CHINA ENVIRONMENT LTD.
AND ITS SUBSIDIARIES

(Co. Reg. No. 200301902W)

REVISED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2014

CONTENTS

DIRECTORS' REPORT

The directors present their report to the members, together with the audited revised consolidated financial statements of China Environment Ltd. (the "Company") and its subsidiaries (the "Group") and the revised statement of financial position and revised statement of changes in equity of the Company for the financial year ended 31 December 2014.

This new directors' report replaces the original directors' report signed on 1 April 2015. This new directors' report and the revised financial statements have been prepared in accordance with Companies (Revision of Defective Financial Statements, or Consolidated Financial Statements or Balance-Sheet) Regulations 2018 (the "Regulations").

The bases for revisions are explained in Note 37 to the revised financial statements. This new directors' report is taken as having been prepared on the date of the original directors' report and accordingly, does not consider those events occurring between 2 April 2015 to the date of this report, apart from those as disclosed in Note 37.

1. Directors

The directors in office at the date of this report are:

Norman Winata	(Executive Chairman)
Koit Ven Jee	(Non-executive Independent Director)
Lee Chia Sin	(Non-executive Independent Director)

The movement of directors for the period from 1 April 2015 to 26 April 2019 are as follows:

Directors in office at 1 April 2015	Movements during the period from 1 April 2015 to 26 April 2019		Directors in office at 26 April 2019
	Appointment	Resignation	
Huang Min	-	Huang Min (Resigned on 28 Mar 2016)	-
Wu Jida	-	Wu Jida (Resigned on 23 Jun 2016)	-
Andrew Bek	-	Andrew Bek (Resigned on 23 Jun 2016)	-
Lin Song	-	Lin Song (Resigned on 27 Jan 2016)	-
Loh Wei Ping	-	Loh Wei Ping (Resigned on 3 Feb 2016)	-
Wu Yu Liang	-	Wu Yu Liang (Resigned on 10 Dec 2015)	-
-	Norman Winata (Appointed on 29 Mar 2016)	-	Norman Winata
-	Er Kwong Wah (Appointed on 27 Jan 2016)	Er Kwong Wah (Resigned on 28 Dec 2018)	-
-	James Kho Chung Wah (Appointed on 10 Oct 2016)	James Kho Chung Wah (Resigned on 28 Dec 2018)	-
-	Yang Meng Yang (Appointed on 29 Mar 2016)	Yang Meng Yang (Resigned on 25 Jul 2018)	-
-	Koit Ven Jee (Appointed on 11 Jan 2019)	-	Koit Ven Jee
-	Lee Chia Sin (Appointed on 2 Apr 2019)	-	Lee Chia Sin

2. **Arrangement to enable directors to acquire benefits**

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the share options as disclosed under paragraph 5 of this report.

3. **Directors' interest in shares or debentures**

The directors of the Company holding office at the end of the financial year had no interests in the shares and debentures of the Company and related companies as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act Cap. 50 except as follows:

	Number of ordinary shares					
	Shareholdings registered in their own names			Shareholdings in which a director is deemed to have an interest		
	At 1.1.2014	At 31.12.2014	At 21.1.2015	At 1.1.2014	At 31.12.2014	At 21.1.2015
Name of director and company in which interest is held						
The Company						
Huang Min (Resigned on 28 March 2016)	–	1,820,000	1,820,000	180,728,000	182,499,000*	147,499,000**
Wu Jida (Resigned on 23 June 2016)	–	–	–	5,000,000	5,000,000#	5,000,000#
Andrew Bek (Resigned on 23 June 2016)	19,687,000	19,687,000	19,687,000	–	–	–

* Mr Huang Min is deemed to have an interest in 182,499,000 China Environment Ltd.'s shares held by virtue of his shareholdings of:

(i) 1,771,000 shares held by Prosper Big International Limited which is wholly-owned by him; and
(ii) Prosper Big International Limited's deemed interest of 180,728,000 shares which are held through several nominees banks via the client trust accounts.

** Mr Huang Min is deemed to have an interest in 147,499,000 China Environment Ltd.'s shares held by virtue of his shareholdings of:

(i) 2,771,000 shares held by Prosper Big International Limited which is wholly-owned by him; and
(ii) Prosper Big International Limited's deemed interest of 144,728,000 shares which are held through several nominees banks via the client trust accounts.

Mr Wu Jida is deemed to have an interest in 5,000,000 China Environment Ltd's shares by virtue of his shareholdings in Good Billion Group Limited.

By virtue of Section 7(4) of the Companies Act Cap. 50, Huang Min is deemed to have interests in all the wholly-owned subsidiaries of the Company.

4. Directors' contractual benefits

Since the end of previous financial year, no director has received or become entitled to receive a benefit other than disclosed in the consolidated financial statements and this report by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest except that certain directors have received remuneration from the subsidiary in their capacity as directors and/or executives of those related corporations.

5. Share options

The Gates Share Option Scheme of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 12 April 2004. The Remuneration Committee had approved and adopted the change of name of Gates Share Option Scheme to "China Environment Share Option Scheme" (the "Scheme") on 25 September 2009. This is a long-term incentive plan to motivate Directors and employees of the Group to greater dedication, loyalty and higher standards of performance. The Scheme is administered by the Company's Remuneration Committee, comprising three Directors, Lin Song (Chairman of Remuneration Committee), Loh Wei Ping and Wu Yu Liang.

Other information regarding the Scheme is set out below:

- The subscription price for each share in respect of which a market price option is exercised shall be a price equal to the average of the last dealt prices for a share for the five consecutive market days immediately preceding the offering date of the option.
- The subscription price for each share in respect of which an incentive option is exercised can be set at a discount to the market price not exceeding 20% of the market price.
- The options can be exercised 1 year after the grant for market price options and 2 years for discounted options.
- The options granted will expire after 5 years for participants not holding a salaried office or employment in the Group and participants holding salaried office or employment in an associated company; and 10 years for the employees of the Company and its subsidiaries.

Share options outstanding at the end of the financial year and details of the options granted under the Scheme on the unissued shares of the Company are as follows:

Date of grant option	Exercise price per share S$	Aggregate options outstanding at 1.1.2014	Options granted	Aggregate options outstanding at 31.12.2014	Exercise period
11 November 2013	0.59	3,500,000	–	3,500,000	12 November 2014 to 11 November 2024

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries whether granted before or during the financial year.

The Scheme had expired as it was not approved by shareholders at an Extraordinary General Meeting held on 8 April 2014. Therefore, no option to take up unissued shares of the Company or its subsidiaries was granted during the financial year.

DIRECTORS' REPORT

6. Warrants

The Company has entered into a warrant deed with the subscriber dated 12 December 2014, pursuant to which the Company has agreed to allot and issue 72,500,000 unlisted warrants to the subscriber at no consideration (the "Warrants"), granting the right to the subscriber to subscribe for one new share for each Warrant (i.e. total of 72,500,000 Shares, the "Warrant Shares"), at the issue price of S$0.104 per Warrant Share. The Warrants may only be exercised in whole by the subscriber at any time, but in any event no later than the date falling 18 months from the issue date of the Warrants. The 72,500,000 Warrants have been allotted to the subscriber on 7 January 2015.

7. Audit Committee

As at the end of the financial year, the Audit Committee comprises the following three members:

Loh Wei Ping (Chairman) (Independent Director)	(Resigned on 3 February 2016)
Lin Song (Lead Independent Director)	(Resigned on 27 January 2016)
Wu Yu Liang (Independent Director)	(Resigned on 10 December 2015)

As at the end of this report, the Audit Committee comprises the following:

Er Kwong Wah (Appointed on 27 January 2016 and resigned on 28 December 2018)
(Lead Independent Director)

James Kho Chung Wah (Appointed on 10 October 2016 and resigned on 28 December 2018)
(Non-executive and Independent Director)

Yang Meng Yang (Appointed on 29 March 2016 and resigned on 25 July 2018)
(Non-executive and Non-independent Director)

Koit Ven Jee (Appointed on 11 January 2019)
(Non-executive and Independent Director)

Lee Chia Sin (Appointed on 2 April 2019)
(Non-executive and Independent Director)

The Audit Committee carried out its functions in accordance with the Singapore Companies Act, Cap. 50, and the Listing Manual. The nature and extent of the functions performed by the Audit Committee are described in the Annual Report under "Corporate Governance Report".

The Audit Committee is satisfied with the independence and objectivity of the independent auditor and has recommended to the Board of Directors that the auditor, Baker Tilly TFW LLP, be nominated for re-appointment as auditor of the Company of the forthcoming Annual General Meeting.

8. Independent auditor

The independent auditor for the financial year ended 31 December 2014 was Baker Tilly TFW LLP. The revised financial statements for the financial year ended 31 December 2014 were audited by RT LLP who was first appointed for the financial year ended 31 December 2015.

On behalf of the directors

Norman Winata Director	Koit Ven Jee Director

26 April 2019

DIRECTORS' STATEMENT

This new directors' statement replaces the original directors' statement signed on 1 April 2015. This new directors' statement and the revised financial statements have been prepared in accordance with the Regulations.

The bases for revisions are explained in Note 37 to the revised financial statements. This new directors' statement is taken as having been prepared on the date of the original directors' statement and accordingly, does not consider those events occurring between 2 April 2015 to the date of this statement, apart from those as disclosed in Note 37.

In the opinion of the directors,

(a) the revised statement of financial position of the Company and the revised consolidated financial statement of the Group are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2014 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the original consolidated financial statements; and

(b) as at the date of the original directors' statement (1 April 2015), there were reasonable grounds to believe that the Company would be able to pay its debts as and when they fell due.

On behalf of the directors

Norman Winata Director	Koit Ven Jee Director

26 April 2019

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CHINA ENVIRONMENT LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Report on the Revised Financial Statements

We were engaged to audit the accompanying revised financial statements of China Environment Ltd. (the "Company") and its subsidiaries (the "Group") which comprise the revised statements of financial position of the Group and the Company as at 31 December 2014, and the revised consolidated statement of profit or loss and other comprehensive income, revised consolidated statement of changes in equity and revised consolidated statement of cash flows of the Group and the revised statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information. The revised financial statements replace the original financial statements approved by the directors on 1 April 2015.

Management's Responsibility for the Revised Financial Statements

Management is responsible for the preparation of revised financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) as they have effect under the Companies (Revision of Defective Financial Statements, or Consolidated Financial Statements or Balance-sheet) Regulations 2018 (the Regulations) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair revised financial statements and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these revised financial statements based on conducting the audit in accordance with Singapore Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

(1) Opening balances

Our independent auditor's report dated 26 April 2019 on the revised financial statements for the financial year ended 31 December 2013 ("FY 2013") contained a disclaimer of opinion. The basis for disclaimer of opinion on our new Auditor's Report on the previously issued FY 2013 financial statements audited by Baker Tilly TFW LLP, the auditor's report which is dated 13 March 2014, is disclosed in Note 37 to the financial statements.

In view of the matters described in the basis for disclaimer of opinion paragraphs on the financial statements for FY 2013, we were unable to determine whether the opening balances as at 1 January 2014 are fairly stated.

Since the opening balances as at 1 January 2014 are entered into the determination of the financial position of the Group and of the Company as at 31 December 2014 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended 31 December 2014, we were unable to determine whether adjustments, if any, might have been found to be necessary in respect of the Group's and the Company's financial statements for the financial year ended 31 December 2014.

Our opinion on the current financial year's financial statements of the Group and the Company is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures.

Report on the Revised Financial Statements (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

(2) Non-existence of 5 major trade receivables as at 31 December 2015

i) *Findings of PRC legal firm on 2 significant trade receivables*

On 21 September 2016 and as disclosed in Note 37(iii), the New Board [see Note 37(i)] announced the findings of their appointed legal firm in PRC (Oudun Law Firm – 欧顿律师) on their investigation into the existence of the following two significant trade receivables:

a) Nanning Youji Technology Co Ltd (南宁市友济科技有限公司);

b) Anhui Shengyun Mechnical Co. Ltd (安徽盛运机械股份有限公司);

Based on the announcement, Oudun Law Firm were of the opinion that the trade receivables due from Nanning Youji Technology Co Ltd and Anhui Shengyun Mechnical Co. Ltd were non-existent.

ii) *Significant findings from physical first site visit on 2 major trade receivables*

As disclosed in Note 37(iv), at the New Board's request, we, along with the Company's Group Financial Controller (who had resigned as at the date of this Report) and an Assistant General Manager of the Company's PRC subsidiary, Xiamen GongYuan Environmental Protection Technology Co., Ltd ("XMGY") [incorporated on 27 January 2014] had on 17 and 18 November 2016 performed a surprise site visit on the above 2 major trade receivables namely Nanning Youji Technology Co Ltd ("NNYJ") and Anhui Shengyun Mechnical Co. Ltd ("AHSY") ["1st Site Visit"].

During our 1st Site Visit, we were unable to locate NNYJ's physical place of operations based on the address furnished by the previous Finance Department of the Company's PRC subsidiary, Fujian Dongyuan Environmental Protection Co., Ltd ("FJDY"), which is the same address indicated in the confirmation request letter received by us from the previous Finance Department of FJDY during our audit for FY 2015.

We had received a confirmation from NNYJ via courier from PRC on 4 May 2016 without exception, that is, the balance which amounted to RMB 341.69 million as at 31 December 2015 was confirmed by NNYJ without any disagreement.

Based on our findings of this inconsistency between the confirmation received by us and the inability to identify the physical location and existence of NNYJ, the New Board had concluded that the balance of RMB 341.69 million due from NNYJ as at 31 December 2015 (the bulk of which was brought forward balance from FY 2014 and FY 2013) is likely to be non-existent.

Similarly, our surprise site visit to AHSY office also found discrepancies on the outstanding balance of RMB 163.84 million as at 31 December 2015. We were unable to locate AHSY's Financial Controller or any key finance personnel responsible for the confirmation we had received via courier from PRC on 19 April 2016 prior to our 1st Site Visit which indicated the confirmed balance of RMB 163.84 million as at 31 December 2015.

As an alternative procedure, we decided to leave a new confirmation request letter with AHSY's Finance Department and was surprised to receive a second confirmation after our 1st Site Visit indicating Nil balance owed to the Company as at 31 December 2015. This second confirmation from AHSY which was dated 2 December 2016 was received via courier from PRC.

Report on the Revised Financial Statements (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

(2) Non-existence of 5 major trade receivables as at 31 December 2015 (Cont'd)

ii) *Significant findings from physical first site visit on 2 major trade receivables (Cont'd)*

Based on our findings, the New Board had concluded that the balance of RMB 163.84 million due from AHSY as at 31 December 2015 (the bulk of which was also brought forward balance from FY 2014 and FY 2013) was likely to be non-existent.

The New Board had also concluded that the trade balance of these 2 major trade receivables were also non-existent as at 31 December 2014 where the outstanding balances from NNYJ and AHSY stood at RMB 310.94 million and RMB 66.36 million respectively.

We have since reported our findings to the Audit Committee immediately after our 1st Site Visit on 18 November 2016 and after deliberation by the New Board, the Company filed a report with the Commercial Affairs Department ("CAD") and served a writ of summons on the former Executive Chairman, Mr Huang Min for these 2 non-existent trade receivables as announced by the Company on 6 January 2017.

iii) *Significant findings from physical second site visit on 3 major trade receivables*

In view of the findings during the 1st Site Visit, and at the request of the New Board, we, along with the Company's Group Financial Controller (who had resigned as at the date of our Report) and a personnel from the Marketing Department of the Company's PRC subsidiary, XMGY (incorporated on 27 January 2014) had on 28 and 29 December 2016 conducted another surprise site visit ("2nd Site Visit") on the following major trade receivables:

a) Shanxi Electric Environment Engineering ("Shanxi Electric") [山西省电力环保设备工程有限公司];

b) Changshu City Environment ("Changshu") [常熟市华能环保工程有限公司];

c) Chongmei International Engineering ("Chongmei") [中煤国际工程集团北京华宇工程有限公司]

For details, please refer to Note 37(v) on the Company's announcement.

Based on the procedures we had performed during our 2nd Site Visit, we were able to locate Shanxi Electric's physical place of operations based on the address furnished by the previous Finance Department of FJDY, which is the same address indicated in the confirmation we had received during our audit for FY 2015.

The confirmation was received without exception, that is, the balance of RMB 70.04 million outstanding as at 31 December 2015 was confirmed by Shanxi Electric without any disagreement.

However, when we approached the Finance Manager of Shanxi Electric to verify the confirmed balance, we were informed that the correct amount should be RMB 22 million as at 31 December 2015 instead of RMB 70.04 million. When we queried on the reason for the discrepancy, we were informed by the Finance Manager that she was informed by management of the Company's PRC subsidiary, FJDY to inflate the outstanding balance as her company was facing financial difficulties and she had not been paid her salaries for the past 4 months.

Report on the Revised Financial Statements (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

(2) Non-existence of 5 major trade receivables as at 31 December 2015 (Cont'd)

iii) *Significant findings from physical second site visit on 3 major trade receivables (Cont'd)*

Based on our findings, the Board was of the view that the trade balance due from Shanxi Electric amounting to RMB 70.04 million in the Company's PRC subsidiary, FJDY's financials for FY 2015 is likely to be grossly overstated.

For Changshu, we were able to locate the physical place of operation based on the address furnished by the previous PRC Finance Department of FJDY, which is the same address indicated in the confirmation we had received during our audit for FY 2015. The confirmation was received without exception, that is, the balance of RMB 44.97 million outstanding as at 31 December 2015 was confirmed by Changshu without any disagreement.

However, the company's name at the address during our site visit was indicated as 江苏鑫華能環保工程股份有限公司 instead of 常熟市华能环保工程有限公司.

For Chongmei, we were able to locate the physical place of operation based on the address furnished by the previous PRC Finance Department of FJDY, which is the same address indicated in the confirmation we had received during our audit for FY 2015. The confirmation was received without exception, that is, the balance of RMB 16.03 million outstanding as at 31 December 2015 was confirmed by Chongmei without any disagreement.

We were also able to locate the operation and marketing manager who had confirmed the balance to us. However, he was surprised to see us with the confirmation and denied confirming the balance of RMB 16.03 million as at 31 December 2015. He also denied that he had signed on the confirmation and claimed that it was a fraudulent act.

In view of the above, we were unable to verify the confirmations that we had received during our 2nd Site Visit for Changshu and Chongmei.

Our above findings were communicated to the Audit Committee and the New Board on 3 January 2017.

Based on our findings, and upon further investigation by the Company, the New Board had concluded that both Changshu and Chongmei, which made up approximately 5.72% and 2.04% respectively of the total trade receivables of RMB 786.13 million as at 31 December 2015 before impairment, are non-existent. For Shanxi Electric, the outstanding amount of RMB 70.04 million which constituted 8.91% of the total trade receivables as at 31 December 2015 before impairment had been overstated by RMB 48 million.

The New Board had also concluded that the trade balance of these 3 major trade receivables were also non-existent as at 31 December 2014 where the outstanding balances from Shanxi Electric, Changshu and Chongmei stood at RMB 2.43 million, RMB 63.34 million and RMB 22.04 million respectively.

Arising from the findings of these 5 major trade receivables from our 1st Site Visit and 2nd Site Visit, the New Board had concluded that the instances of severe non-compliance as stated in ACRA's Advisory Letter dated 23 October 2015 were a result of these non-existent trade receivables as at 31 December 2015, 31 December 2014 and 31 December 2013.

Report on the Revised Financial Statements (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

(2) Non-existence of 5 major trade receivables as at 31 December 2015 (Cont'd)

iii) *Significant findings from physical second site visit on 3 major trade receivables (Cont'd)*

Accordingly, the revision on the FY 2014 consolidated financial statements performed by the New Board were based on the reversal of revenue, costs of sales, trade receivables and the monies received and paid arising from sales made to these 5 major trade receivables, which were non-existent.

For this revision exercise, the starting reference point were all the related entries in relation to the 5 major trade receivables as at 31 December 2015 and thereafter, management rolled backwards those numbers till 31 December 2014.

The effects of the revision on the FY 2014 consolidated financial statements arising from these non-existent trade receivables are disclosed in Note 37(i).

Our FY 2015 audit findings on the discrepancies noted between our surprise site visits and the confirmation received for these 5 major trade receivables which amounted to RMB 636,576,000 constituted approximately 81% of the trade receivables as at 31 December 2015 before impairment.

The New Board had concluded that those 5 major trade receivables which amounted to RMB 465.10 million as at 31 December 2014 and which constituted to approximately 71% of the trade receivables as at 31 December 2014 were also non-existent. These may have also affected many related accounts as at 31 December 2014 such as:

- Revenue; costs of sales and related expenses;
- Cash and cash equivalents;
- Trade and bill receivables;
- Trade and bill payables; and
- Revenue reserves

In addition, we were faced with limitation of scope arising from i) the loss of accounting records and supporting documents as detailed in point (3) below; ii) lack of access to the working papers of the predecessor auditor, Baker Tilly TFW LLP and we were not the statutory auditor for the FY 2014 financial statements other than to issue this new Auditor's Report on the previously issued FY 2014 financial statements audited by Baker Tilly TFW LLP, the auditor's report of which is dated 1 April 2015.

Consequently, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves on the carrying amounts of the trade receivables as at 31 December 2014 and the related affected accounts mentioned above, including existence, valuation, completeness, presentation, and disclosures.

Report on the Revised Financial Statements (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

(3) Loss of Partial Accounting Books and Records and Supporting Documents

As disclosed in Note 37(vi), the New Board announced on 18 August 2017 that pursuant to the judgment obtained by China Construction Bank ("CCB") against the Company's wholly owned subsidiary FJDY, CCB is entitled to sell off the land use rights and property assets of a related company, Fujian Mintai Environmental Protection Co. Ltd ("FJMT") [which is owned by former executive Chairman, Mr Huang Min] which was previously pledged as security for this loan. As part of the handover requirements of the Longyan People Court in this regard, the Company's personnel were allowed to gain access to FJDY's office premises on 26 July 2017 to pack up and retrieve FJDY's documents from the office premises.

Upon gaining entry to the FJDY premises, it was discovered that the office was in a state of disarray, with evidence of ransacking. The Company is in the process of reviewing the documents retrieved from the premises. It was announced that based on preliminary review, documents appear to be missing, and the records of the FJDY's various departments were therefore likely incomplete.

For the purpose of the revision of the FY 2014 financial statements, the financial statements were reconstructed by management based on information and supporting documents that were made available to the New Board after the change of legal representative in the principal subsidiary, FJDY from Mr Huang Min to Mr Norman Winata on 15 August 2016.

Based on information obtained to-date, management had made adjustments to the FY 2014 financial statements as stated in Note 37(i) arising from those non-existent trade receivables.

In view of the limitation of scope imposed on us due to the loss of accounting records and supporting documents, consequently, we were unable to satisfy ourselves as to the appropriateness of the adjustments/ revision for the FY 2014 financial statements.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the revised financial statements.

Emphasis of Matter – Revisions Made Under the Regulations

We draw your attention to Note 37 to these revised financial statements which describes the basis of the revisions. Our opinion is not modified in respect of this matter.

Report on the Revised Financial Statements (Cont'd)

Other Matter

(1) Revisions Made Under the Regulations

The original financial statements for the financial year ended 31 December 2014 were approved by the former directors on 1 April 2015. Baker Tilly TFW LLP expressed an unmodified opinion with an emphasis of matter (see Note 18 on the original financial statements) and dated the original auditor's report on those original financial statements on that date.

The revised financial statements for the financial year ended 31 December 2014 were audited by RT LLP who was first appointed as auditors of the Company for the financial year ended 31 December 2015.

The revised financial statements have been prepared in accordance with the Regulations and accordingly do not deal with events which have taken place after the date on which the original financial statements were approved apart from those as disclosed in Note 37 to the financial statements. Consequently, our procedures on subsequent events are restricted solely to the revisions described in Note 37 to these revised financial statements. We have not performed procedures in relation to events occurring between the date of the original auditor's report and the date of this report.

(2) Corresponding Figures

The original financial statements for the financial year ended 31 December 2013 were approved by the former directors on 13 March 2014, and Baker Tilly TFW LLP expressed an unmodified opinion and dated the original auditor's report on those original financial statements on that date.

The revised financial statements for the financial year ended 31 December 2013 were audited by RT LLP who was first appointed as auditors of the Group and Company for the financial year ended 31 December 2015.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion paragraphs, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

RT LLP
Public Accountants and
Chartered Accountants

Singapore, 26 April 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

	Note	**2014** **RMB'000** **(Revised)** **[Note 37(i)]**	2013 RMB'000 (Revised) [Note 37(i)]
Revenue	3	**39,572**	276,225
Cost of sales		**(29,706)**	(205,118)
Gross profit		**9,866**	71,107
Other income	4	**4,192**	3,248
Selling and distribution expenses		**(22,550)**	(19,751)
Administrative expenses		**(30,297)**	(21,348)
Finance costs	5	**(14,359)**	(12,728)
Exceptional (loss)/gain	6	**(147,014)**	42,589
(Loss)/Profit before tax	7	**(200,162)**	63,117
Tax expense	9	**(6,583)**	(3,379)
(Loss)/Profit for the year		**(206,745)**	59,738
Other comprehensive loss for the year, net of tax			
Item that are or may be reclassified subsequently to profit or loss:			
Currency translation differences arising on consolidation		**(1,750)**	(2,878)
Total comprehensive (loss)/income for the year		**(208,495)**	56,860
(Loss)/Profit attributable to:			
Equity holders of the Company		**(206,609)**	59,738
Non-controlling interests		**(136)**	–
(Loss)/Profit for the year		**(206,745)**	59,738
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(208,359)**	56,860
Non-controlling interests		**(136)**	–
Total comprehensive (loss)/income for the year		**(208,495)**	56,860
Earnings per share for (loss)/profit attributable to equity holders of the Company (RMB cents per share)			
- Basic and diluted	10	**(28.11)**	9.0

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION
At 31 December 2014

		Group		Company	
		2014	2013	**2014**	2013
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
		(Revised)	(Revised)		
		[Note 37(i)]	[Note 37(i)]		
Non-current assets					
Property, plant and equipment	11	**294,028**	296,390	**86**	–
Land use rights	12	**52,849**	4,492	**–**	–
Prepayment for land use rights	13	**–**	49,150	**–**	–
Investment in subsidiaries	14	**–**	–	**673,467**	698,668
Investment in associated company	15	**2,450**	2,450	**–**	–
Total non-current assets		**349,327**	352,482	**673,553**	698,668
Current assets					
Inventories	16	**12,449**	20,516	**–**	–
Projects work-in-progress	17	**106**	–	**–**	–
Trade and bill receivables	18	**185,235**	292,791	**27**	135
Other receivables, deposits and prepayments	19	**167,434**	84,148	**135**	171
Loans receivable from subsidiaries	20	**–**	–	**41,627**	95,233
Dividend receivable from a subsidiary		**–**	–	**20,927**	21,710
Cash and cash equivalents	21	**48,306**	165,343	**230**	12,703
Total current assets		**413,530**	562,798	**62,946**	129,952
Total assets		**762,857**	915,280	**736,499**	828,620
Non-current liability					
Deferred tax liability	22	**5,030**	5,030	**–**	–
Current liabilities					
Trade and bill payables	23	**52,501**	28,994	**–**	–
Other payables and accruals	24	**44,855**	46,855	**2,787**	2,322
Amount due to a director (non-trade)	25	**325**	57,821	**325**	57,821
Short-term borrowings	26	**169,904**	177,928	**–**	–
Amounts due to subsidiaries (non- trade)	27	**–**	–	**2,927**	2,885
Amounts due to related parties (non-trade)	28	**86,597**	–	**–**	–
Tax payable		**210**	3,679	**–**	–
Total current liabilities		**354,392**	315,277	**6,039**	63,028
Total liabilities		**359,422**	320,307	**6,039**	63,028
Net assets		**403,435**	594,973	**730,460**	765,592

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION
At 31 December 2014

	Note	Group		Company	
		2014	2013	**2014**	2013
		RMB'000	RMB'000	**RMB'000**	RMB'000
		(Revised)	(Revised)		
		[Note 37(i)]	[Note 37(i)]		
Capital and reserves					
Share capital	29(a)	**352,241**	352,241	**773,549**	773,549
Other reserves	30	**91,352**	78,081	**–**	–
Share option reserve	29(b)	**8,128**	1,171	**8,128**	1,171
Currency translation reserve		**1,943**	3,693	**(19,142)**	7,783
Revenue reserve/(accumulated losses)		**(60,093)**	159,787	**(32,075)**	(16,911)
Equity attributable to equity holders of the Company		**393,571**	594,973	**730,460**	765,592
Non-controlling interests		**9,864**	–	**–**	–
Total equity		**403,435**	594,973	**730,460**	765,592
Total liabilities and equity		**762,857**	915,280	**736,499**	828,620

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

		Attributable to equity holders of the Company							
	Note	**Share capital RMB'000**	**Other reserves RMB'000**	**Share option reserve RMB'000**	**Currency translation reserve RMB'000**	**Revenue reserve RMB'000 (Revised) [Note 37(i)]**	**Total RMB'000 (Revised)**	**Non-controlling interests RMB'000**	**Total equity RMB'000 (Revised)**
Balance at 1 January 2013		193,052	65,503	–	6,571	296,356	561,482	–	561,482
Revenue reserve adjustment		–	–	–	–	(183,793)	(183,793)	–	(183,793)
Revised balance as at 1 January 2013		193,052	65,503	–	6,571	112,563	377,689	–	377,689
Profit for the year		–	–	–	–	59,738	59,738	–	59,738
Other comprehensive loss for the year, net of tax									
- Currency translation differences arising on consolidation		–	–	–	(2,878)	–	(2,878)	–	(2,878)
Total comprehensive (loss)/ income for the year		–	–	–	(2,878)	59,738	56,860	–	56,860
Refund of unclaimed cash distribution		–	–	–	–	64	64	–	64
Proceeds from new shares placement	29(a)	162,243	–	–	–	–	162,243	–	162,243
Share issuance expenses	29(a)	(3,054)	–	–	–	–	(3,054)	–	(3,054)
Grant of equity-settled share option to employees	29(b)	–	–	1,171	–	–	1,171	–	1,171
Transfer to other reserves		–	12,578	–	–	(12,578)	–	–	–
Balance at 31 December 2013		352,241	78,081	1,171	3,693	159,787	594,973	–	594,973
Loss for the year		–	–	–	–	(206,609)	(206,609)	(136)	(206,745)
Other comprehensive loss for the year, net of tax									
- Currency translation differences arising on consolidation		–	–	–	(1,750)	–	(1,750)	–	(1,750)
Total comprehensive (loss)/ income for the year		–	–	–	(1,750)	(206,609)	(208,359)	(136)	(208,495)
Grant of equity-settled share option to employees	29(b)	–	–	6,957	–	–	6,957	–	6,957
Transfer to other reserves		–	13,271	–	–	(13,271)	–	–	–
Transaction with equity holders of the Group recognised directly in equity									
Contributions by non-controlling interests		–	–	–	–	–	–	10,000	10,000
Balance at 31 December 2014		**352,241**	**91,352**	**8,128**	**1,943**	**(60,093)**	**393,571**	**9,864**	**403,435**

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

	Note	Share capital RMB'000	Share option reserve RMB'000	Currency translation reserve RMB'000	Revenue reserve/ (Accumulated losses) RMB'000	Total equity RMB'000
Balance at 1 January 2013		614,360	–	51,777	(10,583)	655,554
Loss for the year		–	–	–	(6,392)	(6,392)
Other comprehensive loss for the year, net of tax						
- Currency translation differences		–	–	(43,994)	–	(43,994)
Total comprehensive loss for the year		–	–	(43,994)	(6,392)	(50,386)
Refund of unclaimed cash distribution		–	–	–	64	64
Proceeds from new shares placement	29(a)	162,243	–	–	–	162,243
Share issuance expenses	29(a)	(3,054)	–	–	–	(3,054)
Grant of equity-settled share option to employees	29(b)	–	1,171	–	–	1,171
Balance at 31 December 2013		773,549	1,171	7,783	(16,911)	765,592
Loss for the year		–	–	–	(15,164)	(15,164)
Other comprehensive loss for the year, net of tax						
- Currency translation differences		–	–	(26,925)	–	(26,925)
Total comprehensive loss for the year		–	–	(26,925)	(15,164)	(42,089)
Grant of equity-settled share option to employees	29(b)	–	6,957	–	–	6,957
Balance at 31 December 2014		**773,549**	**8,128**	**(19,142)**	**(32,075)**	**730,460**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2014

	2014	2013
	RMB'000	RMB'000
	(Revised)	(Revised)
	[Note 37(i)]	[Note 37(i)]
Cash flows from operating activities		
(Loss)/Profit before tax	**(200,162)**	63,117
Adjustments for:		
Depreciation of property, plant and equipment	**5,146**	967
Amortisation of land use rights	**793**	96
Interest expense	**10,838**	9,291
Interest income	**(2,198)**	(2,348)
Exceptional loss/(gain) (Note 6)	**(147,014)**	42,589
Property, plant and equipment written off	**–**	118
Share option expense	**6,957**	1,171
Operating cash flow before movements in working capital	**(325,640)**	115,001
Inventories	**8,067**	(2,938)
Project work-in-progress	**(106)**	–
Trade and other receivables	**171,284**	(211,336)
Trade and other payables	**21,507**	3,253
Currency translation adjustment	**(1,732)**	(1,983)
Cash used in operations	**(126,620)**	(98,003)
Interest received	**2,198**	2,348
Income tax paid	**(17,932)**	(12,372)
Income tax refund	**7,880**	10,119
Net cash used in operating activities	**(134,474)**	(97,908)
Cash flows from investing activities		
Purchases of property, plant and equipment	**(651)**	(330)
Increase in construction work-in-progress	**(2,136)**	(26,540)
Investment in associated company	**–**	(2,450)
Net cash used in investing activities	**(2,787)**	(29,320)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2014

	2014	2013
	RMB'000	RMB'000
	(Revised)	(Revised)
	[Note 37(i)]	[Note 37(i)]
Cash flows from financing activities		
Decrease/(increase) in deposits restricted-in-use	**35,528**	(30,628)
Proceeds from borrowings	**235,872**	271,928
Repayments of borrowings	**(243,896)**	(257,990)
Contributions by non-controlling interests	**10,000**	–
Interest paid	**(10,838)**	(9,291)
Net proceeds from new shares placement	**–**	159,189
Refund of unclaimed cash distribution	**–**	64
Advance from related parties	**86,597**	–
(Repayment to)/advances from a director (non-trade)	**(57,496)**	57,821
Net cash generated from financing activities	**55,767**	191,093
Net (decrease)/increase in cash and cash equivalents	**(81,494)**	63,865
Cash and cash equivalents at beginning of financial year	**90,315**	27,345
Effect of exchange rate changes on cash and cash equivalents	**(15)**	(895)
Cash and cash equivalents at end of financial year (Note 21)	**8,806**	90,315

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. Corporate information

China Environment Ltd. (the "Company") (Co. Reg. No. 200301902W) was incorporated in Singapore under the Singapore Companies Act, Cap. 50. The registered office of the Company is at 133 Cecil Street, #18-03 Keck Seng Tower, Singapore 069535 and the principal place of business of the Group is located at Longyan Economic Development Zone, 364028, Fujian Province, the People's Republic of China ("PRC"). The Company is listed on the mainboard of the Singapore Exchange Limited.

The principal activity of the Company is that of an investment holding company. The principal activities of its subsidiaries are described in Note 14.

2. Summary of significant accounting policies

(a) Basis of preparation

These revised financial statements were prepared in accordance with Companies (Revision of Defective Financial Statements, or Consolidated Financial Statements or Balance-Sheet) Regulations 2018 (the "Regulations"), as the directors have voluntarily revised these Financial Statements in accordance with section 202A of the Companies Act.

These revised financial statements replace the original financial statements that were approved by the directors on 1 April 2015. These revised financial statements were approved by the directors on 26 April 2019.

These revised financial statements are taken as having been prepared on the date of the original financial statements on 1 April 2015 and accordingly, do not consider any events which occurred between 2 April 2015 to the date of this revised financial statements, apart from those as disclosed in Note 37.

These revised financial statements have been revised due to the basis as described in Note 37. The impacts of the revision are disclosed in Note 37 (i) to the financial statements.

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company, are presented in Chinese Renminbi ("RMB") (rounded to the nearest thousand except when otherwise stated), and have been prepared in accordance with the provisions of Singapore Companies Act and Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. Summary of significant accounting policies (Cont'd)

(a) Basis of preparation (Cont'd)

The areas involving a high degree of judgment in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustments within the next financial year are disclosed in Note 2(z) to the financial statements.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, and short-term borrowings approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

In the current financial year, the Group has adopted all the new and revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the current financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new/revised FRS and INT FRS did not have any material effect on financial results or position of the Group and the Company except as disclosed below:

FRS 112 Disclosures of Interests in Other Entities

The Group adopted FRS 112 on 1 January 2014. The amendment is applicable for annual periods beginning on or after 1 January 2014. It sets out the required disclosures for entities reporting under the new FRS 110 *Consolidated Financial Statements* and FRS 111 *Joint Arrangements*, and replaces the disclosure requirements previously found in FRS 27 (revised 2011) *Separate Financial Statements* and FRS 28 (revised 2011) *Investments in Associates and Joint Ventures*.

The Group has incorporated the additional required disclosures of FRS 112 into the financial statements.

FRS 110 Consolidated Financial Statements

As a result of FRS 110 *Consolidated Financial Statements*, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. FRS 110 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial year ended 31 December 2014 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company except as disclosed below:

2. Summary of significant accounting policies (Cont'd)

(a) **Basis of preparation (Cont'd)**

FRS 115 Revenue from Contracts with Customers

FRS 115 replaces FRS 18 'Revenue', FRS 11 'Construction contracts' and other revenue related interpretations. It applies to all contracts with customers, except for leases, financial instruments and insurance contracts. FRS 115 provides a single, principle-based model to be applied to all contracts with customers. It provides guidance on whether revenue should be recognised at a point in time or over time, replacing the previous distinction between goods and services. The standard introduces new guidance on specific circumstances where cost should be capitalised and new requirements for disclosure of revenue in the financial statements. The standard is effective for annual periods beginning on or after 1 January 2017. The Group will reassess its contracts with customers in accordance with FRS 115.

FRS 109 Financial Instruments

FRS 109 includes guidance on the classification and measurement of financial assets and financial liabilities and de-recognition of financial instruments. FRS 109, when effective will replace FRS 39 Financial Instruments: Recognition and Measurement. This standard is effective for annual periods beginning on or after 1 January 2018. The Group will review the requirements of FRS 109 and re-assess the classification and measurement of its financial assets and financial liabilities in accordance with this standard.

(b) **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the end of the report period. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy for goodwill. In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain from bargain purchase in profit or loss on the date of acquisition.

2. Summary of significant accounting policies (Cont'd)

(b) Basis of consolidation (Cont'd)

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners) and therefore, no gain or loss is recognised in profit or loss.

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill, non-controlling interest and other components of equity related to the subsidiary are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific FRS.

Any retained equity interest in the previous subsidiary is remeasured at fair value at the date that control is lost. The difference between the carrying amount of the retained interest at the date control is lost, and its fair value is recognised in profit or loss.

Consolidation of the subsidiary companies in PRC are based on the subsidiary companies' financial statements prepared in accordance with FRS. Profits reflected in the financial statements prepared in accordance with FRS may differ from those reflected in the PRC statutory financial statements of the subsidiary companies, prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the PRC subsidiary companies are based on the amounts stated in the PRC statutory financial statements.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2. Summary of significant accounting policies (Cont'd)

(d) Associated companies

An associated company is an entity over which the Group has significant influence but not control or joint control, over the financial and operating policies of the entity. Significant influence is presumed to exist generally when the Group holds 20% or more but not exceeding 50% of the voting power of another entity.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting, less impairment losses, if any.

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Subsequent to initial recognition, the Group's share of its associated companies' post-acquisition profits or losses is recognised in the profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from associated companies are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associated company recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately as income in the Group's profit or loss.

Where a group entity transacts with an associated company of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associated company.

Upon loss of significant influence over the associated company, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the associated company upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

If the Group's ownership interest in an associated company is reduced, but the Group continues to apply the equity method, the Group shall reclassify to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

In the Company's financial statements, investments in associated companies are carried at cost less accumulated impairment loss. On disposal of investment in associated companies, the difference between the disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

2. **Summary of significant accounting policies (Cont'd)**

(e) **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, net of goods and service tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transactions will flow to the entity, and the amount of revenue and related costs can be reliably measured.

Revenue from construction contracts

Revenue from construction contracts is recognised in accordance with Note 2(p).

Rendering of services

Revenue from rendering of services is recognised when the services are rendered.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Rental income

Rental income from operating leases are recognised on a straight-line basis over the lease term.

(f) **Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statements of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

(g) **Borrowing costs**

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in the profit or loss using the effective interest method.

2. Summary of significant accounting policies (Cont'd)

(h) Employee benefits

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

Such state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Share-based compensation

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options granted on the date of the grant. This cost is recognised in profit or loss, with a corresponding increase in the share option reserve, over the vesting period. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At the end of each reporting period, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account if new ordinary shares are issued, or credited to the "treasury shares" account if treasury shares are re-issued to the employees. Upon expiry of the options, the balance in the share option reserve is transferred to retained earnings.

(i) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable or recoverable in respect of previous years.

Deferred income tax is provided using the liability method, on all temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

2. Summary of significant accounting policies (Cont'd)

(i) Income taxes (Cont'd)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated company, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the end of the reporting period.

Deferred income tax is measured based on the tax consequence that will follow the manner in which the Group expects, at the end of the reporting period to recover or settle the carrying amounts of its assets and liabilities.

Deferred tax are charged or credited to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

(j) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing an asset to its working condition and location for intended use less any trade discounts and rebates.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the assets when it is probable that future economic benefits will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised in profit or loss, during the financial year when it is incurred.

Properties in the course of construction for production and administrative purpose are carried at cost, less any recognised impairment loss until construction or development is complete. Cost includes professional fees and, for qualifying assets, in accordance with the Group's accounting policies. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. No depreciation is provided for property under construction until the construction is completed.

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

2. Summary of significant accounting policies (Cont'd)

(j) Property, plant and equipment (Cont'd)

Depreciation is charged so as to write off the cost of all property, plant and equipment, less any estimated residual value over their estimated useful lives, using the straight-line method as follows:

	No. of years
Leasehold buildings	40
Motor vehicles	5
Office equipment	1 - 5
Machinery	10
Renovation	3

Depreciation of asset commences only when the asset is ready for its intended use.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of the reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

(k) Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to profit or loss on a straight-line basis over the lease term.

The amortisation period and amortisation method of land use rights are reviewed at least at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

(l) Impairment of non-financial assets excluding goodwill

At the end of each reporting period, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is recognised in other comprehensive income up to the amount of any previous revaluation.

2. Summary of significant accounting policies (Cont'd)

(l) Impairment of non-financial assets excluding goodwill (Cont'd)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(m) Research and development costs

Research and development costs are expensed as incurred, except for development costs which relate to the design and testing of new or improved materials, products or processes which are recognised as an asset to the extent that it is expected that such assets will generate future economic benefits.

Deferred development costs are amortised from the date of commercial production of the product or from the date the process is put into use. Such costs are currently being amortised on a straight-line basis over the period of expected sales from the related project.

The amortisation period and amortisation method of intangible assets are reviewed at least at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

(n) Financial assets

Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those maturing more than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables include trade and other receivables (excluding prepayments and advance payments to suppliers) and cash and cash equivalents.

2. **Summary of significant accounting policies (Cont'd)**

(n) **Financial assets (Cont'd)**

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is also transferred to profit or loss.

Initial measurement

Loans and receivables are initially recognised at fair value plus transaction costs.

Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method, less impairment.

Impairment

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account, and the amount of the loss is recognised in profit or loss. The allowance amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

If in subsequent periods, the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversed date.

(o) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2. Summary of significant accounting policies (Cont'd)

(p) Projects work-in-progress

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period ("percentage-of-completion method"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The stage of completion is measured by reference to the completion of physical proportion of the contract work. Costs incurred during the financial year in connection with future activity on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as projects work-in-progress on the statements of financial position unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately. Variation in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

At the end of the reporting period, the cumulative costs incurred plus recognised profits (less recognised losses) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed the progress billings, the balance is presented as due from customers on construction contracts within "trade and bill receivables". Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within "trade and bill payables".

Progress billings not yet paid by customers and retentions by customers are included within "trade and bill receivables". Advances received are included within "trade and bill payables".

(q) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and excludes pledged deposits.

(r) Financial liabilities

Financial liabilities include trade and other payables and short-term borrowings. Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

Financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

2. Summary of significant accounting policies (Cont'd)

(s) Provisions for other liabilities

Provisions are recognised when the Group has a present legal obligation or constructive obligation as a result of a past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

(t) Foreign currencies

Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which that entity operates (the "functional currency"). The functional currency of the Company is Singapore dollar. The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in RMB, which is the functional currency of the principal entity in the People's Republic of China, and the presentation currency for the consolidated financial statements.

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign operations and borrowings and other currency instruments qualifying as net investment hedges for foreign operations, which are recognised in other comprehensive income and accumulated in the currency translation reserve within equity in the consolidated financial statements. The currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2. Summary of significant accounting policies (Cont'd)

(t) Foreign currencies (Cont'd)

Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing rates at the end of the reporting period;

(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the date of the transactions); and

(iii) All resulting exchange differences are recognised in the currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

(u) Operating leases

When a group entity is the lessee:

Leases where a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

When a group entity is the lessor:

Leases where the Group entity retains substantially all the risks and rewards incidental to ownership of the asset are classified as operating leases. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2. Summary of significant accounting policies (Cont'd)

(v) **Share capital**

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

(w) **Financial guarantees**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs. Financial guarantees are classified as financial liabilities.

Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the expected amount payable to the holder. Financial guarantees contracts are amortised in profit or loss over the period of the guarantee.

(x) **Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

(y) **Contingencies**

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statements of financial position of the Group.

(z) **Critical accounting judgment and key source of estimation uncertainty**

Estimates and assumptions concerning the future are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are amended on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. Summary of significant accounting policies (Cont'd)

(z) Critical accounting judgment and key source of estimation uncertainty (Cont'd)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Property, plant and equipment

Management estimates the useful lives of the Group's property, plant and equipment to be within 1 to 40 years. The estimates for the useful lives and related depreciation charges for its property, plant and equipment is based on commercial and production factors which could change significantly as a result of level of usage, technical innovation and competitor actions in response to severe market conditions. Changes in those commercial and production factors could impact the economic useful lives and the residual values of these assets and therefore future depreciation charges could be revised.

The carrying amount of the Group's property, plant and equipment at the end of the reporting period are RMB294,028,000 (2013: RMB296,390,000).

Trade and other receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's trade and other receivables at the end of the reporting period are disclosed in Note 18 and Note 19 respectively to the financial statements. If the present value of estimated future cash flows differ from management's estimates, the Group's allowance for impairment for trade and other receivables and the trade and other receivables balance at the end of the reporting period will be affected accordingly.

Projects work-in-progress

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. Income is recognised based on management's estimate of contribution margin expected to be achieved on the construction contracts and past experience with similar contracts. The stage of completion is assessed by reference to the completion of physical proportion of the contract work. The carrying amounts of assets and liabilities arising from construction contracts at the end of the reporting period are disclosed in Note 17.

2. Summary of significant accounting policies (Cont'd)

(z) Critical accounting judgment and key source of estimation uncertainty (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Income taxes

Significant judgment is involved in determining the capital allowance and deductibility of certain expenses during the estimation of the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provisions in the period in which such determination is made.

The carrying amount of the Group's income tax liability at the end of the reporting period are approximately RMB210,000 (2013: RMB3,679,000).

Information about other assumptions and estimation uncertainties regarding tax expense and liability that have a significant risk of resulting in a material adjustment within the next financial year are included in Note 9.

Critical judgments in applying accounting policies

Impairment of financial assets

The Group follows the guidance of FRS 36 - Impairments of Assets and FRS 39 - Financial Instruments Recognition and Measurement in determining when financial asset is other than temporarily impaired. This determination requires significant judgment by the Group which evaluates, among other factors, the duration and extent to which the fair value of the financial asset is less than its cost, and the financial health of and near-term business outlook for the financial asset, including factors such as industry and sector performances, changes in technology and operational and financing cash flows.

The carrying amount of the Group's and Company's financial assets at the end of the reporting period are disclosed in Note 34(a).

Deferred tax liability arising from undistributed profits

The Group's determination as to whether to recognise deferred tax for withholding taxes that would be payable on unremitted earnings of PRC subsidiary that are subject to withholding taxes according to the relevant tax jurisdictions is subject to judgment on the timing of the payment of the dividend. The Group assessed that a maximum of 30% of the subsidiary's distributable profits will be declared as dividends in the foreseeable future and deferred tax expense was recognised in profit or loss.

The carrying amount of the Group's deferred tax liability at the end of the reporting period are approximately RMB5,030,000 (2013: RMB5,030,000).

3. Revenue

The revenue is derived from construction contracts for industrial waste gas treatment solutions.

4. Other income

	Group	
	2014	2013
	RMB'000	RMB'000
Repairing service income	**316**	12
Disposal of scrap materials	**303**	120
Government grants received	**932**	768
Bank interest income	**2,198**	2,348
Rental income	**391**	–
Others	**52**	–
	4,192	3,248

5. Finance costs

	Group	
	2014	2013
	RMB'000	RMB'000
Bank charges	**3,257**	3,257
Interest expense	**10,838**	9,291
Guarantor fees	**264**	180
	14,359	12,728

6. Exceptional loss/(gain)

	Group	
	2014	2013
	RMB'000	RMB'000
	(Revised)	(Revised)
<u>Reversal of non-existence of sales and cost of sales:</u>		
- Decrease in revenue	**(544,190)**	(247,855)
- Decrease in cost of sales	**415,035**	190,330
Reduced in gross profit	**(129,155)**	(57,525)
<u>Exceptional (loss)/gain from reversal of transactions below:</u>		
Output value added tax ("VAT") written off	**(92,512)**	(42,135)
Project work in progress written off	**(9,799)**	–
Write off of cash received from non-existence customers, net of tax	**370,332**	275,054
Write off of cash paid to non-existence suppliers, net of tax	**(415,035)**	(190,330)
Total exceptional (loss)/gain	**(147,014)**	42,589
Net loss arising from non-existence of sales	**(276,169)**	(14,936)

6. Exceptional loss/(gain) (Cont'd)

As disclosed in Note 37(i), in view of the Advisory Letter received from the Accounting And Corporate Regulatory Authority, management has performed a revision for the current and prior year's consolidated statement of profit or loss and other comprehensive income, statements of financial position, consolidated statement of changes in equity and consolidated statement of cash flows, the effects of which are disclosed in Note 37(i).

The resultant exceptional gain/(loss) arising from this revision of FY 2014 and FY 2013 financial statements relates to a net unreconciled difference due to the loss of partial accounting books, records and supporting documents.

7. (Loss)/Profit before tax

(Loss)/Profit before tax is determined after charging/(crediting) the following:

	Group	
	2014	2013
	RMB'000	RMB'000
Amortisation of land use rights (Note 12)	**793**	96
Audit fees payable/paid to auditors of the Company	**679**	619
Changes in inventories and projects work-in-progress	**7,961**	(2,938)
Commission	**13,660**	12,263
Delivery charges	**4,599**	3,799
Depreciation of property, plant and equipment (Note 11)	**5,146**	967
Fees for non-audit services payable/paid to auditors of the Company	**7**	27
Foreign exchange gains	**(2,733)**	(3,516)
Personnel expenses (Note 8)	**34,680**	23,854
Property, plant and equipment written off	**–**	118
Purchases of inventories and construction materials	**346,960**	330,706
Rental on land and buildings	**1,479**	1,246
Research expenses	**4,651**	9,901
Processing fees and installation fees	**77,009**	58,677

8. Personnel expenses

	Group	
	2014	2013
	RMB'000	RMB'000
Directors of the Company		
- Directors' fees	**776**	1,005
- Salaries and bonuses	**2,526**	1,998
- Defined contribution benefits	**118**	93
- Share-based payments (Employee Share Option Scheme) [Note 29(b)]	**5,963**	1,004
Other director of subsidiaries		
- Salaries and bonuses	**248**	271
- Defined contribution benefits	**106**	73
Key management personnel (non-directors)		
- Salaries and bonuses	**1,256**	1,386
- Defined contribution benefits	**211**	285
- Share-based payments (Employee Share Option Scheme) [Note 29(b)]	**994**	167
Other personnel		
- Salaries, wages and bonuses	**19,495**	15,689
- Defined contribution benefits	**2,485**	507
Other personnel related expenses	**502**	1,376
	34,680	23,854

9. Tax expense

Tax expense attributable to profits is made up of:

	Group	
	2014	2013
	RMB'000	RMB'000
Current income tax - PRC	**14,462**	12,650
Tax credit received for prior years' taxation - PRC	**(5,856)**	(10,119)
(Over)/under provision of tax in prior year	**(2,023)**	848
	6,583	3,379

9. Tax expense (Cont'd)

The income tax expense on the results of the financial year varies from the amount of income tax determined by applying the applicable income tax rate to (loss)/profit before tax due to the following factors:

	Group	
	2014	2013
	RMB'000	RMB'000
	(Revised)	(Revised)
(Loss)/Profit before tax	**(200,162)**	63,117
Tax calculated at domestic statutory tax rate	**(30,719)**	9,199
Expenses not deductible for tax purposes	**45,325**	4,062
Non-taxable items	**(144)**	(611)
(Over)/under provision of tax in prior year	**(2,023)**	848
Tax credit received for prior year's taxation due to approval of "high-tech enterprise" status of a PRC subsidiary	**(5,856)**	(10,119)
	6,583	3,379

The domestic statutory tax rates for Singapore and PRC entities are 17% (2013: 17%) and ranging from 15% to 25% (2013: 15% to 25%) respectively for the financial year ended 31 December 2014.

A subsidiary in PRC was granted "high-tech enterprise" status in July 2009. In March 2013, the PRC subsidiary was re-accredited the "high-tech enterprise" status and this was subject to renewal in every 3 years. Subject to the local tax authority's approval, the subsidiary may be entitled to a concessionary tax rate of 15% for financial year 2015 instead of its current tax rate of 25%.

During the financial year, the subsidiary received income tax refund of RMB5,856,000 (2013: RMB10,119,000) in relation to year 2012 (2013: tax refund in relation to year 2011).

The Group has unutilised tax losses of approximately RMB4,186,000 (2013: RMB4,273,000) available for offsetting against future taxable income of the Group. The utilisation of the tax losses is subject to the agreement of the relevant tax authorities and compliance with required provisions of the tax legislation of the respective countries in which the companies in the Group operates.

No deferred tax asset has been recognised as it is not probable that future taxable profits will be sufficient to allow the related tax benefits to be realised.

10. Earnings per share

The following reflects the (loss)/profit attributable to the equity holders of the Company used in the basic and diluted earnings per share computation:

	2014 (Revised) [Note 37(i)]	2013 (Revised) [Note 37(i)]
(Loss)/Profit attributable to the shareholders (RMB'000)	**(206,745)**	59,738
Weighted average number of ordinary shares at the end of the year	**735,520,646**	662,997,358
Basic and diluted earnings per share (RMB cents/share)	**(28.11)**	9.0

Basic and diluted earnings per share amounts are calculated by dividing profit for the financial year attributable to equity holders of the Company by the number of ordinary shares in issue during the financial year.

Diluted earnings per share is same as basic earnings per share as there were no potential dilutive ordinary shares for the financial years ended 31 December 2014 and 31 December 2013.

11. Property, plant and equipment

	Leasehold buildings RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Machinery RMB'000	Renovation RMB'000	Construction work-in-progress RMB'000	Total RMB'000
Group							
Cost							
At 1 January 2013	–	714	1,120	7,034	57	265,139	274,064
Additions	–	–	330	–	–	26,540	26,870
Write off	–	–	(17)	(206)	–	–	(223)
Currency alignment	–	–	(7)	–	(4)	–	(11)
At 31 December 2013	–	714	1,426	6,828	53	291,679	300,700
Additions	–	365	260	–	26	2,136	2,787
Reclassification	263,904	–	–	–	–	(263,904)	–
Write off	–	–	(31)	–	–	–	(31)
Currency alignment	–	–	(6)	–	(2)	–	(8)
At 31 December 2014	**263,904**	**1,079**	**1,649**	**6,828**	**77**	**29,911**	**303,448**
Accumulated depreciation							
At 1 January 2013	–	459	700	2,241	57	–	3,457
Depreciation charges (Note 7)	–	133	175	659	–	–	967
Write off	–	–	(12)	(93)	–	–	(105)
Currency alignment	–	–	(5)	–	(4)	–	(9)
At 31 December 2013	–	592	858	2,807	53	–	4,310
Depreciation charges (Note 7)	4,178	101	214	649	4	–	5,146
Write off	–	–	(31)	–	–	–	(31)
Currency alignment	–	–	(3)	–	(2)	–	(5)
At 31 December 2014	**4,178**	**693**	**1,038**	**3,456**	**55**	**–**	**9,420**
Net carrying value							
At 31 December 2013	–	122	568	4,021	–	291,679	296,390
At 31 December 2014	**259,726**	**386**	**611**	**3,372**	**22**	**29,911**	**294,028**

11. Property, plant and equipment (Cont'd)

	Office equipment RMB'000	Renovation RMB'000	Total RMB'000
Company			
Cost			
At 1 January 2013	87	57	144
Currency alignment	(6)	(4)	(10)
At 31 December 2013	81	53	134
Additions	80	26	106
Write off	(31)	–	(31)
Currency alignment	(6)	(2)	(8)
At 31 December 2014	**124**	**77**	**201**
Accumulated depreciation			
At 1 January 2013	87	57	144
Currency alignment	(6)	(4)	(10)
At 31 December 2013	81	53	134
Depreciation charges	13	4	17
Write off	(31)	–	(31)
Currency alignment	(3)	(2)	(5)
At 31 December 2014	**60**	**55**	**115**
Net carrying value			
At 31 December 2013	–	–	–
At 31 December 2014	**64**	**22**	**86**

Construction work-in-progress comprised of cost incurred for construction of office building, steel fabrication plant, electronic control assembly plant and warehouse on the land of 16,536 square meters in Fujian Province and 193,493 square meters in Anhui Province (Note 12).

Short-term borrowings are secured on leasehold buildings of the Group with a net carrying value of RMB259,726,000 (Note 26).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

12. Land use rights

	Group	
	2014	2013
	RMB'000	RMB'000
Cost		
At 1 January	**4,780**	4,780
Reclassified from prepayment land use rights (Note 13)	**49,150**	–
At 31 December	**53,930**	4,780
Accumulated amortisation		
At 1 January	**288**	192
Amortisation for the year (Note 7)	**793**	96
At 31 December	**1,081**	288
Net carrying value	**52,849**	4,492
Amount to be amortised:		
- Not later than one financial year	**1,142**	96
- Later than one year but not later than five financial years	**4,567**	384
- Later than five financial years	**47,140**	4,012

Location	**Lease period**	**Land Area**
Longyan Economic Development District, Fujian Province, PRC	Commencing from January 2011 to November 2060	16,536 square meters
Bengbu Industrial Park, Huishang District, Bengbu City Anhui Province, PRC	Commencing from April 2014 to February 2061	193,493 square meters

Short-term borrowings are secured on land use rights of the Group with a net carrying value of RMB52,849,000 (Note 26).

13. Prepayment for land use rights

The amount of RMB49,150,000 recognised during the financial year ended 31 December 2013 comprised prepayment for land use rights for purchase of a piece of land of 193,493 square meters located at Anhui Province, PRC in 2013. The cost of the land use rights had been fully paid in 2013.

During the current financial year, the PRC subsidiary obtained the land use rights certificate. Accordingly, the prepayment has been capitalised and reclassified as land use rights (Note 12).

14. Investment in subsidiaries

	Company	
	2014	2013
	RMB'000	RMB'000
Unquoted equity shares, at cost	**699,460**	699,460
Impairment on investment	**(8,593)**	(8,593)
Currency alignment	**(17,400)**	7,801
	673,467	698,668

(a) Details of subsidiaries held by the Company:

Name of subsidiary	Principal activities	Country of incorporation	Equity holding	
			2014	2013
			%	%
Held by the Company				
China Dongyuan Environment Pte. Ltd. [(1)]	Investment holding company	Singapore	**100**	100
Gates Engineering Pte. Ltd. [(1)]	Inactive	Singapore	**100**	100
Xiamen Gongyuan Environmental Protection Technology Co., Ltd. [(2)]	Providing environmental protection products and services	PRC	**80**	–
Held by subsidiaries				
Fujian Dongyuan Environmental Protection Co., Ltd. [(2)]	Waste gas treatment solutions provider - Design and construct waste gas treatment systems	PRC	**100**	100
Anhui Dongyuan Environmental Protection Co., Ltd. [(2)]	Waste gas treatment solutions provider – Design and construct waste gas treatment systems	PRC	**100**	100

(1) Audited by Baker Tilly TFW LLP

(2) Audited by Baker Tilly TFW LLP for the purpose of preparation of the consolidated financial statements

On 27 January 2014, the Company incorporated a new subsidiary in PRC, namely Xiamen Gongyuan Environmental Protection Technology Co., Ltd. The Company holds 80% of the entire equity interest in the subsidiary and the remaining 20% equity interest in the subsidiary are held by the associated company, Beijing Gongdao Environmental Protection Technology Co., Ltd. and another two individual third parties in the proportion of 1%, 7% and 12% respectively.

The effect of the incorporation of this subsidiary has no significant impact to the Group's profit and net assets during the financial year.

14. Investment in subsidiaries (Cont'd)

(b) Significant restrictions

Cash and cash equivalents of RMB47,902,000 (2013: RMB152,525,000) are held in the People's Republic of China and are subject to PRC foreign exchange control regulations. These regulations place restrictions on the amount of currency being exported from the country, other than through dividends and repayment of overseas loans.

15. Investment in associated company

	Group	
	2014	2013
	RMB'000	RMB'000
Unquoted equity investment		
Balance at beginning of the financial year	**2,450**	–
Acquisition during the financial year	**–**	2,450
Balance at end of the financial year	**2,450**	2,450

Details of the associated company are as follows:

Name and Country of incorporation	Principal activities	Percentage of equity held by the Company	
		2014	2013
		%	%
Beijing Gongdao Environmental Protection Technology Co., Ltd (PRC) [1]	Research and development, industrialisation and commercialisation of industrial waste gas treatment technology and other environmental protection technologies	**49**	49

[1] Audited by Baker Tilly TFW LLP for the purpose of preparation of the consolidated financial statements.

The associated company was inactive during the financial year.

16. Inventories

	Group	
	2014	2013
	RMB'000	RMB'000
Raw materials, at cost	**12,449**	20,516

The cost of inventories recognised as an expense and included in cost of sales amounted to RMB354,921,000 (2013: RMB205,118,000).

17. Projects work-in-progress

	Group	
	2014	2013
	RMB'000	RMB'000
	(Revised)	
Projects work-in-progress	**106**	–
Aggregate costs incurred recognised to date on uncompleted projects work-in-progress	**4,422**	121,551
Attributable profits recognised to date on uncompleted projects work-in-progress	**6,137**	34,896
	10,559	156,447
Progress billing	**(4,325)**	(38,674)
	6,234	117,773
Presented as:		
Due from customers on construction contracts (Note 18)	**6,234**	117,773

18. Trade and bill receivables

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Revised)	(Revised)		
Trade receivables*				
- Billed	**30,885**	125,028	**27**	135
- Unbilled	**144,721**	49,870	**–**	–
- Due from customers on construction contracts (Note 17)	**6,234**	117,773	**–**	–
	181,840	292,671	**27**	135
Bill receivables	**3,395**	120	**–**	–
	185,235	292,791	**27**	135
*Retention monies included in trade receivables	**82,413**	45,167	**–**	–

Trade receivables are non-interest bearing. Generally, the customers are required to pay immediately once the progress of the projects meets the payment terms stated in the sales contract. However, customers generally retain 5% to 10% of the project sum as retention monies which are held for a warranty period of up to 12 months.

The bill receivables have an average maturity date of 6 (2013: 6) months.

19. Other receivables, deposits and prepayments

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances to sub-contractor *	**127,382**	43,069	**–**	–
Advance payments to suppliers	**26,959**	33,879	**–**	–
Other receivables	**12,906**	7,027	**–**	–
Deposits	**174**	124	**122**	122
Prepayments	**13**	49	**13**	49
	167,434	84,148	**135**	171

* As at 31 December 2014, there was an amount of RMB127,382,000 due from a sub-contractor. Subsequent to the financial year end, the Group has received repayment of approximately RMB82,182,000 and as at date of this report, RMB45,200,000 remained outstanding. The RMB45,200,000 is supported by sales contracts and sub-contracting contracts. The advances to the sub-contractor is unsecured, non-interest bearing and repayable on demand.

20. Loans receivable from subsidiaries - Company

The loans receivable are unsecured, non-interest bearing and repayable on demand.

21. Cash and cash equivalents

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash in hand and at banks *	**48,306**	165,343	**230**	12,703
Less: bank balances pledged	**(39,500)**	(75,028)	**–**	–
	8,806	90,315	**230**	12,703

* At the end of the reporting period, this amount included bank balances pledged to financial institutions for the following purposes:

	Group	
	2014	2013
	RMB'000	RMB'000
Issuance of bill payables (Note 23)	**39,500**	10,000
Short-term bank borrowings	**–**	62,428
Performance guarantee for sales contract	**–**	2,600
	39,500	75,028

The bank balances pledged earned interest at effective rate of 3.5% (2013: 3.5%) per annum.

21. Cash and cash equivalents (Cont'd)

The Group's and the Company's cash and cash equivalents that are not denominated in the functional currencies of the respective entities within the Group are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Singapore dollar	**–**	54,137	**–**	–
United States dollar	**45**	42,976	**16**	16

22. Deferred tax liability - Group

Deferred tax liability arose from the PRC subsidiaries' distributable earnings generated from 1 January 2008 which will be subjected to tax at 5% (2013: 5%) when the PRC subsidiaries declares and remits dividend to its foreign investor. The directors expect that no more than 30% of the PRC subsidiaries' earnings each year will be distributed to the Company in the foreseeable future and accordingly the deferred tax liability is provided on this amount.

Deferred tax liability has not been recognised on the PRC subsidiaries' earnings totalling RMB335,977,000 (2013: RMB283,337,000) as the Company is able to control the timing of the reversal of this temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

23. Trade and bill payables

	Group	
	2014	2013
	RMB'000	RMB'000
Trade payables - third parties	**5,195**	3,743
Value-added tax payables	**4,806**	5,251
Bill payables	**42,500**	20,000
	52,501	28,994

Trade payables are non-interest bearing and are normally settled up to 60 days' terms.

Bill payables have an average maturity date of 6 months (2013: 6 months). Certain bill payables are secured by bank balances pledged to financial institutions as disclosed in Note 21.

24. Other payables and accruals

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accruals for construction costs	**5,104**	12,357	**–**	–
Accruals for sub-contractor processing costs	**2,626**	8,610	**–**	–
Accruals for sales commission	**9,893**	4,200	**–**	–
Advance receipts from customers	**1,230**	800	**–**	–
Accruals for staff social welfare contributions	**7,375**	5,734	**54**	–
Salary payables	**1,522**	370	**844**	–
Other tax payables	**292**	848	**–**	–
Other payables	**16,813**	13,936	**1,889**	2,322
	44,855	46,855	**2,787**	2,322

25. Amount due to a director (non-trade) - Group and Company

The amount is unsecured, non-interest bearing and repayable on demand.

26. Short-term borrowings

	Group	
	2014	2013
	RMB'000	RMB'000
Bank borrowings		
- secured	**75,000**	82,825
- unsecured	**94,904**	95,103
	169,904	177,928

For financial year ended 31 December 2014

Secured borrowings

Short-term borrowings of RMB70.0 million were secured by land use rights (Note 12) and leasehold buildings (Note 11) from a PRC subsidiary and guaranteed by one of the Company's director, director's spouse and a PRC subsidiary. Remaining RMB5.0 million short-term borrowings were secured by land use rights of a PRC subsidiary (Note 12).

Unsecured borrowings

Short-term borrowings of RMB94.9 million were not secured by the Company's assets. These borrowings were guaranteed or secured by:

a) Bank borrowings of RMB30.0 million guaranteed by one of the Company's director and secured by the land use rights and leasehold buildings of a related party;

26. Short-term borrowings (Cont'd)

For financial year ended 31 December 2014 (Cont'd)

Unsecured borrowings (Cont'd)

b) Bank borrowings of RMB9.9 million guaranteed by one of the Company's director and a PRC subsidiary;

c) Bank borrowings of RMB50.0 million guaranteed by one of the Company's director and his spouse; and

d) Bank borrowings of RMB5.0 million guaranteed by a credit guarantee company.

For financial year ended 31 December 2013

Secured borrowings

Short-term borrowings of RMB60.1 million were secured by bank deposits of RMB62.4 million. Remaining RMB22.7 million short-term borrowings were secured by prepaid land use rights of a PRC subsidiary and guaranteed by a third party.

Unsecured borrowings

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

a) Bank borrowings of RMB30.0 million guaranteed by one of the Company's director 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) Bank borrowings of RMB10.1 million guaranteed by one of the Company's director and the subsidiary of the Company; and

c) Bank borrowings of RMB5.0 million guaranteed by a credit guarantee company.

The remaining bank borrowings of RMB50.0 million were not secured by any other assets or guaranteed by any other parties.

The Group's bank borrowings that are not denominated in the functional currencies of the respective entities within the Group are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
United States dollar	**–**	60,125
Hong Kong dollar	**9,904**	10,103

These bank borrowings are repayable within the next twelve months and bear fixed interest rates ranging from 5.50% to 8.40% (2013: 1.57% to 7.00%) per annum.

27. Amounts due to subsidiaries (non-trade)

The amounts are unsecured, non-interest bearing and repayable on demand.

The amounts that are not denominated in the functional currency of the Company are as follows:

	Company	
	2014	2013
	RMB'000	RMB'000
Chinese Renminbi	**2,320**	2,168

28. Amounts due to related parties (non-trade)

The amounts are unsecured, non-interest bearing and repayable on demand.

The amounts that are not denominated in the functional currency of the respective entities within the Group are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Singapore dollar	**23,397**	–

29. Share capital

(a) Share capital

	2014		2013	
	Number of issued shares	**Issued share capital**	Number of issued shares	Issued share capital
		RMB'000		RMB'000
Group				
At 1 January	**735,520,646**	**352,241**	639,520,646	193,052
Issue of new shares pursuant to share placement	**–**	**–**	96,000,000	162,243
Share issuance expenses	**–**	**–**	–	(3,054)
At 31 December	**735,520,646**	**352,241**	735,520,646	352,241
Company				
At 1 January	**735,520,646**	**773,549**	639,520,646	614,360
Issue of new shares pursuant to share placement	**–**	**–**	96,000,000	162,243
Share issuance expenses	**–**	**–**	–	(3,054)
At 31 December	**735,520,646**	**773,549**	735,520,646	773,549

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

29. Share capital (Cont'd)

(b) Share options

	Group and Company	
	2014	2013
	RMB'000	RMB'000
At 1 January	**1,171**	–
Share-based payments (Note 8)	**6,957**	1,171
At 31 December	**8,128**	1,171

The Gates Share Option Scheme of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 12 April 2004. The Remuneration Committee had approved and adopted the change of name of Gates Share Option Scheme to "China Environment Share Option Scheme" (the "Scheme") on 25 September 2009. This is a long-term incentive plan to motivate Directors and employees of the Group to greater dedication, loyalty and higher standards of performance. The Scheme is administered by the Company's Remuneration Committee, comprising three Directors, Lin Song (Chairman of Remuneration Committee), Loh Wei Ping and Wu Yu Liang.

Other information regarding the Scheme is set out below:

- The subscription price for each share in respect of which a market price option is exercised shall be a price equal to the average of the last dealt prices for a share for the five consecutive market days immediately preceding the offering date of the option.

- The subscription price for each share in respect of which an incentive option is exercised can be set at a discount to the market price not exceeding 20% of the market price.

- The options can be exercised 1 year after the grant for market price options and 2 years for discounted options.

- The options granted will expire after 5 years for participants not holding a salaried office or employment in the Group and participants holding salaried office or employment in an associated company; and 10 years for the employees of the Company and its subsidiaries.

The Scheme had expired as it was not approved by shareholders at an Extraordinary General Meeting held on 8 April 2014.

Share options outstanding at the end of the financial year and details of the options granted under the Scheme on the unissued shares of the Company are as follows:

Date of grant option	Exercise price per share S$	Aggregate options outstanding at 1.1.2014	Options granted	Aggregate options outstanding at 31.12.2014	Exercise period
11 November 2013	0.59	3,500,000	–	3,500,000	12 November 2014 to 11 November 2024

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For the financial year ended 31 December 2014

29. Share capital (Cont'd)

(b) Share options (Cont'd)

The fair value of the Company's share options as at the date of grant is computed using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

The inputs to the model used are shown below:

Date of grant	**11 November 2013**
Share price	S$0.62
Exercise price	S$0.59
Expected volatility	78.63%
Expected option life	10 years
Expected dividend yield	0
Risk-free interest rate	2.27%

The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The expected option life used is based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. No other features of the option were incorporated into the measurement of fair value.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

30. Other reserves

	Group	
	2014	2013
	RMB'000	RMB'000
General reserve fund	**60,901**	52,054
Enterprise expansion reserve fund	**30,451**	26,027
	91,352	78,081

Pursuant to the relevant laws and regulations in the PRC, the PRC subsidiaries which are wholly-owned foreign enterprises are required to provide the following other reserves which are appropriated from distributable profits:

30. Other reserves (Cont'd)

General reserve fund (statutory)

The PRC subsidiaries are required to transfer no less than 10% of its net profit to the general reserve fund each year until the reserve reaches 50% of its registered capital. The transfer to this fund must be made before the payment of dividends to shareholders. In the event that the PRC subsidiaries incur accumulated losses, the transfer of this fund can only be made after the PRC subsidiaries' accumulated losses are fully set off against current year net profit.

The general reserve fund can only be used to set off against accumulated losses or to increase the registered capital of the PRC subsidiaries, subject to approval from the PRC authorities.

Enterprise expansion reserve fund (non-statutory)

The enterprise expansion reserve fund can be used either to offset accumulated losses or be capitalised as equity. The enterprise expansion reserve fund can be used to increase capital upon approval of the relevant authorities.

All the above reserves mentioned above are not available for dividend appropriation to the shareholders.

31. Related parties transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties, who are not members of the Group during the financial year on terms agreed by the parties concerned:

	Group	
	2014	2013
	RMB'000	RMB'000
Group's operating expenses paid on behalf by a director	**62,520**	36,940
Repayment to a director	**62,520**	36,940
Advances from a director	**325**	57,820
Repayment of advances from a director	**57,821**	–
Advances from related parties	**108,397**	–
Repayment to related parties	**21,800**	23,100
Rental expenses charged by a related party	**639**	639

Related parties comprise mainly companies which are controlled by certain directors of the Company and their close family members.

32. Commitments

(a) *Capital commitments*

Capital commitments contractual but not provided for in the financial statements:

	Group	
	2014	2013
	RMB'000	RMB'000
Commitments in respect of construction work-in-progress	**31,368**	53,915

(b) *Lease commitments - when the Group is a lessee*

The operating lease payments include rental from lease of land and buildings from a related party. The remaining non-cancellable lease term at 31 December 2014 for land and buildings is between 12 to 19 (2013: 12 to 31) months.

Commitments in relation to non-cancellable operating leases contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Not later than one financial year	**1,342**	1,164
Later than one financial year but not later than five financial years	**1,218**	2,171
	2,560	3,335

(c) *Operating lease commitments - where the Group is a lessor*

The Group leases out certain factory space to non-related parties.

The future minimum lease receivables under non-cancellable operating leases contracted for at the end of the reporting period but not recognised as receivables, are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Not later than one financial year	**336**	–
Later than one financial year but not later than five financial years	**26**	–
	362	–

33. Contingent liability

A subsidiary of the Company had received an amount of US$765,450 from a credit insurer for a debt owing by one of its major customers who was under liquidation during the financial year ended 30 June 2009. Under the terms of the credit insurance, the insurer is entitled to seek reimbursement of this insured amount from the subsidiary in the event that the debt is not subsequently admitted by the liquidator. At this stage, the management is of the opinion that such debt will be accepted by the liquidator.

34. Financial instruments

(a) Categories of financial instruments

Financial instruments at their carrying amounts at the reporting date are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Revised)	(Revised)		
Financial assets				
Loans and receivables	**374,003**	508,354	**62,933**	129,903
Financial liabilities				
Financial liabilities at amortised cost	**352,885**	310,704	**5,993**	62,956

(b) Financial risk management

The Group's overall risk management policy is to ensure adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign currency, liquidity and credit risks. The Group's overall risk management is determined and carried out by the Board of Directors. The policies for managing each of these risks are summarised as follows:

Foreign currency risk

The Group has currency exposures arising from transactions, assets and liabilities that are denominated in currencies other than the respective functional currencies of entities in the Group. The foreign currencies in which the Group's currency risk arises are mainly United States dollar ("USD"), Singapore dollar ("SGD") and Hong Kong dollar ("HKD").

At the end of the reporting period, the Group and Company have the following financial assets and financial liabilities denominated in foreign currencies based on information provided to key management:

	2014			2013		
Denominated in:	**SGD**	**USD**	**HKD**	SGD	USD	HKD
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Group						
Cash and cash equivalents	**–**	**45**	**–**	54,137	42,976	–
Other payables and accruals	**–**	**–**	**(308)**	–	–	(319)
Amount due to related parties	**(23,397)**	**–**	**–**	–	–	–
Short-term borrowings	**–**	**–**	**(9,904)**	–	(60,125)	(10,103)
Net financial assets/ (financial liabilities) denominated in foreign currencies	**(23,397)**	**45**	**(10,212)**	54,137	(17,149)	(10,422)

34. Financial instruments (Cont'd)

(b) Financial risk management (Cont'd)

Foreign currency risk (Cont'd)

	2014			2013		
Denominated in:	**SGD**	**USD**	**HKD**	SGD	USD	HKD
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Company						
Cash and cash equivalents	**–**	**16**	**–**	–	16	–
Other payables and accruals	**–**	**–**	**(308)**	–	–	(319)
Net financial assets/(financial liabilities) denominated in foreign currencies	**–**	**16**	**(308)**	–	16	(319)

The following table demonstrates the sensitivity to a reasonably possible change in the SGD, USD, and HKD exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant, of the Group's profit after tax:

		Group Increase/(decrease) in profit after tax	
		2014	2013
		RMB'000	RMB'000
SGD/RMB	-strengthened 5% (2013: 5%)	**(994)**	2,301
	-weakened 5% (2013: 5%)	**994**	(2,301)
USD/RMB	-strengthened 5% (2013: 5%)	**2**	(729)
	-weakened 5% (2013: 5%)	**(2)**	729
HKD/RMB	-strengthened 5% (2013: 5%)	**(434)**	(443)
	-weakened 5% (2013: 5%)	**434**	443

34. Financial instruments (Cont'd)

(b) Financial risk management (Cont'd)

Company

A 5% fluctuation in the USD and HKD exchange rate against RMB, with all other variables held constant, will not have a significant impact on the Company's profit for the current and previous financial years.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flow of the Group's financial instruments will fluctuate because of changes in market interest rate.

Apart from bank balances, the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's borrowings are in fixed-rate instruments. Other financial liabilities are non interest-bearing. As the Group has no variable-rate borrowings, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets, including cash and cash equivalents, the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue and profit growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties, including state-owned enterprises and subsidiaries of the public listed companies in PRC. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, debtors' balances are monitored on an ongoing basis.

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position for respective years.

Trade receivables due from third parties in the PRC amounted to RMB34,290,000(2013: RMB38,780,000) of the Group's trade receivables. The Group's trade receivables comprise 1 debtors (2013: 1 debtors) that represented approximately 18% (2013: 13%) of the Group's trade receivables.

Financial assets that are neither past due nor impaired

Cash and bank balances that are neither past due nor impaired are mainly deposits with banks with high credit-ratings counterparties. Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

Trade receivables that are not past due amounted to RMB112,067,000 (2013: RMB128,954,000).

34. Financial instruments (Cont'd)

(b) Financial risk management (Cont'd)

Credit risk (Cont'd)

Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables. The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
	(Revised)	(Revised)
Past due less than 30 days	**444**	22,360
Past due 30 days to 60 days	**2,250**	23,020
Past due 61 days to 90 days	**4,395**	54,421
Past due more than 90 days	**72,482**	113,121
	79,571	212,922

Liquidity and cash flow risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The table below summarises the maturity profile of the Group's and the Company's non-derivative financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2014			2013		
	RMB'000			RMB'000		
	1 year or less	**1 to 5 years**	**Total**	1 year or less	1 to 5 years	Total
Group						
Trade and other payables	**96,059**	**–**	**96,059**	74,955	–	74,955
Amount due to a director	**325**	**–**	**325**	57,821	–	57,821
Amount due to related parties	**86,597**	**–**	**86,597**	–	–	–
Short-term borrowings	**173,405**	**–**	**173,405**	180,029	–	180,029
Company						
Other payables and accruals	**2,741**	**–**	**2,741**	2,250	–	2,250
Amount due to a director	**325**	**–**	**325**	57,821	–	57,821
Amount due to subsidiaries	**2,927**	**–**	**2,927**	2,885	–	2,885

34. Financial instruments (Cont'd)

(c) **Fair values of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value**

The carrying amounts of the financial assets and financial liabilities recorded in the financial statements of the Group and the Company approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The Group and Company has no other financial instruments.

35. Capital management

The Group's objectives when managing capital are:

(i) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

(ii) To support the Group's stability and growth; and

(iii) To provide capital for the purpose of strengthening the Group's risk management capability.

Capital comprises share capital, revenue reserve and other reserves included in equity.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

As disclosed in Note 30 the Group's subsidiaries in the PRC are required to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the subsidiaries for the financial years ended 31 December 2014 and 2013.

36. Segment information

The Group is organised into business units based on its products for management purposes. The reportable segment is construction contracts.

Construction contracts segment includes designing, assembling, installing, testing and commissioning of various equipments relating to industrial waste gas treatment and management systems.

Management monitors the operating results of its business units separately for making decisions about allocation of resources and assessment of performances of such segment.

36. Segment information (Cont'd)

The segment information provided to management for the reportable segments is as follows:

	Construction contracts	
	2014	2013
	RMB'000	RMB'000
	(Revised)	(Revised)
Segment revenue	**39,572**	276,225
Segment (loss)/profits	**(190,734)**	69,981
Depreciation and amortisation	**5,939**	1,063
Segment assets	**714,551**	749,937
Unallocated assets	**48,306**	165,343
Total assets	**762,857**	915,280
Segment liabilities	**97,356**	75,849
Unallocated liabilities	**262,066**	244,458
Total liabilities	**359,422**	320,307

Segment results

Performance of each segment is evaluated based on segment (loss)/profit which is measured differently from the (loss)/profit before tax in the consolidated financial statements. Interest income, foreign exchange gains and finance costs are not allocated to segments as Group financing is managed on a group basis.

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

	Group	
	2014	2013
	RMB'000	RMB'000
	(Revised)	(Revised)
Segment (loss)/profits	**(190,734)**	69,981
Interest income	**2,198**	2,348
Foreign exchange gains	**2,733**	3,516
Finance costs	**(14,359)**	(12,728)
(Loss)/Profit before tax	**(200,162)**	63,117

36. Segment information (Cont'd)

Segment assets

The amounts provided to the management with respect to total assets are measured in a manner consistent with that of the financial statements. Management monitors the assets attributable to each segment for the purposes of monitoring segment performance and for allocating resources between segments. All assets are allocated to reportable segments other than cash and cash equivalents which are classified as unallocated assets.

Segment liabilities

The amounts provided to management with respect to total liabilities are measured in a manner consistent with that of the financial statements. All liabilities are allocated to the reportable segments based on the operations of the segments other than deferred tax liability, tax payable, short-term borrowings, amount due to a director and amount due to related parties. These liabilities are classified as unallocated liabilities.

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Sales to external customers		**Non-current assets**	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Revised)	(Revised)		
PRC	**108,863**	276,225	**349,241**	352,482
Singapore	**–**	–	**86**	–
	108,863	276,225	**349,327**	352,482

Non-current assets information presented above of the Group are non-current assets as presented on the statements of financial position.

Information about major customer

Revenue of approximately RMB10,853,000 (2013: RMB29,323,000) are derived from 1 (2013: 1) major external customer who solely contributed 10 percent or more of the Group's revenue.

37. Basis for Revision

(i) Revising and re-filing of financial statements for FY2013 and FY2014

On 21 August 2015, pursuant to the Accounting and Corporate Regulatory Authority ("ACRA")'s Financial Reporting Surveillance Programme, ACRA had issued a warning letter under Section 201 (3A) of the Companies Act to the Company's directors, Mr Huang Min and Mr Wu Jida who were signatories of the FY 2013 audited financial statements ("FY 2013").

On 23 October 2015, ACRA issued an advisory letter on compliance with accounting standards ("Advisory Letter") to the Company's Board of Directors (the "Old Board") with respect to the audited FY 2013 financial statements. The Advisory Letter was issued following a series of queries and responses between the Company and ACRA.

The Old Board who authorized the FY 2013 and FY 2014 financial statements comprised the following directors:

1. Mr Huang Min (Executive Chairman)
2. Mr Wu Jida (Executive Director and CEO)
3. Mr Andrew Bek (Executive Director)
4. Mr Lin Song (Lead Independent Director)
5. Mr Loh Wei Ping (Independent Director)
6. Mr Wu Yu Liang (Independent Director)

The Advisory Letter indicated that the Company had not complied with:

i. Paragraph 23(c) and 30 of SFRS 11 Construction Contracts because the Group did not use an appropriate measure of work performed to determine the stages of completion of its contracts.

ii. Paragraph 41 of SFRS 11 Construction Contracts because the Group had included and presented the amount unbilled of RMB167.6 million (2012: RMB128.6 million) as progress billings and trade receivables as at 31 December 2013.

37. Basis for Revision (Cont'd)

(i) <u>Revising and re-filing of financial statements for FY2013 and FY2014 (Cont'd)</u>

In the Advisory Letter, ACRA also considered:

i. Significant areas of concern that may lead to non-compliance, particularly the Directors should:

   a) Critically assess whether any impairment should be made in respect of the trade receivables, in accordance with paragraphs 58 and 63 of SFRS 39 Financial Instruments: Recognition and Measurement; and

   b) re-assess and include labour costs, directly and indirectly, related to contract activities as part of contract costs, and ultimately, recognized them as the Group's costs of sales, in accordance with paragraphs 16 to 21 of SFRS 11 Construction Contracts.

ii. Suggested areas for improvement and proposing for similar disclosure to be made in future sets of financial statements; i.e. the Group should disclose the amount of research and development ("R&D") expenditure recognized as an expense, so as to comply with paragraph 126 of SFRS 38 Intangible Assets.

The Advisory Letter stated that ACRA had considered the Company's responses and have also interviewed Mr Huang Min and Mr Wu Jida who were signatories of the FY 2013 audited financial statements and have issued them with a warning in lieu of prosecution for breach of Section 201(3A) of the Companies Act for the instances of severe non-compliance.

To rectify the instances of non-compliance, ACRA had requested the Company to revise and re-file the Company's audited financial statements for FY 2013 and the audited FY 2014 financial statements.

Those FY 2013 and FY 2014 financial statements were audited by Baker Tilly TFW LLP and their Auditor's Reports for FY 2013 and FY 2014 which were dated 13 March 2014 and 1 April 2015 respectively, were both unmodified.

On 8 April 2016, the Company applied to ACRA for waiver for restating the FY 2013 and FY 2014 financial statements.

On 20 May 2016, ACRA issued a letter to the Old Board in response to the Company's application letter for waiver from restating the FY 2013 and FY 2014 financial statements. In the letter, ACRA informed that they have carefully considered the Company's circumstances but regret to inform that ACRA was unable to grant the Company a waiver from restating both the FY 2013 and FY 2014 financial statements.

On 16 June 2016, the Company announced that pursuant to the Accounting And Corporate Regulatory Authority ("ACRA")'s Financial Reporting Surveillance Programme, ACRA had requested the Company to revise and re-file the Company's audited financial statement for the financial year ended 31 December 2013 ("FY2013") and financial year ended 31 December 2014 ("FY2014").

As a result of the requirement for revision and re-filing of the financial statements for FY2013 and FY2014, the Company's audited financial statement for the financial year ended 31 December 2015 will also be deferred until the completion of the FY2013 and FY2014.

37. Basis for Revision (Cont'd)

(i) Revising and re-filing of financial statements for FY2013 and FY2014 (Cont'd)

The Company had on 3 June 2016 announced the proposed change of auditors for the FY2015 financial statements and was currently coordinating and discussing with the incoming Auditors pertaining to the revision and re-filing requirements of financial statements for FY2013 and FY2014.

Subsequent to the issuance of the Advisory Letter, there was a significant change in key management. As at the date of this Auditor's Report, the new Board ("New Board") comprised the following directors:

1)	Mr Norman Winata (Group Executive Director)	(Appointed on 29 March 2016)
2)	Mr Er Kwong Wah (Lead Independent Director)	(Appointed on 27 January 2016 and resigned on 28 December 2018)
3)	Mr James Kho Chung Wah (Non-executive and Independent Director)	(Appointed on 10 October 2016 and resigned on 28 December 2018)
4)	Mr Yang Meng Yang (Non-executive and Non-independent Director)	(Appointed on 29 March 2016 and resigned on 25 July 2018)
5)	Mr Koit Ven Jee (Non-executive and Independent Director)	(Appointed on 11 January 2019)
6)	Mr Lee Chia Sin (Non-executive and Independent Director)	(Appointed on 2 April 2019)

In addition, the entire Finance Department of the Company's significant subsidiary in the People's Republic of China ("PRC"), Fujian Dongyuan Environmental Protection Co., Ltd ("FJDY") had also either changed or resigned.

Arising from the findings of these 5 major trade receivables from our 1st Site Visit and 2nd Site Visit, the New Board had concluded that the instances of severe non-compliance as stated in ACRA's Advisory Letter dated 23 October 2015 were a result of these non-existent trade receivables as at 31 December 2015, 31 December 2014 and 31 December 2013.

With effect from 20 April 2018, a new set of the Regulations has been issued to operationalise sections 202A and 202B which took effect on 20 April 2018, to allow:

(i) directors to voluntary revise financial statements that do not comply with the requirements of the Act (including compliance with the Accounting Standards); and

(ii) the Registrar of Companies to apply to court to require a company to revise its financial statements where defects had been detected.

In view of the Regulations, the New Board has voluntarily revised the FY 2013 and FY 2014 financial statements in accordance with section 202A of the Companies Act.

37. Basis for Revision (Cont'd)

(i) Revising and re-filing of financial statements for FY2013 and FY2014 (Cont'd)

Effects of Revision

The effects of the revision on the statements of financial position of the Group and the Company as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flow of the Group for the financial year ended 31 December 2014 are summarised below.

	As previously stated	Adjustments	As Revised
	RMB'000	RMB'000	RMB'000
For the Financial Year ended 31 December 2014:			
Consolidated Statement of Profit or Loss and Other Comprehensive Income			
Revenue	583,762	(544,190)	39,572
Cost of sales	(444,741)	415,035	(29,706)
Gross profit	139,021	(129,155)	9,866
Exceptional loss	-	(147,014)	(147,014)
Tax expense	(6,583)	-	(6,583)
Profit/(loss) for the year	69,424	(276,169)	(206,745)
Total comprehensive income for the year	67,674	(276,169)	(208,495)
Earnings per share for profit attributable to equity holders of the Company (RMB cents per share)			
- Basic and diluted	9.5	(37.61)	(28.11)
Statements of Financial Position			
Trade and bill receivables	660,133	(474,898)	185,235
Revenue reserve/(Accumulated losses)	(414,805)	474,898	60,093
Consolidated Statement of Cash Flows			
(Loss)/profit before tax	76,007	(276,169)	(200,162)
Adjustments for:			
- Exceptional gain	-	147,014	147,014
Operating cash flow before movements in working capital:			
- Trade and other receivables	(251,899)	423,183	171,284

37. Basis for Revision (Cont'd)

(i) Revising and re-filing of financial statements for FY2013 and FY2014 (Cont'd)

Effects of Revision (Cont'd)

	As previously stated	Adjustments	As Revised
	RMB'000	RMB'000	RMB'000
For the Financial Year ended 31 December 2013:			
Consolidated Statement of Profit or Loss and Other Comprehensive Income			
Revenue	524,080	(247,855)	276,225
Cost of sales	(395,448)	190,330	(205,118)
Gross profit	128,632	(57,525)	71,107
Exceptional loss	-	42,589	42,589
Tax expense	(3,379)	-	(3,379)
Profit for the year	74,674	(14,936)	59,738
Total comprehensive income for the year	71,796	(14,936)	56,860
Earnings per share for profit attributable to equity holders of the Company (RMB cents per share)			
- Basic and diluted	11.3	(2.3)	9.0
Statements of Financial Position			
Trade and bill receivables	491,520	(198,729)	292,791
Revenue reserve	(358,516)	198,729	(159,787)
Consolidated Statement of Cash Flows			
Profit before tax	78,053	(14,936)	(63,117)
Adjustments for:			
- Exceptional loss	-	(42,589)	(42,589)
Operating cash flow before movements in working capital:			
- Trade and other receivables	(183,683)	27,653	(211,336)

37. Basis for Revision (Cont'd)

(ii) Proposed Change of Auditors

On 3 June 2016, the Company announced that the Company had on 4 February 2016 requested the auditors of the Company, Baker Tilly TFW LLP, Singapore's ("Baker Tilly") to resign as auditors of the Company pursuant to difficult working relationship between Baker Tilly's component auditor (i.e. Baker Tilly China) with the Company's management team in China ("management team").

The Old Board, after rounds of discussion with the management team and due consideration of all circumstances, included but not limited to requesting Baker Tilly to either deploy its external audit team directly from Singapore or to engage another reputable Certified Public Accounting firm in China as its component auditor in China to complete the external audit of our China subsidiaries.

Baker Tilly did not agree to the management team's proposal. As they were of the view that a change of the entire team in January 2016, following the performance of the interim audit, may compromise on the effectiveness of the audit process. Baker Tilly were also of the view that the management team should not determine who the component auditors they were working with.

In the circumstances, the management team had proposed to change the Company's auditors. The Old Board was of the view that the change of Auditors was in the best interest of the Company and its shareholders and thus requested and accepted the resignation of Baker Tilly as auditors of the Company on 15 April 2016.

Baker Tilly had submitted its application to Accounting and Corporate Regulatory Authority ("ACRA") to resign as auditors of the Company under Section 205AB of the Companies Act on the same day.

ACRA had approved Baker Tilly to resign as auditor of the Company and its subsidiaries, accordingly Baker Tilly had also given notice to the Company on 20 May 2016. The Board would like to express their appreciation to Baker Tilly for the services rendered by Baker Tilly in the past since 23 July 2009.

The Old Board had identified a suitable independent auditor, i.e. RT LLP ("RT"), to be the new auditors of the Company. The Proposed Change of Auditors was also reviewed and recommended by the Company's former Audit Committee. The process of appointing new auditors had commenced and a circular to shareholders together with a notice of the extraordinary general meeting was despatched.

The Company had on 3 June 2016 received RT's letter giving notice to the Company of their consent to act as auditors of the Company for the financial year ended 31 December 2015.

The Company confirmed that it was in compliance with Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited in relation to the proposed appointment of RT as its Auditors.

The Proposed Change of Auditors was subject to shareholders' approval and pursuant to Section 205(15) of the Companies Act (Chapter 50) of Singapore, the resignation of Baker Tilly as auditors of the Company will take effect upon the appointment of another auditor at a general meeting. As such, the appointment of RT as auditors of the Company in place of Baker Tilly took effect upon the approval of the same by shareholders of the Company at an extraordinary general meeting ("EGM") to be convened.

37. Basis for Revision (Cont'd)

(iii) Findings of PRC legal firm

On 21 September 2016, the Company announced the findings of a PRC Legal firm appointed by the Company to investigate into the existence of trade receivables due from Anhui Shengyun Mechnical Co. Ltd and Nanning Youji Technology Co Ltd. The Company had previously announced on 12 August 2016 the impairment of these trade receivables in its Half Yearly Results Announcement.

The PRC Legal firm was of the opinion that the trade receivables due from Anhui Shengyun Mechnical Co. Ltd and Nanning Youji Technology Co Ltd are non-existent. On 28 September 2016, the Company announced it had issued a Writ of Summons against its former Executive Chairman Huang Min for the purported non-existent receivables announced on 21 September 2016.

(iv) Site Visits by Auditor

On 6 January 2017, the Company announced that pursuant to the Findings of PRC Legal firm announced on 21 September 2016, the Company's Statutory Auditor, RT LLP ("Auditors RT") had conducted surprise site visits, on the request of the Board, to ascertain the existence and validity of receivables due from Anhui Shengyun Mechanical Co. Ltd ("AHSY") and Nanning Youji Technology Co Ltd ("NNYJ").

From the procedures performed during the site visits, the Auditors RT were unable to locate NNYJ's physical place of operations based on the address furnished by the previous Finance Department, which is the same address indicated in the confirmation received by Auditors RT during their audit. The confirmation was received by Auditors RT without any exception, that is, the balance was confirmed by NNYJ without any disagreement. The inconsistency between the confirmation received by Auditors RT and the inability to identify the physical location and existence of NNYJ has led the Board to conclude that the trade receivables due from NNYJ amounting to RMB 341 Million in the unaudited Group financials for FY2015 is likely to be non-existent.

The Company had also found discrepancies on the RMB 163 million amount of trade receivables due by the other customer, AHSY during the site visit. AHSY had subsequently confirmed that no amount is owing to the Company.

The Group had previously impaired the amount due from NNYJ and AHSY in its 2016 half year result announcement on 12 August 2016.

The Company had filed a CAD report and served a writ of summons on the former Executive Chairman Huang Min for these non-existent receivables.

37. Basis for Revision (Cont'd)

(v) <u>2nd site visits by auditors</u>

On 13 January 2017, the Company's Statutory Auditor, RT LLP ("Auditors RT") had conducted more surprise site visits, on the request of the Board, to ascertain the existence and validity of receivables due from Shanxi Electric Environment Engineering ("Shanxi"), Changshu City Environment ("Changshu") and Chongmei International Engineering ("Chongmei").

From the procedures performed during the site visits, the Auditors RT was able to locate Shanxi's physical place of operations based on the address furnished by the previous Finance Department, which is the same address indicated in the confirmation received by Auditors RT during their audit. The confirmation was received by Auditors RT without any exception, that is, the balance was confirmed by Shanxi without any disagreement. However, when Auditors RT reached Shanxi, the Shanxi finance manager when asked about the confirmation, replied that the figure confirmed was not correct. The Shanxi Finance manager also informed that the correct amount should be approximately RMB 22 million instead of RMB 70 million. Based on the findings from the site visit, the Board is of the view that the trade receivables due from Shanxi Electric amounting to 70 Million RMB in its subsidiary Fujian Dongyuan Environmental Protection Co., Ltd financials for FY2015 is likely to be grossly overstated by 48 Million in the unaudited Group financials for FY2015. These trade receivables make up to approximately 8.91% of the total gross receivables of RMB 786 million before impairment.

The Company was unable to confirm the amount of trade receivables due by the other 2 customers Changshu amounting to RMB44 million and Chongmei amounting to RMB16 million from the site visits. Further investigations for this 2 customers are still in progress. Both Changshu and Chongmei make up approximately 5.72% and 2% respectively of the total gross receivables of RMB 786 million before impairment.

The Group would assess and make adjustments into its FY2015 accounts in view of the above findings.

The 1st and 2nd site visits together had covered an approximate amount of RMB 646 million which make up approximately 82% out of the total gross receivables of RMB 786 million before impairment. Out of the total gross receivables of RMB 786 million before impairment, approximately 43.5% is concluded to be non-existent, 30.8% concluded to be overstated; an overstatement of RMB 211 million and 7.7% is still under investigations.

The Company would write to the former Executive Chairman Huang Min and the Ex-CFO to query on these non-existent and overstated trade receivables identified during the 1st and 2nd surprise site visits.

37. Basis for Revision (Cont'd)

(vii) Update on landlord lockout

On 19 October 2016, the Company's wholly-owned subsidiary, Fujian Dongyuan Environmental Protection Co., Ltd received a letter of demand dated 14 October 2016 ("Letter of Demand") from Fujian Mintai Environmental Protection Co., Ltd (wholly-owned by the Group's Major Shareholder Mr Huang Min and his spouse, "Landlord") claiming the repayment of RMB 3,209,712 in alleged overdue rental arrears.

Notice was given in the Letter of Demand that, unless the overdue rental arrears are paid to the Landlord by 20 October 2016, the Landlord shall take litigation action though its lawyer.

On 25 October 2016, the Company announced that pursuant to the Letter of Demand from Fujian Mintai Environmental Protection Co., Ltd (wholly-owned and controlled by the Group's Major Shareholder Mr Huang Min and his spouse, "Landlord") announced on 19 October 2016, the Landlord locked the premises of Fujian Dongyuan Environmental Protection Co., Ltd.

Due to the lock-out, the Company was unable to access the office and all the accounting and financial records that are housed in the premises.

In response to the Letter of Demand, the Company had through its Chinese solicitors, sent a reply to Fujian Mintai Environmental Protection Co., Ltd' s solicitors asking for a grace period and to move out its accounting and financial records by 11 November 2016.

Thereafter, the Company has informed its Chinese staff in Fujian Dongyuan Environmental Protection Co., Ltd to pack the accounting and financial records in preparation for the move on 11 November 2016. A logistics mover team was engaged and the logistics team arrived on 11 November 2016 at Fujian Dongyuan Environmental Co Ltd. However, the premises were locked on 11 November 2016 and the Company was unable to retrieve any accounting and financial records.

The Company had tried to contact the building management personnel to unlock the premises but was not able to.

As announced on 18 August 2017, pursuant to the judgment obtained by the China Construction Bank ("CCB") against the Company's wholly owned subsidiary Fujian Dongyuan Environmental Protection Co., Ltd ("FJDY") announced on 18 August 2017, CCB was entitled to sell off the land use rights and property assets of Fujian Mintai Environmental Protection Co. Ltd ("FJMT") pledged as security for this loan. As part of the handover requirements of the Longyan People Court in this regard, the Company's personnel were allowed to gain access to FJDY's office premises on 26 July 2017 to pack up and retrieve FJDY's documents from the office premises.

Upon gaining entry to the FJDY premises, it was discovered that the office was in a state of disarray, with evidence of ransacking. The Company is in the process of reviewing the documents retrieved from the premises. On preliminary review, documents appear to be missing, and the records of the FJDY's various departments are therefore likely incomplete.

38. Subsequent event

Completion of placement of warrants and new ordinary shares

On 7 January 2015, the Company announced the completion of the placement of 72,500,000 warrants and 72,500,000 new ordinary shares of S$0.104 each ("Placement"). Following completion of the Placement, the total number of issue ordinary shares of the Company increased from 735,520,646 shares to 808,020,646 shares. The new shares rank *pari passu* in all respects with existing ordinary shares of the Company.

The 72,500,000 unlisted warrants were allotted to the subscriber. These warrants granting the right to the subscriber to subscribe for one new share for each warrant (i.e. total 72,500,000 shares) (the "Warrant Shares") at the issue price of S$0.104 per Warrant Share, for an aggregate amount of S$7,540,000. The warrants may only be exercised in whole by the subscriber at any time, but in any event no later than the date falling 18 months from the issue date of the warrants.

39. Comparative figures

The new independent Auditor's Report dated 26 April 2019 on the previously issued FY 2013 financial statements audited by Baker Tilly TFW LLP, the auditor's report of which was unmodified and was dated 13 March 2014, contains a disclaimer of opinion. Below is the extract of the basis for disclaimer of opinion.

Extracted from the new independent Auditor's Report on the revised financial statements for the financial year ended 31 December 2013

Basis for Disclaimer of Opinion

(1) Non-existence of 5 major trade receivables as at 31 December 2015

i) *Findings of PRC legal firm on 2 significant trade receivables*

On 21 September 2016 and as disclosed in Note 37(iii), the New Board [see Note 37(i)] announced the findings of their appointed legal firm in PRC (Oudun Law Firm – 欧顿律师) on their investigation into the existence of the following two significant trade receivables:

a) Nanning Youji Technology Co Ltd (南宁市友济科技有限公司);

b) Anhui Shengyun Mechnical Co. Ltd (安徽盛运机械股份有限公司);

Based on the announcement, Oudun Law Firm were of the opinion that the trade receivables due from Nanning Youji Technology Co Ltd and Anhui Shengyun Mechnical Co. Ltd were non-existent.

ii) *Significant findings from physical first site visit on 2 major trade receivables*

As disclosed in Note 37(iv), at the new Board's request, we, along with the Company's Group Financial Controller (who had resigned as at the date of this Report) and an Assistant General Manager of the Company's PRC subsidiary, Xiamen GongYuan Environmental Protection Technology Co., Ltd ("XMGY") [incorporated on 27 January 2014] had on 17 and 18 November 2016 performed a surprise site visit on the above 2 major trade receivables namely Nanning Youji Technology Co Ltd ("NNYJ") and Anhui Shengyun Mechnical Co. Ltd ("AHSY") ["1st Site Visit"].

39. Comparative figures (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

(1) Non-existence of 5 major trade receivables as at 31 December 2015 (Cont'd)

ii) *Significant findings from physical first site visit on 2 major trade receivables (Cont'd)*

During our 1st Site Visit, we were unable to locate NNYJ's physical place of operations based on the address furnished by the previous Finance Department of the Company's PRC subsidiary, Fujian Dongyuan Environmental Protection Co., Ltd ("FJDY"), which is the same address indicated in the confirmation request letter received by us from the previous Finance Department of FJDY during our audit for FY 2015.

We had received a confirmation from NNYJ via courier from PRC on 4 May 2016 without exception, that is, the balance which amounted to RMB 341.69 million as at 31 December 2015 was confirmed by NNYJ without any disagreement.

Based on our findings of this inconsistency between the confirmation received by us and the inability to identify the physical location and existence of NNYJ, the New Board had concluded that the balance of RMB 341.69 million due from NNYJ as at 31 December 2015 (the bulk of which was brought forward balance from FY 2014 and FY 2013) is likely to be non-existent.

Similarly, our surprise site visit to AHSY office also found discrepancies on the outstanding balance of RMB 163.84 million as at 31 December 2015. We were unable to locate AHSY's Financial Controller or any key finance personnel responsible for the confirmation we had received via courier from PRC on 19 April 2016, which is prior to our 1st Site Visit which indicated the confirmed balance of RMB 163.84 million as at 31 December 2015.

As an alternative procedure, we decided to leave a new confirmation request letter with AHSY's Finance Department and was surprised to receive a second confirmation after our 1st Site Visit indicating Nil balance owed to the Company as at 31 December 2015. This second confirmation from AHSY which was dated 2 December 2016 was received via courier from PRC.

Based on our findings, the New Board had concluded that the balance of RMB 163.84 million due from AHSY as at 31 December 2015 (the bulk of which was also brought forward balance from FY 2014 and FY 2013) was likely to be non-existent.

The New Board had also concluded that the trade balance of these 2 major trade receivables were also non-existent as at 31 December 2013 where the outstanding balances from NNYJ and AHSY stood at RMB 15.75 million and RMB 67.65 million respectively.

We have since reported our findings to the Audit Committee immediately after our 1st Site Visit on 18 November 2016 and after deliberation by the New Board, the Company filed a report with the Commercial Affairs Department ("CAD") and served a writ of summons on the former Executive Chairman, Mr Huang Min for these 2 non-existent trade receivables as announced by the Company on 6 January 2017.

39. Comparative figures (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

(1) Non-existence of 5 major trade receivables as at 31 December 2015 (Cont'd)

ii) *Significant findings from physical first site visit on 2 major trade receivables (Cont'd)*

In view of the findings during the 1st Site Visit, and at the request of the New Board, we, along with the Company's Group Financial Controller (who had resigned as at the date of our Report) and a personnel from the Marketing Department of the Company's PRC subsidiary, XMGY (incorporated on 27 January 2014) had on 28 and 29 December 2016 conducted another surprise site visit ("2nd Site Visit") on the following major trade receivables:

a) Shanxi Electric Environment Engineering ("Shanxi Electric") [山西省电力环保设备工程有限公司];

b) Changshu City Environment ("Changshu") [常熟市华能环保工程有限公司];

c) Chongmei International Engineering ("Chongmei") [中煤国际工程集团北京华宇工程有限公司]

For details, please refer to Note 37(v) on the Company's announcement.

Based on the procedures we had performed during our 2nd Site Visit, we were able to locate Shanxi Electric's physical place of operations based on the address furnished by the previous Finance Department of FJDY, which is the same address indicated in the confirmation we had received during our audit for FY 2015.

The confirmation was received without exception, that is, the balance of RMB 70.04 million outstanding as at 31 December 2015 was confirmed by Shanxi Electric without any disagreement.

iii) *Significant findings from physical second site visit on 3 major trade receivables*

However, when we approached the Finance Manager of Shanxi Electric to verify the confirmed balance, we were informed that the correct amount should be RMB 22 million as at 31 December 2015 instead of RMB 70.04 million. When we queried on the reason for the discrepancy, we were informed by the Finance Manager that she was informed by management of the Company's PRC subsidiary, FJDY to inflate the outstanding balance as her company was facing financial difficulties and she had not been paid her salaries for the past 4 months.

Based on our findings, the Board was of the view that the trade balance due from Shanxi Electric amounting to RMB 70.04 million in the Company's PRC subsidiary, FJDY's financials for FY 2015 is likely to be grossly overstated.

For Changshu, we were able to locate the physical place of operation based on the address furnished by the previous PRC Finance Department of FJDY, which is the same address indicated in the confirmation we had received during our audit for FY 2015. The confirmation was received without exception, that is, the balance of RMB 44.97 million outstanding as at 31 December 2015 was confirmed by Changshu without any disagreement.

However, the company's name at the address during our site visit was indicated as 江苏鑫華能環保工程股份有限公司 instead of 常熟市华能环保工程有限公司.

39. Comparative figures (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

(1) Non-existence of 5 major trade receivables as at 31 December 2015 (Cont'd)

iii) *<u>Significant findings from physical second site visit on 3 major trade receivables (Cont'd)</u>*

For Chongmei, we were able to locate the physical place of operation based on the address furnished by the previous PRC Finance Department of FJDY, which is the same address indicated in the confirmation we had received during our audit for FY 2015. The confirmation was received without exception, that is, the balance of RMB 16.03 million outstanding as at 31 December 2015 was confirmed by Chongmei without any disagreement.

We were also able to locate the operation and marketing manager who had confirmed the balance to us. However, he was surprised to see us with the confirmation and denied confirming the balance of RMB 16.03 million as at 31 December 2015. He also denied that he had signed on the confirmation and claimed that it was a fraudulent act.

In view of the above, we were unable to verify the confirmations that we had received during our 2nd Site Visit for Changshu and Chongmei.

Our above findings were communicated to the Audit Committee and the New Board on 3 January 2017.

Based on our findings, and upon further investigation by the Company, the New Board had concluded that both Changshu and Chongmei, which made up approximately 5.72% and 2.04% respectively of the total trade receivables of RMB 786.13 million as at 31 December 2015 before impairment, are non-existent. For Shanxi Electric, the outstanding amount of RMB 70.04 million which constituted 8.91% of the total trade receivables as at 31 December 2015 before impairment had been overstated by RMB 48 million.

The New Board had also concluded that the trade balance of these 3 major trade receivables were also non-existent as at 31 December 2013 where the outstanding balances from Shanxi Electric, Changshu and Chongmei stood at RMB 53.19 million, RMB 57.81 million and RMB4.34 million respectively.

Arising from the findings of these 5 major trade receivables from our 1st Site Visit and 2nd Site Visit, the New Board had concluded that the instances of severe non-compliance as stated in ACRA's Advisory Letter dated 23 October 2015 were a result of these non-existent trade receivables as at 31 December 2015, 31 December 2014 and 31 December 2013.

Accordingly, the revision on the FY 2013 consolidated financial statements performed by the New Board were based on the reversal of revenue, costs of sales, trade receivables and the monies received and paid arising from sales made to these 5 major trade receivables, which were non-existent.

For this revision exercise, the starting reference point were all the related entries in relation to the 5 major trade receivables as at 31 December 2015 and thereafter, management rolled backwards those numbers till 31 December 2013. Accordingly, all revision adjustments for the financial year ended 31 December 2012 and earlier has been adjusted through the brought forward revenue reserves as at 1 January 2013.

The effects of the revision on the FY 2013 consolidated financial statements arising from these non-existent trade receivables are disclosed in Note 37(i).

39. Comparative figures (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

(1) Non-existence of 5 major trade receivables as at 31 December 2015 (Cont'd)

iii) *Significant findings from physical second site visit on 3 major trade receivables (Cont'd)*

Our FY 2015 audit findings on the discrepancies noted between our surprise site visits and the confirmation received for these 5 major trade receivables which amounted to RMB 636,576,000 constituted approximately 81% of the trade receivables as at 31 December 2015 before impairment.

The New Board had concluded that those 5 major trade receivables which amounted to RMB 198,729,000 as at 31 December 2013 and which constituted to approximately 41% of the trade receivables as at 31 December 2013 were also non-existent. These may have also affected many related accounts as at 31 December 2013 such as:

- Revenue; costs of sales and related expenses;
- Cash and cash equivalents;
- Trade and bill receivables;
- Trade and bill payables
- Revenue reserves

In addition, we were faced with limitation of scope arising from i) the loss of accounting records and supporting documents as detailed in point (3) below; ii) lack of access to the working papers of the predecessor auditor, Baker Tilly TFW LLP and we were not the statutory auditor for the FY 2013 financial statements other than to issue this new Auditor's Report on the previously issued FY 2013 financial statements audited by Baker Tilly TFW LLP, the auditor's report of which is dated 13 March 2014.

Consequently, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves on the carrying amounts of the trade receivables as at 31 December 2013 and the related affected accounts mentioned above, including existence, valuation, completeness, presentation, and disclosures.

(2) Opening balances

As disclosed in point (1) above in our Basis for Disclaimer of Opinion paragraphs, all revision adjustments for the financial year ended 31 December 2012 and earlier has been adjusted through the brought forward revenue reserves as at 1 January 2013 due to lack of accounting records.

Since the opening balances as at 1 January 2013 are entered into the determination of the financial position of the Group and of the Company as at 31 December 2013 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended 31 December 2013, we were unable to determine whether adjustments, if any, might have been found to be necessary in respect of the Group's and the Company's financial statements for the financial year ended 31 December 2013.

Our opinion on the current financial year's financial statements of the Group and the Company is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures.

39. Comparative figures (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

(3) Loss of Partial Accounting Books and Records and Supporting Documents

As disclosed in Note 37(vii), the New Board announced on 18 August 2017 that pursuant to the judgment obtained by China Construction Bank ("CCB") against the Company's wholly owned subsidiary FJDY, CCB is entitled to sell off the land use rights and property assets of a related company, Fujian Mintai Environmental Protection Co. Ltd ("FJMT") [which is owned by former executive Chairman, Mr Huang Min] which was previously pledged as security for this loan. As part of the handover requirements of the Longyan People Court in this regard, the Company's personnel were allowed to gain access to FJDY's office premises on 26 July 2017 to pack up and retrieve FJDY's documents from the office premises.

Upon gaining entry to the FJDY premises, it was discovered that the office was in a state of disarray, with evidence of ransacking. The Company is in the process of reviewing the documents retrieved from the premises. It was announced that based on preliminary review, documents appear to be missing, and the records of the FJDY's various departments were therefore likely incomplete.

For the purpose of the revision of the FY 2013 financial statements, the financial statements were reconstructed by management based on information and supporting documents that were made available to the New Board after the change of legal representative in the principal subsidiary, FJDY from Mr Huang Min to Mr Norman Winata on 15 August 2016.

Based on information obtained to-date, management had made adjustments to the FY 2014 financial statements as stated in Note 37(i) arising from those non-existent trade receivables.

In view of the limitation of scope imposed on us due to the loss of accounting records and supporting documents, consequently, we were unable to satisfy ourselves as to the appropriateness of the adjustments/revision for the FY 2013 financial statements.

40. Authorisation of financial statements

The revised consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors dated 26 April 2019.