



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 2014

UNAUDITED FINANCIAL RESULT ANNOUNCEMENT FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2014

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 31.12.2014 RMB'000	Unaudited 31.12.2013 RMB'000	Increase/ (Decrease) %	Unaudited 12 months ended 31.12.2014 RMB'000	Audited 31.12.2013 RMB'000	Increase/ (Decrease) %
Revenue	56,984	179,500	(68.3)	583,762	524,080	11.4
Cost of sales	(45,125)	(140,875)	(68.0)	(444,741)	(395,448)	12.5
Gross profit	11,859	38,625	(69.3)	139,021	128,632	8.1
Other income	1,739	951	82.9	4,192	3,248	29.1
Selling and distribution expenses	(5,691)	(8,382)	(32.1)	(22,550)	(19,751)	14.2
Administrative expenses	(2,920)	(3,029)	(3.6)	(30,297)	(21,348)	41.9
Finance costs	(3,593)	(2,597)	38.4	(14,359)	(12,728)	12.8
Profit before tax	1,394	25,568	(94.5)	76,007	78,053	(2.6)
Income tax credit/(expense)	7,011	(3,869)	N.M	(6,583)	(3,379)	94.8
Net profit	8,405	21,699	(61.3)	69,424	74,674	(7.0)
Attributable to:						
Owners of the Company	8,464	21,699	(61.0)	69,560	74,674	(6.8)
Non-controlling interests	(59)	-	100.0	(136)	-	100.0
Net profit	8,405	21,699	(61.3)	69,424	74,674	(7.0)

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 31.12.2014 RMB'000	Unaudited 3 months ended 31.12.2013 RMB'000	Increase/ (Decrease) %	Unaudited 12 months ended 31.12.2014 RMB'000	Audited 12 months ended 31.12.2013 RMB'000	Increase/ (Decrease) %
Net profit	8,405	21,699	(61.3)	69,424	74,674	(7.0)
Other comprehensive loss:						
Currency translation differences arising from consolidation	(2,056)	(1,805)	13.9	(1,750)	(2,878)	(39.2)
Total comprehensive income	<u>6,349</u>	<u>19,894</u>	(68.1)	<u>67,674</u>	<u>71,796</u>	(5.7)
Attributable to:						
Owners of the Company	6,408	19,894	(67.8)	67,810	71,796	(5.6)
Non-controlling interests	(59)	-	100.0	(136)	-	100.0
Total comprehensive income	<u>6,349</u>	<u>19,894</u>	(68.1)	<u>67,674</u>	<u>71,796</u>	(5.7)
Profit before tax is arrived at after charging/(crediting):						
Depreciation of property, plant and equipment	1,681	236	612.3	5,146	967	432.2
Amortisation of land use rights	285	24	1,087.5	793	96	726.0
Property, plant and equipment written off	-	-	-	-	118	(100.0)
Research and development costs	866	403	114.9	4,651	9,901	(53.0)
Foreign exchange gain	(3,240)	(1,818)	78.2	(2,733)	(3,516)	(22.3)
Interest expense	3,439	1,635	110.3	10,838	9,291	16.7
Interest income	(389)	(376)	3.5	(2,198)	(2,348)	(6.4)
Share option expense	617	1,171	(47.3)	6,957	1,171	494.1

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

	Group As at		Company As at	
	31.12.2014 RMB'000 Unaudited	31.12.2013 RMB'000 Audited	31.12.2014 RMB'000 Unaudited	31.12.2013 RMB'000 Audited
Non-current assets				
Property, plant and equipment	294,028	296,390	86	-
Land use rights	52,849	4,492	-	-
Prepaid land use rights	-	49,150	-	-
Investment in subsidiaries	-	-	673,467	698,668
Investment in associated company	2,450	2,450	-	-
	<u>349,327</u>	<u>352,482</u>	<u>673,553</u>	<u>698,668</u>
Current assets				
Inventories	12,449	20,516	-	-
Trade and bills receivables	660,133	491,520	27	135
Project work-in-progress	106	-	-	-
Other receivables, deposits and prepayments	167,434	84,148	1,455	171
Loan to subsidiaries	-	-	40,307	95,233
Dividend receivable from a subsidiary	-	-	20,927	21,710
Cash and cash equivalents	48,306	165,343	230	12,703
	<u>888,428</u>	<u>761,527</u>	<u>62,946</u>	<u>129,952</u>
Total assets	<u>1,237,755</u>	<u>1,114,009</u>	<u>736,499</u>	<u>828,620</u>
Non-current liability				
Deferred tax liability	5,030	5,030	-	-
Current liabilities				
Trade and bill payables	52,501	28,994	-	-
Other payables and accruals	44,855	46,855	5,656	2,322
Short-term borrowings	169,904	177,928	-	-
Amount due to subsidiaries (non-trade)	-	-	58	2,885
Amount due to a director (non-trade)	325	57,821	325	57,821
Amount due to related parties (non-trade)	86,597	-	-	-
Tax payable	210	3,679	-	-
	<u>354,392</u>	<u>315,277</u>	<u>6,039</u>	<u>63,028</u>
Total liabilities	<u>359,422</u>	<u>320,307</u>	<u>6,039</u>	<u>63,028</u>
Net assets	<u>878,333</u>	<u>793,702</u>	<u>730,460</u>	<u>765,592</u>
Equity attributable to owners of the Company				
Share capital	352,241	352,241	773,549	773,549
Statutory reserves	91,352	78,081	-	-
Currency translation reserve	1,943	3,693	(19,142)	7,783
Share option reserve	8,128	1,171	8,128	1,171
Revenue reserve	414,805	358,516	(32,075)	(16,911)
	<u>868,469</u>	<u>793,702</u>	<u>730,460</u>	<u>765,592</u>
Non-controlling interests	9,864	-	-	-
Total equity	<u>878,333</u>	<u>793,702</u>	<u>730,460</u>	<u>765,592</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 31.12.2014 (RMB'000)		As at 31.12.2013 (RMB'000)	
Secured	Unsecured	Secured	Unsecured
75,000	94,904	82,825	95,103

Amount repayable after one year

As at 31.12.2014 (RMB'000)		As at 31.12.2013 (RMB'000)	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

As at 31.12.2014

As at 31 December 2014, 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.

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) RMB5.0 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.

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:

- a) 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.;
- b) RMB10.1 million of the short-term borrowings was guaranteed by one of the Company's directors and the subsidiary of the Company; and
- c) RMB5.0 million of the short-term borrowings was guaranteed by a credit guarantee company.

The remaining RMB5.0 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.

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 31.12.2014 RMB'000	Unaudited 3 months ended 31.12.2013 RMB'000	Unaudited 12 months ended 31.12.2014 RMB'000	Audited 12 months ended 31.12.2013 RMB'000
Cash flows from operating activities				
Profit before tax	1,394	25,568	76,007	78,053
Adjustments for:-				
Depreciation of property, plant and equipment	1,681	236	5,146	967
Amortisation of land use rights	285	24	793	96
Interest expense	3,439	1,635	10,838	9,291
Interest income	(389)	(376)	(2,198)	(2,348)
Share option expense	617	1,171	6,957	1,171
Property, plant and equipment written off	-	-	-	118
Operating cash flow before movements in working capital	<u>7,027</u>	<u>28,258</u>	<u>97,543</u>	<u>87,348</u>
Inventories	7,779	(6,013)	8,067	(2,938)
Project work-in-progress	(106)	-	(106)	-
Trade and other receivables	(47,418)	(104,510)	(251,681)	(183,683)
Trade and other payables	22,269	(28,958)	21,507	3,253
Currency translation adjustment	(2,044)	(1,047)	(1,740)	(1,983)
Cash used in operations	<u>(12,493)</u>	<u>(112,270)</u>	<u>(126,410)</u>	<u>(98,003)</u>
Interest received	389	376	2,198	2,348
Income tax paid	(5,214)	(5,557)	(18,149)	(12,372)
Income tax refund	7,880	-	7,880	10,119
Net cash used in operating activities	<u>(9,438)</u>	<u>(117,451)</u>	<u>(134,481)</u>	<u>(97,908)</u>
Cash flows from investing activities				
Investment in associated company	-	(2,450)	-	(2,450)
Increase in construction work-in-progress	(189)	(13,639)	(2,127)	(26,540)
Purchase of property, plant and equipment	(15)	(328)	(653)	(330)
Net cash used in investing activities	<u>(204)</u>	<u>(16,417)</u>	<u>(2,780)</u>	<u>(29,320)</u>
Cash flows from financing activities				
Net proceeds from new shares placement	-	82,123	-	159,189
Proceeds from borrowings	33,042	50,000	235,872	271,928
Repayments of borrowings	(66,642)	(46,000)	(243,896)	(257,990)
Contribution from non-controlling interests	9,500	-	10,000	-
Advance from related parties	1,325	-	86,597	-
(Repayment to)/ advances from a director	325	57,821	(57,496)	57,821
Refund of unclaimed cash distribution	-	-	-	64
(Increase)/decrease in deposits restricted-in-use	(3,970)	16,800	35,528	(30,628)
Interest paid	(3,439)	(1,635)	(10,838)	(9,291)
Net cash (used in)/generated from financing activities	<u>(29,859)</u>	<u>159,109</u>	<u>55,767</u>	<u>191,093</u>
Net (decrease)/increase in cash and cash equivalents	<u>(39,501)</u>	<u>25,241</u>	<u>(81,494)</u>	<u>63,865</u>
Cash and cash equivalents at beginning of financial period/ year	48,322	65,832	90,315	27,345
Effect of exchange rate changes on cash and cash equivalents	(15)	(758)	(15)	(895)
Cash and cash equivalents at end of financial period/ year (Note A)	<u>8,806</u>	<u>90,315</u>	<u>8,806</u>	<u>90,315</u>

- 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	Unaudited	Unaudited	Audited
	3 months ended		12 months ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand and at banks	48,306	165,343	48,306	165,343
Less: Deposits restricted-in-use	(39,500)	(75,028)	(39,500)	(75,028)
	<u>8,806</u>	<u>90,315</u>	<u>8,806</u>	<u>90,315</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 interests		Total equity RMB'000
	Share capital RMB'000	Statutory reserves RMB'000	Currency translation reserve RMB'000	Share option reserve RMB'000	Revenue reserve RMB'000	Total 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 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

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

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 2013	193,052	65,503	6,571	-	296,356	561,482	-	561,482
Net profit for the period	-	-	-	-	52,975	52,975	-	52,975
Other comprehensive (loss)/income, net of tax								
- Refund of unclaimed cash distribution for more than 6 years	-	-	-	-	64	64	-	64
- Currency translation differences arising from consolidation	-	-	(1,073)	-	-	(1,073)	-	(1,073)
Total comprehensive (loss)/income for the 9 months ended 30 September 2013	-	-	(1,073)	-	53,039	51,966	-	51,966
Proceeds from new shares placement	78,964	-	-	-	-	78,964	-	78,964
Share issue expenses	(1,898)	-	-	-	-	(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	-	690,514
Net profit for the period	-	-	-	-	21,699	21,699	-	21,699
Other comprehensive loss, net of tax								
- Currency translation differences arising from consolidation	-	-	(1,805)	-	-	(1,805)	-	(1,805)
Total comprehensive (loss)/income for the 3 months ended 31 December 2013	-	-	(1,805)	-	21,699	19,894	-	19,894
Proceeds from new shares placement	83,279	-	-	-	-	83,279	-	83,279
Share issue expenses	(1,156)	-	-	-	-	(1,156)	-	(1,156)
Grant of equity-settled share options to employees	-	-	-	1,171	-	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	-	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 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 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
Balance at 30 September 2014	773,549	9,584	7,511	(29,176)	761,468
Net loss for the period	-	-	-	(2,899)	(2,899)
Other comprehensive loss, 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
Balance at 31 December 2014	773,549	(19,142)	8,128	(32,075)	730,460
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

- 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.**

There were no movements in the Company's share capital for the financial year ended 31 December 2014.

- 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 31.12.2014	As at 31.12.2013
Total number of shares issued	735,520,646	735,520,646

The Company does not have any treasury shares at the end of the current financial year (as at 31 December 2014) and at the end of the immediately preceding year (as at 31 December 2013).

- 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 2013, except for the adoption of certain revised Financial Reporting Standards ("FRS") which are effective for the financial period commencing 1 January 2014. 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	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Net profit for the period/ year attributable to owners of the Company (RMB'000)	8,464	21,699	69,560	74,674
(a) EPS based on weighted average number of shares in issue (RMB cents/share)	1.2	3.3	9.5	11.3
(b) EPS based on fully diluted basis (RMB cents/share)	1.2	3.3	9.5	11.3
Weighted average number of shares applicable to earnings per share ('000)	735,521	662,997	735,521	662,997
Weighted average number of shares fully diluted basis ('000)	735,521	662,997	735,521	662,997

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. The Company has no dilutive potential ordinary shares as at 31 December 2014 and 2013 respectively because 3,500,000 (31 December 2013: 3,500,000) share options granted to employees 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	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Net asset value per share (RMB cents) based on issued share capital as at the end of period reported on	118.1	107.9	99.3	104.1
Number of shares used in calculating net asset value per shares ('000)	735,521	735,521	735,521	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 RMB57.0 million in the three months ended 31 December 2014 ("4Q2014"), an decrease of 68.3% from RMB179.5 million achieved in the three months ended 31 December 2013 ("4Q2013"). In 4Q2014, we completed 10 dust collectors projects as compared to 12 projects in 4Q2013. The contract sum per project in 4Q2014 was much lower as compared to that in 4Q2013. There were also lesser contracts in 4Q2014 due to the Company focusing on collection from trade receivables.

Revenue for financial year ended 31 December 2014 ("FY2014") was RMB583.8 million, an increase of 11.4% or RMB59.7 million from RMB524.1 million achieved in financial year ended 31 December 2013 ("FY2013"). For FY2014, we completed 45 dust collectors projects and as at 31 December 2014, there were two on-going projects. In FY2013, we completed 24 dust collectors projects and as at 31 December 2013, there were 16 on-going projects. The contract sum per project in FY2014 was lower as compared to that in FY2013.

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

	4Q2014	4Q2013	FY2014	FY2013
	%	%	%	%
Power generation	66.8	73.5	51.8	57.2
Steel and metallurgy	28.3	15.6	31.6	21.2
Chemical	-	2.9	6.6	14.7
Cement	-	-	1.2	-
Paper mill	0.2	-	-	-
Others	4.7	8.0	8.8	6.9
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

For 4Q2014, 66.8% of our total revenue was from the power generation industry, 28.3% from the steel and metallurgy industry, 0.2% from the paper mills, and the remaining 4.7% was from other industries.

For FY2014, 51.8% of our total revenue was from the power generation industry, 31.6% from the steel and metallurgy industry, 6.6% from the chemical industry, 1.2% from the cement industry and the remaining 8.8% was from other industries.

Review of Financial Performance (cont'd)

b) Cost of Sales

Detailed breakdown of cost of sales is as follows:

	4Q2014	4Q2013	FY2014	FY2013
	%	%	%	%
Direct materials	76.0	82.2	79.8	83.2
Direct labour, fabrication and installation fees	16.0	15.4	17.4	15.0
Depreciation and rental charges	5.3	0.2	1.2	0.3
Utilities charges	0.4	0.1	0.2	0.1
Miscellaneous expenses	2.3	2.1	1.4	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 76.0%, 82.2%, 79.8% and 83.2% of our total cost of sales in 4Q2014, 4Q2013, FY2014 and FY2013 respectively. The decrease in direct materials composition in 4Q2014 and FY2014 as compared to 4Q2013 and FY2013 was mainly due to the increase in the amortisation of the land use rights and depreciation of the plants in Anhui in FY2014. The amortisation of the land use rights and depreciation charges under cost of sales increased by RMB1.5 million or 750.0% from RMB0.2 million in 4Q2013 to RMB1.7 million in 4Q2014; and increased by RMB4.2 million or 633.7% from RMB0.7 million in FY2013 to RMB4.8 million in FY2014.

The Group's revenue decreased 68.3% from RMB179.5 million in 4Q2013 to RMB57.0 million in 4Q2014, while cost of sales for 4Q2014 decreased by 68.0% from RMB140.9 million in 4Q2013 to RMB45.1 million in 4Q2014. As a result, our gross profit decreased by 69.3% while the gross profit margin decreased marginally from 21.5% in 4Q2013 to 20.8% in 4Q2014.

The Group's revenue increased 11.4% from RMB524.1 million in FY2013 to RMB583.8 million in FY2014, while gross profit increased 8.1% from RMB128.6 million in FY2013 to RMB139.0 million in FY2014. Gross profit margin decreased marginally from 24.5% in FY2013 to 23.8% in FY2014.

c) Other Income

Other Income increased by RMB0.8 million or 82.9% from RMB1.0 million in 4Q2013 to RMB1.7 million in 4Q2014. The increase was mainly due to the increase in sales of spare parts (RMB0.3 million) and rentals received (RMB0.4 million).

Other income increased by RMB1.0 million or 29.1% from RMB3.2 million in FY2013 to RMB4.2 million in FY2014. The increase was mainly due to increase in sale of scrap materials (RMB0.2 million), government grant (RMB0.2 million), sales of spare parts (RMB0.3 million) and rentals received (RMB0.4 million). The increase was partially offset by the decrease in interest income (RMB0.2 million).

d) Operating Expenses

Total operating expenses in 4Q2014 which amounted to RMB12.2 million were approximately 12.9% lower than the RMB14.0 million incurred in 4Q2013 whereas the total operating expenses in FY2014 of RMB67.2 million was approximately 24.9% higher than the RMB53.8 million incurred in FY2013.

Selling and distribution expenses in 4Q2014 totalled RMB5.7 million, which was RMB2.7 million or 32.1% lower than the RMB8.4 million incurred in 4Q2013. The decrease was mainly due to the decrease in sales commission of RMB2.9 million, in-line with the lower revenue for 4Q2014.

Review of Financial Performance (cont'd)

d) Operating Expenses (cont'd)

Selling and distribution expenses in FY2014 totalled RMB22.6 million which was RMB2.8 million or 14.2% higher than the RMB19.8 million incurred in FY2013. The increase was mainly due to increase in sales commission of RMB1.4 million in-line with the higher revenue for FY2014, increase in delivery charges of RMB0.8 million in-line with more project deliveries and increase in travelling expenses of RMB0.5 million.

Administrative expenses decreased marginally by RMB0.1 million or 3.6% from RMB3.0 million in 4Q2013 to RMB2.9 million in 4Q2014.

Administrative expenses increased by RMB9.0 million or 41.9% from RMB21.3 million in FY2013 to RMB30.3 million in FY2014. The increase was mainly due to increase in staff cost and directors' remuneration of approximately RMB10.5 million (mainly due to the recognition of fair value of employee share options of RMB7.0 million), decrease in realised and unrealised foreign exchange gain of RMB0.8 million, increase in depreciation and amortisation of RMB0.7 million, and other administrative expenses such as office expenses and miscellaneous taxes of RMB1.1 million. The increase was partially offset by the decrease in research and development costs of RMB5.3 million.

Finance costs increased by RMB1.0 million or 38.4% from 4Q2013 to 4Q2014. Finance costs increased by RMB1.6 million or 12.8% from FY2013 to FY2014. The increase was mainly due to increase in bank interest expense as the monthly average bank loan balance for FY2014 was higher than that in FY2013.

e) Tax Expense

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's net profit for 4Q2014 decreased by RMB13.3 million or 61.3% from RMB21.7 million in 4Q2013 to RMB8.4 million in 4Q2014. The decrease was in tandem with the decrease in gross profit of RMB26.8 million or 69.3%. The decrease was partially offset by the increase in other income of approximately RMB0.8 million in 4Q2014 as compared to that in 4Q2013. The decrease of the net profit was further offset by the reduction in total operating expenses in 4Q2014 amounting to RMB1.8 million and total income tax refund of RMB7.9 million received in 4Q2014.

The Group's net profit for FY2014 decreased by RMB5.3 million or 7.0% from RMB74.7 million in FY2013 to RMB69.4 million in FY2014. The decrease was mainly due to the increase in total operating expenses by RMB13.4 million or 24.9% and reduction in total income tax refund of RMB2.5 million compared to that in FY2013. The decrease in operating expenses was partially offset by the increase in gross profit of RMB10.4 million or 8.1% and increase in other income of approximately RMB0.9 million in FY2014.

Review of Financial Position

Non-Current Assets

In FY2014, the Group incurred and paid approximately RMB2.1 million for Fujian's construction work-in-progress. The decrease in property, plant and equipment of RMB2.4 million in FY2014 was due to the amortisation and depreciation charges of RMB5.9 million, which were more than offset with the increase in property, plant and equipment in the year.

Current Assets

Current assets comprise of inventories, trade, bill and other receivables, project work-in-progress and cash and bank balances. Total current assets amounted to RMB888.4 million as at 31 December 2014, which was about RMB126.9 million higher than that as at 31 December 2013.

As at 31 December 2014, inventories stood at RMB12.4 million, which was RMB8.1 million lower compared to RMB20.5 million as at 31 December 2013.

The project work-in-progress increased by RMB0.1 million from 31 December 2013 to 31 December 2014. This was due to unrecognised project costs incurred for two on-going projects as at 31 December 2014.

Trade and bills receivables balance amounted to RMB660.1 million as at 31 December 2014, increased by RMB168.6 or 34.3% from RMB491.5 million as at 31 December 2013. Included in the trade and bills receivables were bills receivables of RMB3.4 million (31 December 2013: RMB120,000) and retention monies from completed projects, which amounted to RMB82.4 million (31 December 2013: RMB44.8 million). The increase in trade receivables was due to overall slower debt collection as a result of tighter government credit control in PRC. As at 31 December 2014, approximately 52% of our customers are state-owned enterprises or government-linked enterprises and approximately 20% of our customers are public listed companies. Nevertheless, the Group closely monitors the collections from the customers.

Other receivables, deposits and prepayments amounted to RMB167.4 million as at 31 December 2014, which was RMB83.3 million higher than RMB84.1 million as at 31 December 2013. The increase was mainly due to increase in advances to suppliers and sub-contractor of approximately RMB77.4 million and advances to staff of approximately RMB4.7 million. Included in the other receivables, deposits and prepayments were advances to suppliers and sub-contractor, which amounted to RMB154.3 million as at 31 December 2014 (31 December 2013: RMB76.9 million), tender deposits for projects of RMB1.4 million (31 December 2013: RMB3.9 million), advances to employees of RMB5.8 million (31 December 2013: RMB1.1 million), and advance payments to the contractors for the construction of the Anhui plant of RMB1.2 million (31 December 2013: RMB2.1 million).

As at 31 December 2014, the Group has cash and cash equivalents of RMB48.3million, approximately RMB117.0 million lower than RMB165.3 million as at 31 December 2013. This was due mainly to net cash used in operating activities. Included in the cash and bank balances was an amount of RMB39.5 million (31 December 2013: RMB75.0 million) of deposits restricted-in-use, which were pledged with financial institutions as security deposits for issuance of bills payables.

Review of Financial Position (cont'd)

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 RMB52.5 million as at 31 December 2014, which was RMB23.5 million higher than the RMB29.0 million as at 31 December 2013. The increase was mainly due to the increase in trade payable of RMB2.1 million from RMB3.7 million as at 31 December 2013 to RMB5.8 million as at 31 December 2014, and increase in bills payables of RMB22.5 million from RMB20.0 million as at 31 December 2013 to RMB42.5 million as at 31 December 2014. The Group utilised the bills payables to pay suppliers and these were secured by the bank deposits mentioned above.

Other payables and accruals amounted to RMB44.9 million as at 31 December 2014, which was marginally lower by RMB2.0 million than the RMB46.9 million as at 31 December 2013.

The interest-free loan advanced from the Executive Chairman of the Group of RMB57.8 million had been fully repaid in 1Q2014. Nevertheless, the Executive Chairman had through his related parties advanced another RMB86.6 million interest-free loan to the Group again in FY2014 in order to support the business growth of the Group.

As at 31 December 2014, the Group had short-term borrowings of RMB169.9 million from the banks. Please refer to Paragraph 1(b)(ii) for the details of the collaterals.

Review of Cash Flows

For 4Q2014, the Group made a pre-tax profit of RMB1.4 million. After adjusting for non-cash flow items, interest expense and interest income, cash flow from operating profits before working capital changes was RMB7.0 million. This was mainly used to fund the increase in trade and other receivables (RMB47.4 million) and payment of income tax expense (RMB5.2 million). It was partially offset by the decrease in inventories (RMB7.8 million), increase in trade and other payables (RMB22.3 million), receipt of interest income (RMB0.4 million) and receipt of income tax refund (RMB7.9 million). As a result, the Group had a net cash used in operating activities of RMB9.4 million in 4Q2014.

For FY2014, the Group made a pre-tax profit of RMB76.0 million. After adjusting for non-cash flow items, interest expense and interest income, cash flow from operating profits before working capital changes was RMB97.5 million. This was mainly used to fund the increase in trade and other receivables (RMB251.7 million) and payment of income tax expense (RMB18.1 million). It was partially offset by the decrease in inventories (RMB8.1 million), increase in trade and other payables (RMB21.5 million), receipt of interest income (RMB2.2 million) and receipt of income tax refund (RMB7.9 million). As a result, the Group had a net cash used in operating activities of RMB134.4 million in FY2014.

Net cash used in investing activities amounted to RMB0.2 million in 4Q2014. This was mainly due to construction cost of RMB0.2 million incurred for the Fujian's construction work-in-progress.

Net cash used in investing activities amounted to RMB2.8 million in FY2014. This was mainly due to construction costs of RMB2.1 million incurred for the Fujian's construction work-in-progress.

Net cash used in financing activities amounted to RMB29.9 million in 4Q2014. This was mainly due to loan repayments of RMB66.6 million, increase in deposits restricted-in-use of RMB4.0 million and interest paid of RMB3.4 million. The decrease was partially offset by the loan proceeds from the banks of RMB33.0 million, contribution of minority interests of RMB9.5 million, advances from Executive Chairman's related parties of RMB1.3 million.

Net cash generated from financing activities amounted to RMB55.8 million in FY2014. This was mainly contributed by the loan proceeds from the banks of RMB235.9 million, contribution of non-controlling interests of RMB10.0 million, advances from Executive Chairman's related parties of RMB86.6 million, and decrease in deposits restricted-in-use of RMB35.5 million in FY2014. The increase was partially offset by loan repayments of RMB243.9 million, repayment of amount due to a director of RMB57.5 million, and interest paid of RMB10.8 million.

Review of Cash Flows (cont'd)

The Group had a net decrease in cash and cash equivalents of RMB39.5 million for 4Q2014. Cash and cash equivalents (excluding deposits restricted-in-use) stood at RMB8.8 million as at 31 December 2014.

The Group had a net decrease in cash and cash equivalents of RMB81.5 million for FY2014. Cash and cash equivalents (excluding deposits restricted-in-use) stood at RMB8.8 million as at 31 December 2014.

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.

China plans to launch a 50 billion yuan environmental protection fund in stepped-up efforts to reduce widespread pollution, the official China Securities Journal reported on Wednesday (3 December 2014). The fund would receive investment from the National Development and Reform Commission (NDRC) and the Ministry of Finance, the paper said, and would attempt to beef up investment in critical sectors through low or no-interest loans. Beijing has struggled to incentivize local governments and Chinese companies to step up their pollution-fighting efforts. The rapid industrialization of the world's second-biggest economy has been accompanied by rampant pollution of its air and water supplies, prompting the World Health Organisation to warn of the rising health hazard. China now emits about twice as much carbon as the United States, the world's second-biggest greenhouse gas polluter. And without major policy changes, China is set to double its greenhouse gas emissions by 2040, according to US Energy Information Administration (*Source: Reuters, December 2014*).

In October 2014, Hebei Provincial Environmental Protection Department announced that more than 2,000 factories will halt or reduce production in north China's Hebei Province, a contributor of pollution in Beijing, to ensure better air quality during the APEC meeting in November 2014. The province will impose production suspension or reduction measures on an estimated 2,386 enterprises as well as the suspension of work at 2,445 construction sites (*Source: Xinhua, October 2014*).

Environmental authorities rolled out new regulations raising the fees charged on companies that exceed their allowable emissions. The new policy also encourages local authorities to formulate stricter control standards to curb pollution. The fees charged to heavy polluters have not been raised in more than a decade. The regulations also encourage economically developed areas to formulate stricter emission standards. 16 provinces have increased their own standard. In cities like Beijing and Tianjin excessive pollution charges have increased 10 folds (*Source: Xinhua, June 2014*).

With the above measures and the tightening of anti-air pollution laws and policies in China, the Group expects the demand for our products to remain strong. Nevertheless, given the generally tight credit environment, the Group will also focus more on cash collection and securing projects from customers with good credibility.

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/recommendeded, a statement to that effect.

No dividend has been declared or recommended for the financial year ended 31 December 2014.

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	
	2014 RMB'000	2013 RMB'000
Revenue	583,762	524,080
Segment profits	85,435	84,917
Depreciation and amortisation	5,939	1,063
Segment assets	1,189,449	948,666
Unallocated assets	48,306	165,343
Total assets	1,237,755	1,114,009
Segment liabilities	97,356	75,849
Unallocated liabilities	262,066	244,458
Total liabilities	359,422	320,307

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

	2014 RMB'000	2013 RMB'000
Segment profits	85,435	84,917
Interest income	2,198	2,348
Foreign exchange gain	2,733	3,516
Finance costs	(14,359)	(12,728)
Profit before tax	76,007	78,053

Geographical information

	Sales to external customers		Non-current assets	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
China	583,762	524,080	349,241	352,482
Singapore	-	-	86	-
	583,762	524,080	349,327	352,482

Information about major customers

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

In FY2013, about 44% 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 %
	2014 RMB'000	2013 RMB'000	
<u>First Half</u>			
Sales reported for first half year	343,803	150,933	127.8
Operating profit after tax reported for first half year	40,164	17,529	129.1
<u>Second Half</u>			
Sales reported for second half year	239,959	373,147	(35.7)
Operating profit after tax reported for second half year	29,260	57,145	(48.8)

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.

As at the date of this announcement, the Group has utilised net proceeds from the placement of approximately S\$15.9 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	500	(500)	-
2) Acquire fixed assets for the production purpose	600	(600)	-
3) General working capital for the purposes:	14,840	(14,840)	-
a) Purchase of raw materials		(13,312)	
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	(15,940)	-

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 and the announcement for change in the use of the Net Proceeds dated 13 November 2014.

19. Use of Proceeds (cont'd)

The Company refers to the net proceeds 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.

As at the date of this announcement, the Group has utilised net proceeds from the placement of approximately S\$7.48 million as follows:-

	Amount Allocated S\$'000	Amount Utilised S\$'000	Balance S\$'000
General working capital for the purposes:	7,478	(1,490)	5,988
a) Purchase of raw materials		(495)	
b) Staff cost, directors' fee and administrative expenses		(471)	
c) Audit, tax and other professional expenses		(33)	
d) Other operating expenses		(491)	
Total	7,478	(1,490)	5,988

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

BY ORDER OF THE BOARD

Huang Min
Executive Chairman
27 February 2015