person occupying managerial position in the Company or in any of its principal subsidiaries who is a relative of a director, chief executive officer or substantial shareholder of the Company.

## 19. Use of Proceeds

The Company refers to the net proceeds of approximately \$7.48 million raised in January 2015 from the placement of 72.5 million ordinary shares in the share capital of the Company at an issue price of S\$0.104 per ordinary share and \$3.10 million raised in November 2015 from the placement of 35 million ordinary shares in the share capital of the Company at an issue price of \$0.092 per ordinary share.

As at the date of this announcement, the Group has utilised net proceeds from the placement as follows:-

	Amount Allocated S\$'000	Amount Utilised S\$'000	Balance S\$'000
Repayment of bank loans	1,500	(1,500)	-
General working capital for the purposes:	9,078	(9,078)	-
a) Purchase of raw materials and other operating expenses		(7,585)	
b) Staff cost, directors' fee and administrative expenses		(1,244)	
c) Audit, tax and other professional expenses		(249)	
	<u>10,578</u>	<u>(10,578)</u>	<u>-</u>

The above utilisation of the net proceeds is consistent with the intended use of proceeds disclosed in the announcement dated 12 December 2014 and 12 October 2015.

## 20. Confirmation Pursuant to Rule 720(1) of the Listing Manual

China Environment Ltd confirms that undertakings under Rule 720(1) have been obtained from all its directors and executive officers in the format set out in Appendix 7.7.

## BY ORDER OF THE BOARD

**Huang Min**  
Executive Chairman  
29 February 2016