



中国环保
China Environment Ltd.

CHINA ENVIRONMENT LTD.

(Registration No.: 200301902W)

Financial Statements And Related Announcement
For Fourth Quarter And Full Year Ended
31 December 2013



UNAUDITED FINANCIAL RESULT ANNOUNCEMENT FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2013

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		Increase/ (Decrease) %	Unaudited 12 months ended		Increase/ (Decrease) %
	31.12.2013 RMB'000	31.12.2012 RMB'000		31.12.2013 RMB'000	31.12.2012 RMB'000	
Revenue	179,500	99,743	80.0	524,080	409,148	28.1
Cost of sales	(140,875)	(73,724)	91.1	(395,448)	(317,795)	24.4
Gross profit	38,625	26,019	48.4	128,632	91,353	40.8
Other income	951	(4)	N.M.	3,248	1,909	70.1
Selling and distribution expenses	(8,382)	(3,308)	153.4	(19,751)	(14,001)	41.1
Administrative expenses	(3,029)	(10,582)	(71.4)	(21,348)	(23,797)	(10.3)
Finance costs	(2,597)	(3,319)	(21.8)	(12,728)	(13,200)	(3.6)
Profit before tax	25,568	8,806	190.3	78,053	42,264	84.7
Tax expense	(3,869)	(3,024)	27.9	(3,379)	(1,570)	115.2
Net profit for the period/year	21,699	5,782	275.3	74,674	40,694	83.5
Other comprehensive income:						
Currency translation differences arising from consolidation	(1,805)	(103)	1,652.4	(2,878)	2,333	(223.4)
Total comprehensive income for the period attributable to equity holders of the Company	19,894	5,679	250.3	71,796	43,027	66.9

N.M. - Not meaningful

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) %
	31.12.2013 RMB'000	31.12.2012 RMB'000		31.12.2013 RMB'000	31.12.2012 RMB'000	
Profit before tax is arrived at after charging/(crediting):						
Depreciation of property, plant and equipment	236	261	(9.6)	967	1,051	(8.0)
Amortisation of land use rights	24	24	-	96	96	-
Property, plant and equipment written off	-	30	(100.0)	118	62	90.3
Foreign exchange (gain)/loss	(1,818)	(127)	1,331.5	(3,516)	2,193	(260.3)
Share option expense	1,171	-	100.0	1,171	-	100.0
Interest expense	1,635	2,679	(39.0)	9,291	10,353	(10.3)
Interest income	(376)	(323)	16.4	(2,348)	(769)	205.3

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 Group As at		Unaudited Company As at	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	296,390	270,607	-	-
Land use rights	4,492	4,588	-	-
Prepaid land use rights	49,150	49,150	-	-
Investment in subsidiaries	-	-	698,668	618,600
Investment in associated company	2,450	-	-	-
	<u>352,482</u>	<u>324,345</u>	<u>698,668</u>	<u>618,600</u>
CURRENT ASSETS				
Inventories	20,516	17,578	-	-
Trade and bills receivables	491,520	347,744	135	27
Other receivables, deposits and prepayments	84,148	44,452	171	170
Loan to subsidiaries	-	-	94,818	21,580
Dividend receivable from a subsidiary	-	-	21,710	23,227
Cash and cash equivalents	165,343	71,745	12,703	195
	<u>761,527</u>	<u>481,519</u>	<u>129,537</u>	<u>45,199</u>
TOTAL ASSETS	<u>1,114,009</u>	<u>805,864</u>	<u>828,205</u>	<u>663,799</u>
NON-CURRENT LIABILITY				
Deferred tax liability	5,030	5,030	-	-
CURRENT LIABILITIES				
Trade and bill payables	28,994	25,163	-	-
Other payables and accruals	46,855	47,434	1,907	3,301
Short-term borrowings	177,928	163,990	-	-
Amount due to subsidiaries (non-trade)	-	-	2,885	4,944
Amount due to a director (non-trade)	57,821	-	57,821	-
Tax payable	3,679	2,765	-	-
	<u>315,277</u>	<u>239,352</u>	<u>62,613</u>	<u>8,245</u>
TOTAL LIABILITIES	<u>320,307</u>	<u>244,382</u>	<u>62,613</u>	<u>8,245</u>
NET ASSETS	<u>793,702</u>	<u>561,482</u>	<u>765,592</u>	<u>655,554</u>
EQUITY				
Share capital	352,241	193,052	773,549	614,360
Statutory reserves	78,081	65,503	-	-
Currency translation reserve	3,693	6,571	7,783	51,777
Share option reserve	1,171	-	1,171	-
Revenue reserve	358,516	296,356	(16,911)	(10,583)
TOTAL EQUITY	<u>793,702</u>	<u>561,482</u>	<u>765,592</u>	<u>655,554</u>

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

Amount repayable in one year or less, or on demand

As at 31.12.2013 (RMB'000)		As at 31.12.2012 (RMB'000)	
Secured	Unsecured	Secured	Unsecured
82,825	95,103	56,500	107,490

Amount repayable after one year

As at 31.12.2013 (RMB'000)		As at 31.12.2012 (RMB'000)	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

As at 31.12.2013

As at 31 December 2013, RMB60.1 million of the short-term borrowings was secured by bank deposits of RMB62.4 million. Another RMB22.7 million short-term borrowings was secured by the Group's land use rights and guaranteed by a third party.

RMB45.1 million of the short-term borrowings were not secured by the Company assets. These short-term borrowings were guaranteed or secured by:

- RMB30.0 million of the short-term borrowings was guaranteed by one of the Company's directors and a related party and secured by the land use rights and leasehold buildings of a related party, Fujian Mintai Environmental Protection Co., Ltd.;
- RMB10.1 million of the short-term borrowings was guaranteed by one of the Company's directors and the subsidiary of the Company; and
- RMB5.0 million of the short-term borrowings was guaranteed by a credit guarantee company.

The remaining RMB50.0 million of the short-term borrowings was not secured by any other assets or guaranteed by any other parties.

All the securities and guarantees mentioned above were provided free-of-charge to the Group, except for RMB180,000 guarantee charges paid to a credit guarantee company in FY2013.

As at 31.12.2012

As at 31 December 2012, RMB27.5 million of the short-term borrowings were secured by bank deposits of RMB29.4 million. Another RMB29.0 million was secured by the Group's land use rights.

RMB37.5 million of the short-term borrowings were not secured by the Company assets. These short-term borrowings were guaranteed or secured by:

- RMB10.0 million of the short-term borrowings was guaranteed by one of the Company's directors and by a local government owned company, Longyan City SME Credit Guarantee Centre (龙岩市中小企业信用担保中心); and
- RMB27.5 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.

The remaining RMB70.0 million of the short-term borrowings was not secured by any other assets or guaranteed by any other parties.

All the securities and guarantees mentioned above were provided free-of-charge to the Group, except for RMB150,000 guarantee charges paid to Longyan City SME Credit Guarantee Centre (龙岩市中小企业信用担保中心) in financial year ended 31 December 2012.

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 31.12.2013 RMB'000	Unaudited 3 months ended 31.12.2012 RMB'000	Unaudited 12 months ended 31.12.2013 RMB'000	Audited 12 months ended 31.12.2012 RMB'000
Cash flows from operating activities				
Profit before tax	25,568	8,806	78,053	42,264
Adjustment for:-				
Depreciation of property, plant and equipment	236	261	967	1,051
Amortisation of land use rights	24	24	96	96
Share option expense	1,171	-	1,171	-
Interest expense	1,635	2,679	9,291	10,353
Interest income	(376)	(323)	(2,348)	(769)
Property, plant and equipment written off	-	30	118	62
Operating cash flow before movements in working capital	28,258	11,477	87,348	53,057
Inventories	(6,013)	13,694	(2,938)	42,212
Project work-in-progress	-	435	-	1,389
Trade and other receivables	(104,510)	(29,570)	(183,683)	177,075
Trade and other payables	(28,958)	13,077	3,253	8,398
Currency translation adjustment	(1,047)	(103)	(1,983)	2,296
Cash (used in)/generated from operations	(112,270)	9,010	(98,003)	284,427
Interest received	376	323	2,348	769
Income tax paid	(5,557)	(3,624)	(12,372)	(13,224)
Income tax refund	-	-	10,119	12,324
Net cash (used in)/generated from operating activities	(117,451)	5,709	(97,908)	284,296
Cash flows from investing activities				
Prepayment of land use rights	-	-	-	(49,150)
Increase in construction work-in-progress	(13,639)	(450)	(26,540)	(255,704)
Purchase of property, plant and equipment	(328)	-	(330)	(19)
Investment in associated company	(2,450)	-	(2,450)	-
Net cash used in investing activities	(16,417)	(450)	(29,320)	(304,873)
Cash flows from financing activities				
Net proceeds from new shares placement	82,123	-	159,189	-
Bank borrowing proceeds	50,000	40,000	271,928	198,990
Bank borrowing repayments	(46,000)	(46,500)	(257,990)	(147,500)
Refund of unclaimed cash distribution	-	-	64	-
Amount due to a director (non-trade)	57,821	-	57,821	-
Decrease/(Increase) in deposits restricted-in-use	16,800	6,618	(30,628)	(27,324)
Dividend paid	-	-	-	(6,448)
Interest paid	(1,635)	(2,679)	(9,291)	(10,353)
Net cash generated from/(used in) financing activities	159,109	(2,561)	191,093	7,365
Net increase/(decrease) in cash and cash equivalents	25,241	2,698	63,865	(13,212)
Cash and cash equivalents at beginning of financial period/year	65,832	24,646	27,345	40,521
Effect of exchange rate changes on cash equivalents	(758)	1	(895)	36
Cash and cash equivalents at end of financial period/year (Note A)	90,315	27,345	90,315	27,345

- 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:

	Unaudited 3 months ended 31.12.2013 RMB'000	Unaudited 31.12.2012 RMB'000	Unaudited 12 months ended 31.12.2013 RMB'000	Audited 31.12.2012 RMB'000
Cash on hand and at banks	165,343	71,745	165,343	71,745
Less: Deposits restricted-in-use	(75,028)	(44,400)	(75,028)	(44,400)
	<u>90,315</u>	<u>27,345</u>	<u>90,315</u>	<u>27,345</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	Share capital RMB'000	Statutory reserves RMB'000	Currency translation reserve RMB'000	Share option reserve RMB'000	Revenue reserve RMB'000	Total equity RMB'000
Balance at 1 January 2013	193,052	65,503	6,571	-	296,356	561,482
Net profit for the period	-	-	-	-	52,975	52,975
Other comprehensive (loss)/income, net of tax						
- Refund of unclaimed cash distribution for more than 6 years	-	-	-	-	64	64
- Currency translation differences arising from consolidation	-	-	(1,073)	-	-	(1,073)
Total comprehensive (loss)/income for the 9 months ended 30 September 2013	-	-	(1,073)	-	53,039	51,966
Proceeds from new shares placement	78,964	-	-	-	-	78,964
Share issue expenses	(1,898)	-	-	-	-	(1,898)
Transfer to statutory reserves	-	7,142	-	-	(7,142)	-
Balance at 30 September 2013	270,118	72,645	5,498	-	342,253	690,514
Net profit for the period	-	-	-	-	21,699	21,699
Other comprehensive income, net of tax						
- Currency translation differences arising from consolidation	-	-	(1,805)	-	-	(1,805)
Total comprehensive income for the 3 months ended 31 December 2013	-	-	(1,805)	-	21,699	19,894
Proceeds from new shares placement	83,279	-	-	-	-	83,279
Share issue expenses	(1,156)	-	-	-	-	(1,156)
Grant of equity-settled share options to employees	-	-	-	1,171	-	1,171
Transfer to statutory reserves	-	5,436	-	-	(5,436)	-
Balance at 31 December 2013	352,241	78,081	3,693	1,171	358,516	793,702

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)

Unaudited Group	Share capital RMB'000	Statutory reserves RMB'000	Currency translation reserve RMB'000	Share option reserve RMB'000	Revenue reserve RMB'000	Total equity RMB'000
Balance at 1 January 2012	193,052	57,735	4,238	-	269,878	524,903
Net profit for the period	-	-	-	-	34,912	34,912
Other comprehensive income, net of tax - Currency translation differences arising from consolidation	-	-	2,436	-	-	2,436
Total comprehensive income for the 9 months ended 30 September 2012	-	-	2,436	-	34,912	37,348
Transfer to statutory reserves	-	4,631	-	-	(4,631)	-
Dividend paid	-	-	-	-	(6,448)	(6,448)
Balance at 30 September 2012	193,052	62,366	6,674	-	293,711	555,803
Net profit for the period	-	-	-	-	5,782	5,782
Other comprehensive loss, net of tax - Currency translation differences arising from consolidation	-	-	(103)	-	-	(103)
Total comprehensive (loss)/income for the 3 months ended 30 September 2012	-	-	(103)	-	5,782	5,679
Transfer to statutory reserves	-	3,137	-	-	(3,137)	-
Balance at 31 December 2012	193,052	65,503	6,571	-	296,356	561,482

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)

Unaudited Company	Share capital RMB'000	Currency translation reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2013	614,360	51,777	-	(10,583)	655,554
Net loss for the period	-	-	-	(5,005)	(5,005)
Other comprehensive (loss)/income, net of tax					
- Refund of unclaimed cash distribution for more than 6 years	-	-	-	64	64
- Currency translation differences arising from consolidation	-	(32,745)	-	-	(32,745)
Total comprehensive loss for the 9 months ended 30 September 2013	-	(32,745)	-	(4,941)	(37,686)
Proceeds from new shares placement	78,964	-	-	-	78,964
Share issue expenses	(1,898)	-	-	-	(1,898)
Balance at 30 September 2013	691,426	19,032	-	(15,524)	694,934
Net loss for the period	-	-	-	(1,387)	(1,387)
Other comprehensive loss, net of tax					
- Currency translation differences arising from consolidation	-	(11,249)	-	-	(11,249)
Total comprehensive loss for the 3 months ended 31 December 2013	-	(11,249)	-	(1,387)	(12,636)
Proceeds from new shares placement	83,279	-	-	-	83,279
Share issue expenses	(1,156)	-	-	-	(1,156)
Grant of equity-settled share options to employees	-	-	1,171	-	1,171
Balance at 31 December 2013	773,549	7,783	1,171	(16,911)	765,592
Balance at 1 January 2012	614,360	18,207	-	7,806	640,373
Net loss for the period	-	-	-	(4,012)	(4,012)
Other comprehensive income, net of tax					
- Currency translation differences arising from consolidation	-	33,590	-	-	33,590
Total comprehensive income/(loss) for the 9 months ended 30 September 2012	-	33,590	-	(4,012)	29,578
Dividend paid	-	-	-	(6,448)	(6,448)
Balance at 30 September 2012	614,360	51,797	-	(2,654)	663,503
Net loss for the period	-	-	-	(7,929)	(7,929)
Other comprehensive loss, net of tax					
- Currency translation differences arising from consolidation	-	(20)	-	-	(20)
Total comprehensive loss for the 3 months ended 31 December 2012	-	(20)	-	(7,929)	(7,949)
Balance at 31 December 2012	614,360	51,777	-	(10,583)	655,554

- 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.

	Company	
	Number of Shares	Share Capital RMB'000
As at 1 January 2013	639,520,646	614,360
Issue of new shares pursuant to share placement (Note A)	65,000,000	78,964
Share issue expenses	-	(1,898)
As at 30 September 2013	704,520,646	691,426
Issue of new shares pursuant to share placement (Note B)	31,000,000	83,279
Share issue expenses	-	(1,156)
As at 31 December 2013	735,520,646	773,549

Note A: 65 million new ordinary shares issued at S\$0.2513 per share.

Note B: 31 million new ordinary shares issued at S\$0.5500 per share.

- 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 31.12.2013	As at 31.12.2012
Total number of shares issued	735,520,646	639,520,646

The Company does not have any treasury shares at the end of the current financial year (as at 31 December 2013) and at the end of the immediately preceding year (as at 31 December 2012).

- 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 2012, except for the adoption of certain revised Financial Reporting Standards ("FRS") which are effective for the financial period commencing 1 January 2013. 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	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Net profit for the period/year (RMB'000)	21,699	5,782	74,674	40,694
(a) EPS based on weighted average number of shares in issue (RMB cents/share)	3.3	0.9	11.3	6.4
(b) EPS based on fully diluted basis (RMB cents/share)	3.3	0.9	11.3	6.4
Weighted average number of shares applicable to earnings per share ('000)	662,997	639,521	662,997	639,521
Weighted average number of shares fully diluted basis diluted basis ('000)	662,997	639,521	662,997	639,521

Basic earnings per share is calculated by dividing earnings for the period/year attributable to the equity holders of the Company by the weighted average number of ordinary shares issued during the financial period/year 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/year under review is adjusted for the effects of all dilutive potential ordinary shares. The Company has no dilutive potential ordinary shares as at 31 December 2013 and 2012 respectively because 3,500,000 (2012: Nil) share options granted to employees under the existing 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	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Net asset value per share (RMB cents) based on issued share capital as at the end of period reported on	107.9	87.8	104.1	102.5
Number of shares used in calculating net asset value per share ('000)	735,521	639,521	735,521	639,521

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 RMB179.5 million in the three months ended 31 December 2013 ("4Q2013"), an increase of 80.0% from RMB99.7 million achieved in the three months ended 31 December 2012 ("4Q2012"). In 4Q2013, we completed 12 dust collectors projects as compared to nine projects in 4Q2012.

Revenue for financial year ended 31 December 2013 ("FY2013") and financial year ended 31 December 2012 ("FY2012") were RMB524.1 million and RMB409.1 million respectively. For FY2013, we completed 24 dust collectors projects and as at 31 December 2013, there were 16 on-going projects. In FY2012, we completed 27 dust collectors projects and as at 31 December 2012, there were seven on-going projects. The contract sum per project in FY2013 was higher as compared to that in FY2012.

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

	4Q2013 %	4Q2012 %	FY2013 %	FY2012 %
Power generation	73.5	32.7	57.2	13.2
Steel and metallurgy	15.6	22.8	21.2	35.1
Chemical	2.9	40.3	14.7	39.4
Cement	-	0.6	-	8.6
Paper mill	-	0.1	-	-
Others	8.0	3.5	6.9	3.7
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

For FY2013, 57.2% of our total revenue was from the power generation industry, 21.2% from the steel and metallurgy industry, 14.7% from the chemical industry, and the remaining 6.9% was from other industries.

Review of Financial Performance (cont'd)

b) Cost of Sales

Detailed breakdown of cost of sales is as follows:

	4Q2013	4Q2012	FY2013	FY2012
	%	%	%	%
Direct materials	82.2	84.8	83.2	91.3
Direct labour, fabrication and installation fees	15.4	12.7	15.0	6.6
Depreciation and rental charges	0.2	0.4	0.3	0.4
Utilities charges	0.1	0.1	0.1	0.1
Miscellaneous expenses	2.0	2.0	1.4	1.6
	<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 82.2%, 84.8%, 83.2% and 91.3% of our total cost of sales in 4Q2013, 4Q2012, FY2013 and FY2012 respectively.

The composition of the cost of sales changed, with direct materials accounting for 82.2% for 4Q2013 and 83.2% for FY2013, decreasing from 84.8% in 4Q2012 and 91.3% in FY2012; while direct labour, fabrication and installation fees accounted for 15.4% for 4Q2013 and 15.0% for FY2013, increasing from 12.7% in 4Q2012 and 6.6% in FY2012. The change in composition of the cost of sales was due to fewer dust collector projects being sub-contracted to a third party in FY2013 as compared to that in FY2012, which reduced direct materials costs and increased direct labour, fabrication and installation fees.

The Group's revenue increased 80.0% from RMB99.7 million in 4Q2012 to RMB179.5 million in 4Q2013, while cost of sales for 4Q2013 increased by 91.1% from RMB73.7 million in 4Q2012 to RMB140.9 million in 4Q2013. As a result, our gross profit increased by 48.4% while the gross profit margin decreased from 26.1% in 4Q2012 to 21.5% in 4Q2013. The lower profit margin was due to several projects incurring higher direct material cost in 4Q2013 as more materials were consumed to ensure that the dust collectors complied with the new emission standards. The Group believed that this happened only for certain projects that were carried out during the transition period in complying with the stringent emission standards.

The Group's revenue increased 28.1% from RMB409.1 million in FY2012 to RMB524.1 million in FY2013, while gross profit increased 40.8% from RMB91.4 million in FY2012 to RMB128.6 million in FY2013. Gross profit margin increased from 22.3% in FY2012 to 24.5% in FY2013. The increase in gross profit margin was due to fewer projects being sub-contracted out in FY2013 as compared to FY2012 and also due to the contribution from higher margin projects secured due to heightened demand resulting from the tightening of pollution law by the Chinese government.

c) Operating Expenses

Total operating expenses in 4Q2013 which amounted to RMB14.0 million were approximately 18.6% lower than the RMB17.2 million incurred in 4Q2012 whereas the total operating expenses in FY2013 of RMB53.8 million was approximately 5.5% higher than the RMB51.0 million incurred in FY2012.

Selling and distribution expenses in 4Q2013 totalled RMB8.4 million, which was RMB5.1 million or 153.4% higher than the RMB3.3 million incurred in 4Q2012. The increase was mainly due to the increase in sales commission of RMB1.9 million, in-line with the higher revenue for 4Q2013, the increase in delivery charges of RMB2.6 million in-line with more project deliveries and the increase in entertainment expense of approximately RMB0.6 million.

Review of Financial Performance (cont'd)

c) Operating Expenses (cont'd)

Selling and distribution expenses in FY2013 totalled RMB19.8 million which was RMB5.8 million or 41.1% higher than the RMB14.0 million incurred in FY2012. The increase was mainly due to increase in sales commission of RMB2.7 million in-line with the higher revenue for FY2013 and increase in delivery charges of RMB2.9 million in-line with more project deliveries.

Administrative expenses decreased by RMB7.6 million or 71.4% from RMB10.6 million in 4Q2012 to RMB3.0 million in 4Q2013. The decrease was mainly due to unrealised foreign exchange gain of RMB1.7 million arising from inter-company balances, decrease in research and development costs by RMB3.5 million and absence of write-off of RMB2.7 million deferred expenses in 4Q2012 for the preliminary work done in relation to the proposed Hong Kong dual listing. The decrease was partially offset by an increase in other administrative expenses which included staff costs, consultancy fees and travelling expenses of approximately RMB0.5 million.

Administrative expenses decreased by RMB2.5 million or 10.3% from RMB23.8 million in FY2012 to RMB21.3 million in FY2013. The decrease was mainly due to unrealised foreign exchange gain of RMB5.7 million arising from inter-company balances and absence of write-off of RMB2.7 million deferred expenses in FY2012 for the preliminary work done in relation to the proposed Hong Kong dual listing. The decrease was partially offset by an increase in research and development costs of RMB4.4 million and increase in other administrative expenses which included directors' fees, directors' remuneration, office expenses, sundry expenses and other miscellaneous duties of approximately RMB1.2 million.

Finance costs decreased by RMB0.7 million or 21.8% from 4Q2012 to 4Q2013. Due to lower interest rates, bank interest expense and bank charges decreased from RMB3.3 million in 4Q2012 to RMB2.6 million in 4Q2013.

Finance costs decreased marginally by 3.6% from FY2012 to FY2013. Bank interest expense and bank charges decreased from RMB13.2 million in FY2012 to RMB12.7 million in FY2013.

d) Tax Expense

In FY2012, Fujian Dongyuan had received an income tax refund of RMB12.3 million in March 2012. The income tax refund had more than offset the tax expense of RMB13.2 million in FY2012 (based on the profit before tax). For FY2013, the tax expense of RMB13.5 million was based on a tax rate of 15% on Fujian Dongyuan's FY2013 profit before tax. This tax expense was more than offset by the income tax refund of RMB10.1 million received in September 2013. This income tax refund was related to FY2011 income tax filing.

The potential income tax refund for FY2012 income tax filings which is estimated to be RMB5.3 million has not been refunded by the PRC tax authority.

Review of Financial Performance (cont'd)

e) Net Profit For The Period/Year

The Group's net profit for 4Q2013 increased by 275.3% or RMB15.9 million from RMB5.8 million in 4Q2012 to RMB21.7 million in 4Q2013. The increase was mainly due to the increase in gross profit of 48.4% or RMB12.6 million and an increase in other income of approximately RMB1.0 million in 4Q2013 as compared to 4Q2012. The net profit was further increased by the reduction in total operating expenses in 4Q2013 amounting to RMB3.2 million.

The Group's net profit for FY2013 increased by 83.5% or RMB34.0 million from RMB40.7 million in FY2012 to RMB74.7 million in FY2013. The increase was mainly due to the increase in gross profit of 40.8% or RMB37.3 million and an increase in other income of approximately RMB1.3 million in FY2013.

The increase was partially offset by the increase in total operating expenses in FY2013 of RMB2.8 million or 5.5%, and lower income tax refund of RMB2.2 million as compared to FY2012.

Review of Financial Position

Non-Current Assets

In FY2013, the Group incurred and paid approximately RMB26.5 million for construction work-in-progress. As at 31 December 2013, the balances of construction work-in-progress in Anhui province and Fujian province were approximately RMB269.0 million and RMB22.7 million respectively.

The construction work-in-progress refers to the construction of new production plants in Anhui province (mainly consisting of fabrication factories, warehouse, canteen and office building, road and other auxiliary facilities) and Fujian province (mainly consisting of fabrication factory, electrical control equipment assembly plant and office building). The newly completed production plant in Anhui will significantly increase the Group's production capacity targeted to capture the potential customers located in the central and northern regions of the PRC. The close proximity to these customers will also enable the Group to better serve their needs. The Group is in the process of applying for the property title deed for this new plant.

The increase in investment in associated company of RMB2.5 million refers to the paid-up capital made by the Group to the newly incorporated company jointly owned by the Group (49% equity stake) and the College of Engineering of Peking University (北京大学工学院) (51% equity stake) as announced on 19 September 2013.

Current Assets

Current assets comprise of inventories, trade and other receivables and cash and bank balances. Total current assets amounted to RMB761.5 million as at 31 December 2013, which was approximately RMB280.0 million higher than that as at 31 December 2012.

As at 31 December 2013, inventories stood at RMB20.5 million, which was RMB2.9 million higher than RMB17.6 million as at 31 December 2012. The higher amount of inventories was mainly due to more on-going projects as at 31 December 2013.

Trade and bills receivables balance amounted to RMB491.5 million as at 31 December 2013, an increased of RMB143.8 million compared to RMB347.7 million as at 31 December 2012. The higher amount of trade and bills receivables was mainly due to higher amount of revenue recognised in 4Q2013 compared to 4Q2012. Included in the trade receivables were retention monies from completed projects, which amounted to RMB44.8 million (31 December 2012: RMB36.5 million). The Group continues to monitor the collection from the trade receivables closely and does not foresee any recoverability issues to date.

Review of Financial Position (cont'd)

Current Assets (cont'd)

Other receivables, deposits and prepayments amounted to RMB84.1 million as at 31 December 2013, which was RMB39.7 million higher than RMB44.5 million as at 31 December 2012. Included in the other receivables, deposits and prepayments were mainly advances to suppliers for the purchase of raw materials, which amounted to RMB31.8 million as at 31 December 2013 (31 December 2012: RMB21.0 million), advances to project sub-contractor of RMB43.1 million (31 December 2012: RMB6.5 million), and tender deposits for projects of RMB3.9 million (31 December 2012: RMB4.4 million), and advance payments to the contractor for the construction of the new plant of RMB2.1 million (31 December 2012: RMB11.9 million). The increase of advances to suppliers for the purchase of raw materials was mainly due to the anticipation of more incoming projects in coming months.

As at 31 December 2013, the Group had cash and cash equivalents of RMB165.3 million, approximately RMB93.6 million higher than RMB71.7 million as at 31 December 2012. The increase was due mainly to net cash generated from financing activities. The increase was partially offset with net cash used in operating activities and net cash used in investing activities. Included in the cash and bank balances was an amount of RMB75.0 million (31 December 2012: RMB44.4 million) of deposits restricted-in-use, which was pledged with financial institutions for the issuance of bills payables and security deposit for the short-term borrowings.

Current Liabilities

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

Trade and bills payables amounted to RMB29.0 million as at 31 December 2013, which was RMB3.8 million higher than the RMB25.2 million as at 31 December 2012. The increase was due mainly to the increase in bills payables of RMB5.0 million from RMB15.0 million as at 31 December 2012 to RMB20.0 million as at 31 December 2013. The Group utilised the bills payables to pay suppliers and these were secured by the bank deposits mentioned above. The trade payables decreased marginally by RMB1.5 million from RMB5.2 million to RMB3.7 million.

Other payables and accruals amounted to RMB46.9 million as at 31 December 2013, which was marginally lower by RMB0.6 million than the RMB47.4 million as at 31 December 2012.

The amount due to a director of RMB57.8 million was the interest-free loan advanced from the Executive Chairman of the Group. Please refer to the announcement dated 23 October 2013.

As at 31 December 2013, the Group has short-term borrowings of RMB177.9 million from the banks. Please refer to Paragraph 1(b)(ii) for the details of the collaterals.

Review of Cash Flows

For 4Q2013, the Group made a pre-tax profit of RMB25.6 million. After adjusting for non-cash flow items, interest expense and interest income, cash flow from operating profits before working capital changes was RMB28.3 million. This was mainly used to fund the increase in trade and other receivables (RMB104.5 million), increase in inventories (RMB6.0 million), decrease in trade and other payables (RMB29.0 million), and payment of income tax expense (RMB5.6 million). It was offset by the receipt of interest income (RMB0.4 million). As a result, the Group had a net cash used in operating activities of RMB117.5 million in 4Q2013.

For FY2013, the Group made a pre-tax profit of RMB78.1 million. After adjusting for non-cash flow items, interest expense and interest income, cash flow from operating profits before working capital changes was RMB87.3 million. This was mainly used to fund the increase in trade and other receivables (RMB183.7 million), increase in inventories (RMB2.9 million) and payment of income tax expense (RMB12.4 million). It was offset by the increase in trade and other payables (RMB3.3 million), receipt of income tax refund (RMB10.1 million) and receipt of interest income (RMB2.3 million). As a result, the Group had a net cash used in operating activities of RMB97.9 million in FY2013.

Review of Cash Flows (cont'd)

Net cash used in investing activities amounted to RMB16.4 million in 4Q2013. This was mainly due to construction cost of RMB13.6 million incurred for the construction work-in-progress and RMB2.5 million for investment in associated company.

Net cash used in investing activities amounted to RMB29.3 million in FY2013. This was mainly due to construction costs of RMB26.5 million incurred for the construction work-in-progress and RMB2.5 million for investment in associated company.

Net cash generated from financing activities amounted to RMB159.1 million in 4Q2013. This was mainly contributed by the net proceeds of RMB82.1 million from the new shares placement in 4Q2013, loan proceeds from banks of RMB50.0 million, amount advanced from a director amounting to RMB57.8 million and decrease in deposits restricted-in-use of RMB16.8 million in 4Q2013. The increase was offset by loan repayments of RMB46.0 million and interest paid of RMB1.6 million.

Net cash generated from financing activities amounted to RMB191.1 million in FY2013. This was mainly contributed by the net proceeds of RMB159.2 million from the new shares placement in FY2013, loan proceeds from banks of RMB271.9 million and amount advanced from a director amounted to RMB57.8 million. The increase was offset by loan repayments of RMB258.0 million, interest paid of RMB9.3 million and increase in deposits restricted-in-use of RMB30.6 million.

The Group had a net increase in cash and cash equivalents of RMB25.2 million for 4Q2013. Cash and cash equivalents (excluding deposits restricted-in-use) stood at RMB90.3 million as at 31 December 2013.

The Group had a net increase in cash and cash equivalents of RMB63.9 million for FY2013. Cash and cash equivalents (excluding deposits restricted-in-use) stood at RMB90.3 million as at 31 December 2013.

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

Not applicable.

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.

China will set up a RMB10 billion (approximately US\$1.65 billion) fund to reduce air pollution in the country's largest cities, according to a release from a State Council meeting at which Premier Li Keqiang presided. The Cabinet also announced subsidies, tax changes, energy-efficiency standards and pollution controls aimed at improving environmental quality. Efforts will be focused on haze-prone large cities and particulate matter from 2.5 micrometers, or PM2.5, to 10 micrometers in size to reduce the risk of cardiovascular illnesses. China will reward leaders in efforts to improve energy efficiency and cut emissions, and promote the use of "clean" coal, the State Council said (*Source: Bloomberg, February 2014*).

China's 31 provinces, municipalities and autonomous regions have been set targets to reduce main air pollutants by 5 to 25 percent, in the country's latest effort to combat pollution. Local governments have been ordered to map out detailed plans to ensure the implementation of various anti-pollution methods and to lay down specific goals for each year. Meanwhile, the State Council, or China's Cabinet, is mulling a system to evaluate each provincial-level government's progress, and those failing to reach their goals will be named and shamed (*Source: China Daily, January 2014*).

China's Environmental Protection Ministry announced on 24 October 2013 that it has begun a six-month inspection campaign targeting the most heavily polluted regions. The ministry said the campaign, which will begin this month and end in March 2014, will ensure that local governments and enterprises are abiding by the regulations to tackle airborne pollution. Ministry officials and environmental authorities at local government levels will conduct the investigations, inspecting every sector that could influence air quality within the regions (*Source: China Daily, October 2013*).

China government announced in July 2013 that it plans to invest RMB1.7 trillion (approximate to S\$348 billion) to combat air pollution over the next five years. The money is to be spent primarily in regions that have heavy air pollution and high level of PM2.5. PM refers to particulate matter. Tiny floating particles measuring 2.5 micrometres or less in diameter, are especially hazardous because they can settle in the lungs and cause respiratory problems and other illnesses (*Source: China Daily, July 2013*).

The State Council, China's cabinet, on 14 June 2013 outlined a string of measures for curbing the air pollution that is plaguing the country. China will strictly control high energy-consuming and polluting industries, adjust its energy structure and enhance control of PM2.5 in populated regions and metropolises (*Source: China Daily, June 2013*).

Topping the string of measures is a target to reduce pollution emissions per unit of GDP by at least 30 per cent in heavy-polluting industries before the end of 2017 (*Source: China Daily, June 2013*).

These measures correspond with a ministry-level move in February 2013, when six heavy-polluting industries: thermal power, iron and steel, petrochemical, cement, non-ferrous metal and chemical, in 47 cities were asked to gradually comply with special international emission limits on airborne pollutants from 1 March 2013 (*Source: China Daily, June 2013*).

Given the above measures and the tightening of anti-air pollution laws and policies in China, the Group expects the demand for our products experienced from 2013 to stay robust, with increased opportunities for us to expand our market presence.

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 2013.

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.

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.

	Industrial Waste Gas Segment	
	2013	2012
	RMB'000	RMB'000
Revenue	524,080	409,148
Segment profits	84,917	56,888
Depreciation and amortisation	1,063	1,147
Segment assets	948,666	734,119
Unallocated assets	165,343	71,745
Total assets	1,114,009	805,864
Segment liabilities	75,849	72,597
Unallocated liabilities	244,458	171,785
Total liabilities	320,307	244,382

A reconciliation of segment profits to the profit before tax is as follows:-

	2013	2012
	RMB'000	RMB'000
Segment profits	84,917	56,888
Interest income	2,348	769
Foreign exchange gain/ (loss)	3,516	(2,193)
Finance costs	(12,728)	(13,200)
Profit before tax	78,053	42,264

Geographical information

	Sales to external		Non-current assets	
	customers			
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
China	524,080	409,148	352,482	324,345

Information about major customers

In FY2013, about 44% of total revenue is derived from three external customers.

In FY2012, about 61% of total revenue is derived from three 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 %
	2013 RMB'000	2012 RMB'000	
<u>First Half</u>			
Sales reported for first half year	<u>150,933</u>	<u>209,130</u>	(27.8)
Operating profit after tax reported for first half year	<u>17,529</u>	<u>27,375</u>	(36.0)
<u>Second Half</u>			
Sales reported for second half year	<u>373,147</u>	<u>200,018</u>	86.6
Operating profit after tax reported for second half year	<u>57,145</u>	<u>13,319</u>	329.0

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
Ordinary	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 raised in September 2013 from the placement of 65 million ordinary shares in the share capital of the Company at an issue price of S\$0.2513 per ordinary share (“**First Placement**”).

As at the date of this announcement, the Group has utilised net proceeds from the First Placement of approximately S\$11.9 million as follows:-

	Amount Allocated S\$'000	Amount Utilised S\$'000	Balance S\$'000
1) Support the growth of the Group's business and operations in the PRC, including funding of strategic investments, joint ventures, acquisitions and/or strategic alliances as and when such opportunities arise and are deemed appropriate by the Board	2,000	(500)	1,500
2) Acquire fixed assets for the production purpose	2,000	(69)	1,931
3) General working capital for the purposes:	11,940	(11,940)	-
a) Purchase of raw materials		(10,412)	
b) Staff cost, directors' fee and administrative expenses		(1,089)	
c) Audit, tax and other professional expenses		(304)	
d) Other operating expenses		(135)	
Total	15,940	(11,940)	3,431

The above utilisation of the net proceeds is consistent with the intended use of proceeds disclosed in the Offer Information Statement dated 22 August 2013.

The Company also refers to the net proceeds raised in December 2013 from the placement of 31 million ordinary shares in the share capital of the Company at an issue price of S\$0.5500 per ordinary share (“**Second Placement**”).

As at the date of this announcement, the Group has utilised net proceeds from the Second Placement of approximately S\$15.6 million as follows:-

	Amount Allocated S\$'000	Amount Utilised S\$'000	Balance S\$'000
General working capital for the purposes:	16,797	(15,645)	1,152
a) Purchase of raw materials		(15,500)	
b) Staff cost, directors' fee and administrative expenses		(120)	
c) Audit, tax and other professional expenses		(5)	
d) Other operating expenses		(20)	
Total	16,797	(15,645)	1,152

The above utilisation of the net proceeds is consistent with the intended use of proceeds disclosed in the Offer Information Statement dated 18 November 2013.

BY ORDER OF THE BOARD

Huang Min
Executive Chairman
26 February 2014