

Unaudited financial statements and dividend announcement for the financial year ended 30 June 2014
PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS
FY2014 Annual Results

The Board of Directors of Hankore Environment Tech Group Limited wishes to announce the unaudited results of the Group for the financial year ended 30 June 2014.

1(a) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding year of the immediately preceding financial year.

	← Group →		
	FY2014 RMB'000	FY2013 RMB'000 (Restated)	Increase/ -Decrease %
Revenue	522,169	319,806	63%
Cost of sales	(312,831)	(159,394)	96%
Gross profit	209,338	160,412	31%
Other income	6,578	34,563	-81%
Administrative expenses	(103,090)	(58,147)	77%
Other operating expenses	(129,273)	(2,534)	5002%
Operating (loss)/profit	(16,447)	134,294	n.m.
Finance income	2,141	376	469%
Finance expenses	(70,108)	(47,254)	48%
(Loss)/profit before tax	(84,414)	87,416	n.m.
Income tax	(30,331)	(14,976)	103%
Net (Loss)/profit for the financial year	(114,745)	72,440	n.m.
Other comprehensive income	-	-	
Total comprehensive income for the financial year	(114,745)	72,440	n.m.
Net (loss)/profit attributable to:			
Owners of the Company	(114,745)	72,440	n.m.
Non-controlling interests	-	-	
	(114,745)	72,440	n.m.
Total comprehensive income attributable to:			
Owners of the Company	(114,745)	72,440	n.m.
Non-controlling interests	-	-	
	(114,745)	72,440	n.m.

"n.m." denotes "not meaningful"

Note 1

(Loss)/Profit from operating activities is derived after (charging)/crediting the following items:

Depreciation	(2,331)	(1,478)	58%
Amortisation of intangible assets	(8,163)	(4,055)	101%
Gain on disposal of concession rights	-	21,820	n.m.
Net fair value gain/(loss) on contingent consideration payable	(84,810)	3,932	n.m.
Net fair value loss on warrants	(34,312)	(526)	6423%
Equity-settled share-based expense	(32,892)	-	n.m.

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

	Group			Company		
	30 Jun 14 RMB'000	30 Jun 13 RMB'000 (Restated)	1 Jul 12 RMB'000 (Restated)	30 Jun 14 RMB'000	30 Jun 13 RMB'000 (Restated)	1 Jul 12 RMB'000 (Restated)
Current Assets						
Cash and cash equivalents	380,831	118,111	83,844	29,305	252	987
Trade and other receivables	127,199	149,778	63,603	-	-	-
Financial receivables	174,184	149,968	140,862	-	-	-
Inventories	10,534	3,345	758	-	-	-
	692,748	421,202	289,067	29,305	252	987
Non-current Assets						
Property, plant and equipment	47,163	45,449	43,580	11	17	394
Financial receivables	1,917,250	1,693,637	1,590,318	-	-	-
Intangible assets	239,525	239,510	118,410	-	-	-
Land use rights	43,717	45,736	47,755	-	-	-
Investment in subsidiaries	-	-	-	2,450,623	2,173,096	2,065,911
Other receivables	14,105	17,052	-	-	-	-
	2,261,760	2,041,384	1,800,063	2,450,634	2,173,113	2,066,305
Current Liabilities						
Borrowings	183,372	173,083	142,660	-	-	-
Trade and other payables	207,346	276,573	183,238	35,064	13,326	2,861
Other financial liabilities	795	38,800	4,177	795	38,800	4,177
Provision for income tax	271	37	-	-	-	-
	391,784	488,493	330,075	35,859	52,126	7,038
Net current assets/(liabilities)	300,964	(67,291)	(41,008)	-6,554	-51,874	-6,051
Non-current Liabilities						
Borrowings	872,016	469,765	425,924	242,398	-	-
Deferred tax liabilities	245,746	225,794	206,283	-	-	-
Other financial liabilities	1,405	-	-	1,405	-	-
	1,119,167	695,559	632,207	243,803	-	-
Net assets	1,443,557	1,278,534	1,126,848	2,200,277	2,121,239	2,060,254
Capital and Reserve						
Share capital	455,157	409,242	380,040	455,157	409,242	380,040
Reserves	988,629	869,521	747,037	1,745,120	1,711,997	1,680,214
Equity attributable to owners of the Company	1,443,786	1,278,763	1,127,077	2,200,277	2,121,239	2,060,254
Non-controlling interests	(229)	(229)	(229)	-	-	-
	1,443,557	1,278,534	1,126,848	2,200,277	2,121,239	2,060,254

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

(i) Amount repayable in one year or less, or on demand

30 June 2014		30 June 2013	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
-	183,372	-	173,083

(ii) Amount payable after one year

30 June 2014		30 June 2013	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
593,350	278,666	438,083	31,682

Details of Collateral

The secured bank borrowings of the Group as at 30 June 2014 and 30 June 2013 were secured by wastewater treatment plants with service concession receivable and guaranteed by a former subsidiary of the Group and a shareholder of the Company.

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

	FY2014 RMB'000	FY2013 RMB'000 (Restated)
Cash flows from operating activities		
(Loss)/Profit before income tax	(84,414)	87,416
Adjustments for:-		
Depreciation of property, plant and equipment	2,331	1,478
Amortisation of intangible assets	8,163	4,055
Amortisation of land use rights	2,019	2,019
Impairment loss on other receivables	-	484
Bad debts written off	1,732	808
Gain on disposal of concession rights	-	(21,820)
(Gain)/Loss on disposal of property, plant and equipment	(224)	21
Net fair value loss on warrants	34,312	526
Loss on fair valuation of cross-currency swap	1,405	-
Loss/(gain) on fair valuation of contingent consideration payable	84,810	(3,932)
Equity-settled share based transaction	32,892	-
Unrealised exchange (gain)/loss	2,650	181
Net finance costs	67,967	46,878
Operating cash flow before working capital changes	153,643	118,114
Change in working capital		
Financial receivables	(247,829)	(112,425)
Inventories	(7,189)	(2,290)
Trade and other receivables	(33,559)	(75,914)
Trade and other payables	(25,136)	83,507
Cash (used in) generated from operations	(160,070)	10,992
Income tax refund/(paid)	(10,146)	(1,727)
Net cash (used in) generated from operating activities	(170,216)	9,265
Cash flow from investing activities		
Purchase of property, plant and equipment	(4,045)	(1,848)
Proceeds from disposal of property, plant and equipment	224	733
Acquisition of in concession rights	(7,744)	(7,489)
Acquisition of in intangible assets	(434)	(403)
Acquisition of subsidiaries, net of cash acquired	-	3,867
Interest received	2,141	376
Proceeds from disposal of concession rights	1,108	2,007
Net cash used in investing activities	(8,750)	(2,757)
Cash flow from financing activities		
Proceeds from exercise of warrants	19,229	786
Proceeds from issue of shares	70,519	-
Proceeds from bank borrowings	348,936	232,611
Repayment of bank borrowings	(179,696)	(145,585)
Payment of transaction costs related to loans and borrowings	(8,516)	(15,017)
Proceeds from issue of notes	247,345	-
Interest paid	(56,920)	(44,999)
Increase in bank balances pledged	(164,855)	(14,000)
Net cash generated from financing activities	276,042	13,796
Net increase in cash and cash equivalents	97,076	20,304
Cash and cash equivalents at the beginning of the year	102,111	81,844
Effect of exchange rate changes on cash and cash equivalents	789	(37)
Cash and cash equivalents at the end of the year	199,976	102,111

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 capitalization issued and distributions to shareholders, together with a comparative statement for the corresponding financial year.

	Share Capital RMB'000	Share Premium RMB'000	Foreign Currency Translation Reserve RMB'000	Statutory Reserve RMB'000	Share Option Reserve RMB'000	Accumulated losses RMB'000	Non- controlling Interests RMB'000	Total RMB'000
Group								
Balance at 30 Jun 2013 (restated)	409,242	1,218,352	22	-	-	(348,853)	(229)	1,278,534
Net loss for the year	-	-	-	-	-	(114,745)	-	(114,745)
Transfer of retained earnings to statutory reserve	-	-	-	77	-	(77)	-	-
Issue of employee share options	-	-	-	-	32,892	-	-	32,892
Issue of ordinary shares related to business combination	14,386	105,322	-	-	-	-	-	119,708
Exercise of warrants	8,166	48,482	-	-	-	-	-	56,648
Issue of new shares	23,363	47,157	-	-	-	-	-	70,520
Balance at 30 Jun 2014	455,157	1,419,313	22	77	32,892	(463,675)	(229)	1,443,557
Balance at 1 Jul 2012, (restated)	380,040	1,168,307	22	-	-	(421,293)	(229)	1,126,847
Net profit for the year	-	-	-	-	-	72,440	-	72,440
Exercise of warrants	507	1,080	-	-	-	-	-	1,587
Issue of new shares	28,695	48,965	-	-	-	-	-	77,660
Balance at 30 Jun 2013 (restated)	409,242	1,218,352	22	-	-	(348,853)	(229)	1,278,534
Company								
Balance at 30 Jun 2013 (restated)	409,242	1,218,352	-	-	-	493,645	-	2,121,239
Net loss for the year	-	-	-	-	-	(200,729)	-	(200,729)
Issue of employee share options	-	-	-	-	32,892	-	-	32,892
Issue of ordinary shares related to business combination	14,386	105,322	-	-	-	-	-	119,708
Exercise of warrants	8,166	48,482	-	-	-	-	-	56,648
Issue of new shares	23,363	47,157	-	-	-	-	-	70,520
Balance at 30 Jun 2014	455,157	1,419,313	-	-	32,892	292,916	-	2,200,278
Balance at 1 Jul 2012, (restated)	380,040	1,168,307	-	-	-	511,905	-	2,060,252
Net loss for the year	-	-	-	-	-	(18,260)	-	(18,260)
Exercise of warrants	507	1,080	-	-	-	-	-	1,587
Issue of new shares	28,695	48,965	-	-	-	-	-	77,660
Balance at 30 Jun 2013 (restated)	409,242	1,218,352	-	-	-	493,645	-	2,121,239

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 at the end of the current financial year reported on and as at the end of the corresponding period of the immediately preceding financial year.

Change in the Company's share capital

On 15 May 2014, the proposed consolidation of every ten (10) existing ordinary shares of par value HK\$0.10 each in the capital of the Company into one (1) ordinary share of par value of HK\$1.00 has been approved by shareholders at the Special General Meeting. After the share consolidation, the Company's ordinary shares comprise of 509,102,647 shares of par value of HK\$1.00 each.

The movements in the Company's issued and fully paid-up share capital during the fourth quarter ended 30 June 2014 were as follows:

Issued share capital (after share consolidation)

Ordinary share capital	No. of shares
At 1 April 2014	509,102,647
Issue of shares pertaining to exercise of warrants by warrant holders	1,380,717
Adjustment due to share consolidation	(470)
At 30 June 2014	510,482,894

As at 30 June 2014, total number of outstanding warrants and outstanding share options under employee share option scheme are 263,462 (2013: 10,576,579) and 36,508,617 (2013: Nil) respectively. The proceeds from issue of warrants will be used for working capital of the Group.

The Company does not have any outstanding convertibles and treasury shares for the financial quarter ended 30 June 2013 and 30 June 2014, and the financial year ended 30 June 2013 and 30 June 2014.

1(d)(iii) The total number of issued shares excluding treasury shares as at the end of the current financial year and as at the end of the immediately preceding financial year.

The total number of issued shares excluding treasury shares, after share consolidation, were as follows:

	FY2014		FY 2013	
	Quarter ended 30 June 2014	Financial year ended 30 June 2014	Quarter ended 30 June 2013	Financial year ended 30 June 2013
Total number of issued shares excluding treasury shares	510,482,894	510,482,894	452,808,547	452,808,547

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 Company's auditors.

3. Whether 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 Company announced on 2 June 2014 that it had entered into a conditional sale and purchase agreement with China Everbright Water Holdings Limited as the vendor in respect of the proposed acquisition by the Company of the entire issued and paid-up share capital of China Everbright Water Investments Limited (the "Target") (the "Proposed Acquisition").

Previously, the Group had prepared its financial statements under Singapore Financial Reporting Standards ("SFRS"). In connection with the Proposed Acquisition, as the financial statements of the Target is prepared under International Financial Reporting Standards ("IFRS"), the Group had adopted the International Financial Reporting Standards ("IFRS") for the financial year ended 30 June 2014.

These are the Group and the Company's first consolidated financial statements prepared in accordance with IFRSs and IFRS 1 *First Time Adoption of International Financial Reporting Standards* has been applied. As required under IFRS 1, the changes arising from the adoption of IFRSs will be adjusted to the Group's financial statements retrospectively. These effects have been disclosed in Note 5.

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.

The Group has adopted International Financial Reporting Standards ("IFRS") for the current financial year and will apply IFRSs for all subsequent financial periods.

The change in accounting policy was applied retrospectively and the effects of the Group's comparative information arising from the adoption of IFRSs are as follows:

Financial year ended 30 June 2013

Statement of comprehensive income

	As previously reported	Increase / (Decrease)	Restated
	RMB'000	RMB'000	RMB'000
Revenue ¹	369,131	(49,325)	319,806
Cost of sales ^{1,2,4}	(203,272)	(43,878)	(159,394)
Other income ¹	54,776	(20,213)	34,563
Administrative expense ⁴	(54,164)	3,983	(58,147)
Other operating expense ⁴	(13,784)	(11,250)	(2,534)
Finance expense ⁴	(47,120)	134	(47,254)
Profit before tax	105,943	(18,527)	87,416
Tax expense ³	(6,478)	8,498	(14,976)
Profit after tax ⁵	99,465	(27,025)	72,440

Statement of Financial Position

	As previously reported RMB'000	Increase / (Decrease) RMB'000	Restated RMB'000
Property, plant and equipment ¹	7,829	37,620	45,449
Intangible assets ¹	256,864	(17,354)	239,510
Goodwill ⁴	90,047	(90,047)	-
Land use right ¹	37,996	7,740	45,736
Financial receivables ¹ , non-current	1,972,006	(278,369)	1,693,637
Financial receivable ¹ , current	34,583	115,385	149,968
Trade and other receivables, current ⁴	85,052	64,726	149,778
Other current assets ⁴	75,438	(75,438)	-
Reserves ⁵	1,301,142	(431,621)	869,521
Borrowings, non-current ⁴	467,211	2,544	469,755
Borrowings, current ⁴	175,285	(2,202)	173,083
Deferred tax liabilities ³	25,111	200,684	225,795
Trade and other payables ²	277,633	(1,060)	276,573
Other financial liabilities ⁴	42,981	(4,181)	38,800

Financial year ended 30 June 2012

Statement of Financial Position

	As previously reported RMB'000	Increase / (Decrease) RMB'000	Restated RMB'000
Property, plant and equipment ¹	6,223	(37,357)	43,580
Intangible assets ¹	215,240	(96,830)	118,410
Land use right ¹	40,015	7,740	47,755
Financial receivables ¹ , non-current	1,817,500	(227,182)	1,590,318
Financial receivable ¹ , current	33,200	107,662	140,862
Trade and other receivables, current ⁴	58,542	5,061	63,603
Other current assets ⁴	10,084	(10,084)	-
Reserves ⁵	1,151,720	(404,683)	747,037
Borrowings, non-current ⁴	395,171	30,753	425,924
Borrowings, current ⁴	173,836	(31,176)	142,660
Deferred tax liabilities ³	14,097	192,186	206,283
Trade and other payables ²	141,852	41,386	183,238
Other financial liabilities ⁴	8,919	29,881	38,800

The material adjustments to comparative information are set out below:

1. Financial receivables and intangibles

Previously, the fair value of the construction services relating to service concession arrangements was determined based on cost plus method. The Group recognised construction revenue based on the costs of providing such services plus certain profit margin.

The Group elected to adopt the replacement cost method in determining the fair value of the construction services provided to better reflect the economic substance of the service concession arrangement in accordance with IFRS Interpretations Committee ("IFRIC") 12 *Service Concession Arrangements*.

The fair value of the financial receivables and intangible assets relating to the service concession arrangements and related construction revenue, finance income and operation income were appraised by American Appraisal China Limited, an independent valuer engaged in connection with the Proposed Acquisition.

The adjustments to financial receivables and intangible assets and related construction revenue, finance income and operation income, based on the valuation report, is set out as above.

2. Cost of sales and Trade and other payables

The construction costs for certain projects were recognised in accordance with the percentage of completion (“POC”) (based on surveys of work agreed with customers) in accordance with IAS 11 Construction Contracts. Previously, the POC of the projects were determined by reference to the proportion that contract costs incurred to date to the estimated total contract costs.

The adjustments to trade and other payables and corresponding cost of sales are set out as above.

3. Deferred tax liabilities

The deferred tax liabilities arising from service concession arrangements and corresponding deferred tax expenses were recognised based on the “balance sheet liability method” in accordance with IAS 12 Income Taxes.

The adjustments to deferred tax liabilities and deferred tax expenses are set out as above.

4. Certain comparatives in the financial statements have been revised from the previous year to appropriately reflect the balances of the Group.

5. The effect of above adjustments have been reflected into profit for the year and accumulated losses of the Group.

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

Basic earnings per share

	FY 2014	FY 2013 (Restated)
(Loss)/Profit attributable to owners of the Company (RMB'000)	(114,745)	72,440
Weighted average number of ordinary shares in issue('000)	488,743	417,588
Basic (loss)/earnings per share (RMB' cents)	(0.23)	0.17

Diluted earnings per share

	FY 2014 RMB'000	FY 2013 RMB'000 (Restated)
(Loss)/Profit attributable to owners of the Company	(114,745)	72,440
<i>Adjusted for:</i>		
Fair value gain on warrants	-	(25)
Fair value on contingent consideration payable	-	(3,932)
Adjusted profit used to determine diluted earnings per share	(114,745)	68,483
Weighted average number of ordinary shares in issue('000)	488,743	419,706
Diluted (loss)/earnings per share (RMB)	(0.23)	0.16

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current year reported on; and (b) immediately preceding financial year

	Group		Company	
	30 June 2014	30 June 2013 (Restated)	30 June 2014	30 June 2013 (Restated)
	RMB	RMB	RMB	RMB
Net asset value per ordinary share based on the existing issued share capital as at the respective year	2.83	2.82	4.31	4.68

Net asset value per ordinary share was computed based on the share capital of 510,482,894 shares of HK\$1 each (30 June 2013: 452,808,547 shares of HK\$1 each)

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

Overview

Company has on 2 June 2014 entered into a conditional sale and purchase agreement ("SPA") with a wholly-owned subsidiary of China Everbright International Limited ("CEIL"), China Everbright Water Holdings Limited ("Vendor") to acquire the entire issued and paid-up share capital of the China Everbright Water Investments Limited ("Target") for a total consideration of approximately SGD 1.2 billion which will be satisfied entirely by way of an allotment and issue of 1,940,269,305 Consideration Shares.

CEIL intends to utilize the Company as its sole platform for its water treatment business. Upon Completion, the Vendor will own 78% of the Company and the Company shall be re-named as China Everbright Water Limited. Based on the proforma balance sheet as at 31 December 2013, the combined total assets and equity of the enlarged group are approximately RMB7.3 billion and RMB4.2 billion respectively. The enlarged group will become one of the largest wastewater treatment group operating in PRC.

Upon Completion, the Company will own a total of 32 waste-water treatment plants (with a designed capacity of 3,400,000 tons per day), 4 reusable water projects (with a designed capacity of 62,000 tons per day), 1 waste-water source heat pump project which services an area covering 125,000 meters, 2 completed Build-Transfer projects (with a designed capacity of 110,000 tons per day), 56km pipeline network and 10 pump stations (investment scale equivalent to 250,000 tons per day).

For the financial year ended 30 June 2014, the revenue of the Group has increased by 63% to RMB522.2 million compared with the restated revenue of RMB319.8 million for FY 2013. The increase in revenue has translated into an increase in 27% of the gross profit to RMB209.3 million as compared with gross profit of RMB160.4 million for FY2013. However, due to change in fair value of warrants and contingent consideration shares to Vendor of Tongyong and certain one-off expenses, the Group has incurred a loss of RMB114.7 million for the financial year ended 30 June 2014. If these fair value losses and one-off expenses are excluded, the Group would make a profit before tax of RMB84.0 million, 35.1% increase from a normalised profit of RMB62.2 million in FY 2013.

Statement of Comprehensive Income

Revenue

Revenue has increased by approximately RMB202.4 million or 63% from RMB319.8 million in FY 2013 to RMB522.2 million in FY 2014, attributable mainly to increase in revenue from construction services from service concession arrangement, revenue from EPC projects and finance income of RMB141.1 million, RMB56.0 million and RMB5.3 million respectively.

The revenue from construction service is mainly contributed by construction work from Xianyang Phase 2, Sanmenxia, Yangzhou, Nanjing Liuhe and Nanjing Pukou projects during the year.

Cost of sales

The cost of sales has increased by RMB153.4 million or 96.2% from RMB159.4 million in FY 2013 to RMB312.8 million. Overall gross profit margin decreased to 40.1% (2013: 50.2%). This is mainly due to a larger portion of construction revenue recognised for FY2014. Construction activities have a much lower margin as compared to operation activities in general.

Other income

Other income has decreased by 81% to RMB6.6 million as compared with RMB34.5 million in FY 2013. The decrease of other income is mainly due to recognition of gain of RMB22 million from disposal of Suqian plants in FY 2013. There is no such disposal in FY 2014.

Administrative expenses

The administrative expense has increased by 77.4% to RMB103.1 million as compared with RMB58.1 million in FY 2013. The increase in administrative expense of RMB45.0 million is mainly attributable to recognition of employee benefit expense of RMB32.9 million arising from issue of employee share option in November 2013. Also, the Group has incurred professional expense of approximately RMB15.0 million in connection with the proposed transaction with CEIL. The rental expense also increased by RMB3.3 million. The increase in administrative expense is offset by decrease in staff cost of RMB2.7 million and other expenses of RMB3.5million.

Other operating expenses

The Group has incurred other operating expense amounting to RMB129.3 million during the year, which has increased more than 100% compared with the amount of RMB2.5 million incurred in FY 2013. The increase in other operating expense of RMB127.2 million is mainly due to change in fair value of the following financial instruments:

- (1) Fair value loss on warrants amounting to RMB34.3 million;
- (2) Fair value loss on contingent consideration payable amounting to RMB84.8 million;
- (3) Fair value loss on cross-currency swap amounting to RMB1.4 million.

Except for fair value loss on cross-currency swap, these fair value loss would not have any impact on the cash flow of the Group in current or future financial periods.

Net finance cost

The net finance cost has increased by RMB21.1 million from RMB46.9 million in FY 2013 to RMB68.0 million in FY 2014. The increase in net finance cost is due to additional finance cost of RMB7.8 million incurred on the fixed rate Medium Term Notes, which was issued on 1 August 2013, and is also due to additional finance cost of RMB8.5 million arising from additional bank borrowings during the year. The amortisation of transaction costs arising from borrowing has also increased by RMB4.8 million.

Tax expense

The tax expense mainly consists of current tax payables amounting to RMB10.4 million (2013: RMB1.7 million) and deferred tax expense of RMB19.9 million (2013: RMB13.3 million). The increase in current tax expense is attributable to taxable profit generated by Tongyong, which was acquired in May 2013. The increase in deferred tax expense is mainly due to increase in revenue from financial receivable.

Loss before tax for the year

The Group has made a loss before tax of RMB84.4 million for the financial year ended 30 June 2014. However, the loss was resulted from change in fair value of financial instruments, warrants and contingent consideration payables, and certain non-recurring expenses, equity-settled share-based payments and professional fees relating to the proposed transaction with CEIL. If these changes in fair value and non-recurring expenses are excluded from the loss before tax, the normalised profit before tax of the Group is RMB84.0million¹, 35.1% increase from a normalised profit of RMB62.2 million² in FY2013.

Statement of Financial Position

Assets

The total assets of the Group has increased from RMB2.46 billion in FY2013 to RMB2.95 billion in FY 2014. The increase of RMB492 million in total assets is mainly attributable to increase in financial receivable of RMB247.8million, increase in cash and bank balance of RMB262.7 million and increase in inventory of RMB7.2 million. The increase in total assets was offset by a decrease in trade and other receivable of RMB25.5 million.

Financial receivables (including current and non-current) increased by RMB247.8 million to RMB2.09 billion as at 30 June 2014. The increase is mainly attributable to the addition of financial receivables recognised from Xianyang Phase 2, Sanmenxia, Yangzhou, Nanjing Liuhe and Nanjing Pukou project

Trade and other receivables included trade receivables of RMB84.1 million and other receivables of RMB57.2 million (30 June 2013: RMB39.5 million and RMB127.4 million respectively). The increase in trade receivable of RMB44.6 million was mainly attributable to the increase in Tongyong's trade receivable. Due to the nature of the business, Tongyong, as an EPC company, has a longer collection period compared with wastewater treatment plants. As a result, the overall collection days of trade receivable of the Group has increased from 45 days in FY 2013 to 60 days in FY 2014. The decrease in other receivable was mainly due to decrease in an amount due from a former shareholder of a subsidiary of RMB47.5 million, decrease in prepayment of RMB4.4 million and decrease in other receivable of RMB18.3 million.

¹ After deducting fair value loss on warrant of RMB34.3 million, fair value loss on contingent consideration payable of RMB84.8 million, fair value loss on cross-currency swap of RMB1.4 million, equity-settled share-based payment expense of RMB32.9 million and professional fees relating to the proposed transaction with CEIL of RMB15 million from loss before tax.

² After adjusting gain on disposal of service concession rights of RMB21.8 million, fair value gain on contingent consideration payable of RMB3.9 million and fair value loss on warrant of RMB0.5 million from profit before tax.

Liabilities

Current and non-current borrowings increased by RMB412.5 million. This is mainly attributable to the repayment of bank loan of RMB179.9 million offset by the additional bank borrowings of RMB348.9 million and net proceeds from issue of Medium Term Notes (net of expenses) of RMB247.3 million raised for the requirement of new project construction.

Decrease of RMB69.2 million in trade and other payables were mainly due to decrease of amounts due to a former shareholder of a subsidiary of RMB52.1 million, decrease in construction payables for service concession arrangements of RMB25.8 million, decrease in accrued expense of RMB10.4 million and decrease of other taxes payables of RMB2.4 million. The decrease of trade and other payable was offset by increase in other creditor of RMB13.5 million and increase in accrued interest payable of RMB8.8 million. The decrease in construction payable and accrued expense is due to payments made by the Group during the year and most of the projects are near completion as compared to FY2013

The decrease in other financial liabilities is due to issuance of contingent consideration shares to the vendor of Tongyong during the year and exercise of warrants by warrant holders.

Cash Flow Statement

The cash at bank and on hand balance increased more than 100% to RMB 380.8 million as at 30 June 2014 compared to the balance of RMB118.1 million as at 30 June 2013. Cash and cash equivalents included in consolidated statement of cash flow comprise of the following:

	FY2014	FY2013
Cash and cash equivalents per statement of financial position	380,831	118,111
Less: Deposits pledged	(180,855)	(16,000)
Cash and cash equivalents per statement of cash flow	199,976	102,111

Net cash flow from operating activities

The Group has a cash inflow of RMB153.6 million before change in working capital. Changes in working capital and payment of income tax has caused a cash outflow of RMB313.7 million and RMB10.1 million respectively. As a result, the Group has recorded a net cash outflow of RMB170.2 million from operating activities. The changes in working capital arose mainly from:

- (1) Increase in financial receivable of RMB247.8 million
- (2) Increase in inventory and work in progress of RMB7.2 million
- (3) Increase in trade and other receivable of RMB33.6 million
- (4) Decrease in trade and other payable of RMB25.1 million

Net cash from investing activities

For the financial year ended 30 June 2014, the Group has recorded a net cash outflow of RMB8.8 million from investing activities. The cash outflow is mainly resulted from acquisition of concession rights and property, plant and equipment.

Net cash from financing activities

The Group has recorded a net cash inflow from financing activities of RMB276.0 million for the financial year ended 30 June 2014. The cash inflow from financing activities is mainly from proceeds from exercise of warrants, issue of shares, bank borrowing and issue of notes amounting to RMB19.2 million, RMB70.5 million, RMB348.9 million and RMB247.3 million respectively. The cash inflow was offset by cash outflow due to repayment of bank borrowings, payment of interest and transaction costs and increase in deposit pledged amounting to RMB179.7 million, RMB56.9 million and RMB164.9 million respectively.

Subsequent events

The Group has completed Henan Sanmenxia Phase 1 and the upgrading and expansion of Shaanxi Xianyang, Jiangsu Yangzhou and Nanjing Liuhe projects, which are now at their project commissioning stage. The Group expects these plants to commence commercial operations soon. Nanjing Pukou's upgrade and expansion project is expected to be completed before the end of this year. The Group has entered preliminary stage of Beijing Daxing and Jiangsu Suzhou Wuzhong's upgrading and Phase 2 expansion, as well as Shandong Binzhou, Lianyungang Dapu and Lianyungang Xugou's upgrading projects. All these are scheduled to be completed before the end of 2015. Upon completion, the Group's daily treatment capacity will increase by 290,000 tons, waste water treatment capacity of 760,000 tons will be upgraded to Grade 1A, with an additional odour treatment capacity of 300,000 tons per day. By then, the Group's water tariff will increase in tandem with the increase in total water treatment capacity

In July 2014, CEWIL has acquired 78% stake in Qingdao Veolia Water Operating Company Limited, and 40% stake in EB-VW HK Holding Company from Veolia Water S.A., becoming the controlling shareholder of Qingdao Waste Water Treatment Project ("Qingdao Project"), with a daily waste water treatment capacity of 300,000 tons. The total consideration payable by the Group for the purchase of CEWIL remains unchanged although the acquisition will increase the profitability and asset value of CEWIL.

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

None.

- 10. A commentary at the date of the announcement of the 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 year and the next 12 months.**

According to the Environmental Industry Strategic Map newly released by E20 Environmental Industry Research Institute on www.h2o-china.com, the environmental industry in China is about to enter an epochal major-development stage, particularly companies with mixed ownership (with dominant state-owned equity) which hold 30% to 50% of the assets in Chinese environmental infrastructure sector, belong to the first echelon in the environmental industry, constitute heavy-asset groups and rank top of the "pyramid". The first echelon mainly includes China Everbright International Limited, Beijing Enterprises Water Group Limited, Beijing Capital Co., Ltd. and China Water Investment Co., Ltd. Their main advantages are as follows: firstly, they have great ability in terms of market expansion and industrial integration; secondly, they feature relatively low financing costs, which will greatly improve enterprise development competitiveness; thirdly, they have relatively high brand value, which will be very helpful for market expansion and improvement of customer bargaining power. Complying with the industrial development trend, Hankore and Everbright will merge their competitive advantages and focus all resources to develop water business. As such, the Company's core competitiveness will be greatly enhanced and the Company will definitely become one of China's largest water companies in the future.

- 11. Dividend**

(a) Current financial period reported on

Nil

(b) Corresponding Period of the immediately Preceding financial year

Not applicable

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

Not applicable

- 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 general mandate has been obtained from the shareholders for the financial year ended 30 June 2014 and 30 June 2013.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 and 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.**

Business segments

The following summary describes the operations in each of the Group's reportable segments:

- Built-Operate-Transfer ("BOT")/ Transfer-Operate-Transfer ("TOT") wastewater treatment – Design, engineering, construction, operation and maintenance of municipal water and wastewater treatment plants.
- Engineering, procurement and construction ("EPC") services – Provision of turnkey services involving the entire process from consultancy design, production, construction and engineering, installation and commissioning of environmental projects.
- Other operations include general and corporate activities.

	the Group			
	Revenue		Profit/(loss) before income tax	
	For the financial year ended 30 June		For the financial year ended 30 June	
	2014 RMB'000	2013 RMB'000 (Restated)	2014 RMB'000	2013 RMB'000 (Restated)
BOT/TOT wastewater treatment	465,036	318,633	101,618	104,456
EPC services*	57,133	1,173	(2,222)	(750)
Other operations	-	-	(183,810)	(16,290)
	<u>522,169</u>	<u>319,806</u>	<u>(84,414)</u>	<u>87,416</u>

*Excluding inter-segment revenue.

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.**

N/A

16. **A breakdown of sales**

	FY2014 RMB'000	FY2013 RMB'000 (Restated)	Increase/ -Decrease
Sales reported for first half year	332,005	76,122	360%
Net profit for first half year	(26,288)	17,221	n.m.
Sales reported for second half year	190,164	243,684	-22%
Net profit for second half year	(88,457)	55,219	n.m.

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

	FY2014 RMB'000	FY2013 RMB'000	Increase/ -Decrease
Ordinary	-	-	n.m.
Preference	-	-	n.m.
Total	<u>-</u>	<u>-</u>	

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:-**

There is no person occupying a managerial position in the Company or its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company for the financial year ended 30 June 2014 and 30 June 2013.

19. Status on the use of net proceeds raised from share placement and issue of MTN.

The Company raised approximately SGD44.39 million from the SGD 300 million Multicurrency Medium Term Note Programme established on 24 July 2013 (the "MTN") and approximately SGD14.68 million from the placement of 293,617,000 ordinary shares in the capital of the Company in August 2013 (the "Placement").

The Company has announced the status of the use of net proceeds on 11 August 2014. There is no change since the date of announcement. The status report announced on 11 August 2014 is reproduced as follows:-

a) Use of proceeds from the MTN

Balance of MTN Net Proceeds as at date of the Company's announcement released on 4 November 2013 in relation to the "Use of Net Proceeds"	SGD13,327,501.16
MTN Net Proceeds utilised for payment of borrowing costs	SGD3,749,999
Balance of MTN Net Proceeds as at date of this announcement	SGD11,416,542.35

b) Use of proceeds from the Placement

Balance of Net proceeds from the Placement of Ordinary Shares as at date of the Company's announcement released on 19 September 2013 in relation to the "Use of Net Proceeds"	SGD 12,919,274
Amount utilised as at date of this announcement for daily working capital of the Group	SGD8,445,892
Balance of Placement net proceeds as at date of this announcement	SGD4,473,382

The above-mentioned utilisations are in accordance with the use of the MTN Net Proceeds provided in the Company's announcements dated 26 July 2013 and 1 August 2013, use of the Placement Net Proceeds provided in the Company's announcements dated 18 July 2013 and 7 August 2013 and estimated percentage allocation of the Placement Net Proceeds provided in the Company's announcement dated 7 August 2013.

The Company will continue to make periodic announcements on the use of the Net Proceeds from MTN and the Placement of Ordinary Shares as and when the funds are materially disbursed and provide a status report on the use in the Company's annual report.

CONFIRMATION BY THE BOARD

PURSUANT TO THE RULE 705(4) OF THE LISTING MANUAL

We, Chen Da Wei and Nie Jian Sheng, do hereby confirm on behalf of the Board of Directors of HanKore Environment Tech Group Limited (the "Company"), that to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the financial year ended 30 June 2014 to be false and misleading.

BY ORDER OF THE BOARD

Chen Da Wei
Executive Chairman
25 August 2014

Nie Jian Sheng
Chief Executive Officer and Executive Director