中國環保

China Environment Ltd.

CHINA ENVIRONMENT LTD.
AND ITS SUBSIDIARIES

(Co. Reg. No. 200301902W)

REVISED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2013

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 2013.

This new directors' report replaces the original directors' report signed on 13 March 2014. 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 14 March 2014 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 13 March 2014 to 26 April 2019 are as follows:

Directors in office at	Movements during the period from 13 March 2014 to 26 April 2019		Directors in office at
13 March 2014	Appointment	Resignation	26 April 2019
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.

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 1.1.2013	**At 31.12.2013**	**At 1.1.2013**	**At 31.12.2013**
Name of director and company in which interest is held				
The Company				
China Environment Ltd.				
Huang Min (Resigned on 28 March 2016)	–	–	245,728,000*	180,728,000*
Wu Jida (Resigned on 23 June 2016)	–	–	5,000,000#	5,000,000#
Andrew Bek (Resigned on 23 June 2016)	19,687,000	19,687,000	–	–

* Mr Huang Min is deemed to have an interest in 180,728,000 China Environment Ltd.'s shares held by virtue of his shareholdings of 135,728,000 shares held in Prosper Big International Limited through Credit Suisse AG, Singapore branch's client account with HSBC (Singapore) Nominees Pte Ltd and 45,000,000 shares held through LGT Bank (Singapore) Ltd's client trust account with Citibank Nominees Singapore Pte Ltd respectively.

\# 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.

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the directors of the Company state that, according to the register of the directors' shareholding, the directors' interest as at 21 January 2014 in the shares of the Company have not changed from those disclosed as at 31 December 2013.

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. As at the date of the original report, 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.

During the financial year, the Company granted 3,500,000 options to subscribe for total of 3,500,000 ordinary shares of the Company at exercise price of S$0.59 per share, including 3,000,000 options granted to a director of the Company, Mr Wu Jida.

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 1.1.2013	Options granted	Aggregate options outstanding at 31.12.2013
11 November 2013	0.59	–	3,500,000	3,500,000

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.

DIRECTORS' REPORT

6. 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 carries 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.

7. Independent auditor

The independent auditor for the financial year ended 31 December 2013 was Baker Tilly TFW LLP. The revised financial statements for the financial year ended 31 December 2013 were audited by RT LLP who was first appointed for the financial year ended 31 December 2015.

On behalf of the directors

Norman Winata	Koit Ven Jee
Director	Director

26 April 2019

DIRECTORS' STATEMENT

This new directors' statement replaces the original directors' statement signed on 13 March 2014. 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 14 March 2014 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 2013 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 (13 March 2014), 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 2013

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 2013, 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 13 March 2014.

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

i) <u>Findings of PRC legal firm on 2 significant trade receivables</u>

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.

Report on the Revised Financial Statements (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*

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, 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.

Report on the Revised Financial Statements (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*

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.

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.

Report on the Revised Financial Statements (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)

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.

Report on the Revised Financial Statements (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)

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).

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; 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 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.

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 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.

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 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 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 and 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 financial statements for the financial year ended 31 December 2012 were audited by the same predecessor auditor who expressed an unmodified opinion on those statements on 15 March 2013.

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 2013

	Note	Group 2013 RMB'000 (Revised) [Note 37(i)]	Group 2012 RMB'000
Revenue	3	**276,225**	409,148
Cost of sales		**(205,118)**	(317,795)
Gross profit		**71,107**	91,353
Other income	4	**3,248**	1,909
Selling and distribution expenses		**(19,751)**	(14,001)
Administrative expenses		**(21,348)**	(23,797)
Finance costs	5	**(12,728)**	(13,200)
Exceptional gain	6	**42,589**	-
Profit before tax	7	**63,117**	42,264
Tax expense	9	**(3,379)**	(1,570)
Profit for the year		**59,738**	40,694
Other comprehensive (loss)/income for the year, net of tax			
Item that are or may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		**(2,878)**	2,333
Total comprehensive income for the year		**56,860**	43,027
Earnings per share for profit attributable to equity holders of the Company (RMB cents per share)			
– Basic and diluted	10	**9.0**	6.4

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

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2013

		Group		Company	
		2013	2012	**2013**	2012
	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	**296,390**	270,607	**–**	–
Land use rights	12	**4,492**	4,588	**–**	–
Prepayment for land use rights	13	**49,150**	49,150	**–**	–
Investment in subsidiaries	14	**–**	–	**698,668**	618,600
Investment in associated company	15	**2,450**	–	**–**	–
Total non-current assets		**352,482**	324,345	**698,668**	618,600
Current assets					
Inventories	16	**20,516**	17,578	**–**	–
Trade and bill receivables	18	**292,791**	163,951	**135**	27
Other receivables, deposits and prepayments	19	**84,148**	44,452	**171**	170
Loans receivable from subsidiaries	20	**–**	–	**95,233**	21,580
Dividend receivable from a subsidiary		**–**	–	**21,710**	23,227
Cash and cash equivalents	21	**165,343**	71,745	**12,703**	195
Total current assets		**562,798**	297,726	**129,952**	45,199
Total assets		**915,280**	622,071	**828,620**	663,799
Non-current liability					
Deferred tax liability	22	**5,030**	5,030	**–**	–
Current liabilities					
Trade and bill payables	23	**28,994**	25,163	**–**	–
Other payables and accruals	24	**46,855**	47,434	**2,322**	3,301
Amount due to a director (non-trade)	25	**57,821**	–	**57,821**	–
Short-term borrowings	26	**177,928**	163,990	**–**	–
Amounts due to subsidiaries (non- trade)	27	**–**	–	**2,885**	4,944
Tax payable		**3,679**	2,765	**–**	–
Total current liabilities		**315,277**	239,352	**63,028**	8,245
Total liabilities		**320,307**	244,382	**63,028**	8,245
Net assets		**594,973**	377,689	**765,592**	655,554

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

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2013

		Group		Company	
		2013	2012	**2013**	2012
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
		(Revised)	(Revised)		
		[Note 37(i)]	[Note 37(i)]		
Equity attributable to equity holders of the Company					
Share capital	28(a)	**352,241**	193,052	**773,549**	614,360
Other reserves	29	**78,081**	65,503	**–**	–
Share option reserve	28(b)	**1,171**	–	**1,171**	–
Currency translation reserve		**3,693**	6,571	**7,783**	51,777
Revenue reserve/(accumulated losses)		**159,787**	112,563	**(16,911)**	(10,583)
Total equity		**594,973**	377,689	**765,592**	655,554

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2013

	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 equity RMB'000 (Revised)
Group							
Balance at 1 January 2012		193,052	57,735	–	4,238	269,878	524,903
Profit for the year		–	–	–	–	40,694	40,694
Other comprehensive income for the year, net of tax							
- Currency translation differences arising from consolidation		–	–	–	2,333	–	2,333
Total comprehensive income for the year		–	–	–	2,333	40,694	43,027
Transfer to other reserves		–	7,768	–	–	(7,768)	–
Dividend paid	30	–	–	–	–	(6,448)	(6,448)
Balance at 31 December 2012		193,052	65,503	–	6,571	296,356	561,482
Revenue reserve adjustment		–	–	–	–	(183,793)	(183,793)
Revised Balance at 31 December 2012		193,052	65,503	–	6,571	112,563	377,689
Profit for the year		–	–	–	–	59,738	59,738
Other comprehensive income for the year, net of tax							
- Currency translation differences arising from consolidation		–	–	–	(2,878)	–	(2,878)
Total comprehensive income for the year		–	–	–	(2,878)	59,738	56,860
Refund of unclaimed cash distribution		–	–	–	–	64	64
Proceeds from new shares placement	28(a)	162,243	–	–	–	–	162,243
Share issuance expenses	28(a)	(3,054)	–	–	–	–	(3,054)
Grant of equity-settled share option to employees	28(b)	–	–	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**

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2013

	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
Company						
Balance at 1 January 2012		614,360	–	18,207	7,806	640,373
Loss for the year		–	–	–	(11,941)	(11,941)
Other comprehensive income for the year, net of tax						
- Currency translation differences		–	–	33,570	–	33,570
Total comprehensive income/(loss) for the year		–	–	33,570	(11,941)	21,629
Dividend paid	30	–	–	–	(6,448)	(6,448)
Balance at 31 December 2012		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	28(a)	162,243	–	–	–	162,243
Share issuance expenses	28(a)	(3,054)	–	–	–	(3,054)
Grant of equity-settled share option to employees	28(b)	–	1,171	–	–	1,171
Balance at 31 December 2013		**773,549**	**1,171**	**7,783**	**(16,911)**	**765,592**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2013

	Group	
	2013	2012
	RMB'000	RMB'000
	(Revised)	
	[Note 37(i)]	
Cash flows from operating activities		
Profit before tax	**63,117**	42,264
Adjustments for:		
Depreciation of property, plant and equipment	**967**	1,051
Amortisation of land use rights	**96**	96
Interest expense	**9,291**	10,353
Interest income	**(2,348)**	(769)
Exceptional gain (Note 6)	**42,589**	–
Property, plant and equipment written off	**118**	62
Share option expense	**1,171**	–
Operating cash flow before movements in working capital	**115,001**	53,057
Inventories	**(2,938)**	42,212
Project work-in-progress	**–**	1,389
Trade and other receivables	**(211,336)**	177,075
Trade and other payables	**3,253**	8,398
Currency translation adjustment	**(1,983)**	2,296
Cash (used in)/generated from operations	**(98,003)**	284,427
Interest received	**2,348**	769
Income tax paid	**(12,372)**	(13,224)
Income tax refund	**10,119**	12,324
Net cash (used in)/generated from operating activities	**(97,908)**	284,296
Cash flows from investing activities		
Prepayment for land use rights	**–**	(49,150)
Purchase of plant and equipment	**(330)**	(19)
Increase in construction work-in-progress	**(26,540)**	(255,704)
Investment in associated company	**(2,450)**	–
Net cash used in investing activities	**(29,320)**	(304,873)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2013

	Group	
	2013	2012
	RMB'000	RMB'000
	(Revised)	
	[Note 37(i)]	
Cash flows from financing activities		
Increase in deposits restricted-in-use	**(30,628)**	(27,324)
Proceeds from borrowings	**271,928**	198,990
Repayments of borrowings	**(257,990)**	(147,500)
Dividend paid	**–**	(6,448)
Interest paid	**(9,291)**	(10,353)
Net proceeds from new shares placement	**159,189**	–
Refund of unclaimed cash distribution	**64**	–
Amount due to a director (non-trade)	**57,821**	–
Net cash generated from financing activities	**191,093**	7,365
Net increase/(decrease) in cash and cash equivalents	**63,865**	(13,212)
Cash and cash equivalents at beginning of financial year	**27,345**	40,521
Effect of exchange rate changes on cash and cash equivalents	**(895)**	36
Cash and cash equivalents at end of financial year (Note 21)	**90,315**	27,345

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

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 Securities Trading 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. 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 13 March 2014. 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 13 March 2014 and accordingly, do not consider any events which occurred between 14 March 2014 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 expressed in Chinese Renminbi ("RMB"), which is the presentation currency of the Group (Note 2(t)).

The consolidated financial statements have been prepared in accordance with the provisions of Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards ("FRS"). The consolidated financial statements have been prepared under the historical cost convention except as disclosed where appropriate in the financial statements.

The preparation of consolidated 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 reporting date 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.

2. Significant accounting policies (Cont'd)

(a) Basis of preparation (Cont'd)

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. 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(aa) to the financial statements.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, and short-term loans 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.

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.

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 2013 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.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. 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.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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.

2. Significant accounting policies (Cont'd)

(b) Basis of consolidation (Cont'd)

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, the excess is recognised as gain on bargain purchase in profit or loss on the date of acquisition.

Non-controlling interest 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 comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interest based on their respective interests in a subsidiary, even if the subsidiary incurred losses and the losses allocated exceed the non-controlling interest in the subsidiary's equity.

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 owner in their capacity as owners).

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 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.

Consolidation of the subsidiaries in the PRC is based on the subsidiaries' 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 subsidiaries, prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the PRC subsidiaries are based on the amounts stated in the PRC statutory financial statements.

2. Significant accounting policies (Cont'd)

(c) **Subsidiaries**

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the Board of Directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control over another entity.

In the Company's statement of financial position, investment in subsidiaries are accounted for at cost less 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.

(d) **Associated companies**

An associated company is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting.

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.

In applying the equity method of accounting, 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 associate 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 associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate company.

Upon loss of significant influence over the associate company, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the associate 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.

2. Significant accounting policies (Cont'd)

(d) Associated companies (Cont'd)

Gains and losses arising from partial disposals or dilutions in investments in associated companies in which significant influence is retained are recognised in profit or loss.

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

(e) Revenue and other income

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.

These are recognised on the following basis:

Revenue from construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised in profit or loss by reference to the stage of completion of the contract activity at the reporting date. Contract revenue comprises the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that the customers will approve or accept the claims and the amounts can be measured reliably.

The stage of completion is measured by the value of work performed relative to the total contract value. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

Interest income

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

Dividend income

Dividend income is recognised when the right to receive payment is established.

(f) Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the subsidy will be received and all terms and conditions relating to the subsidy have been complied with. Where the subsidy relates to an expense item, it is recognised in profit or loss over the periods necessary to match them on a systematic basis to the costs that it is intended to compensate. Where the subsidy relates to an asset, the fair value is recognised as deferred capital grant on the reporting date and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2. Significant accounting policies (Cont'd)

(g) Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds are recognised as an expense in the period in which they are incurred except for borrowings costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. The interest expense is calculated using the effective interest method.

(h) Employee benefits

(i) 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.

(ii) 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 service rendered by employees up to the reporting date.

(iii) 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.

2. Significant accounting policies (Cont'd)

(i) Income taxes (Cont'd)

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 reporting date, 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 reporting date 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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, 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 reporting date.

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 income 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.

2. Significant accounting policies (Cont'd)

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

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.

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
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.

(l) Impairment of non-financial assets

At the end of the reporting period, the Group reviews 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Significant accounting policies (Cont'd)

(l) **Impairment of non-financial assets (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) **Financial assets**

(i) 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 reporting date. 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.

(ii) 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.

(iii) Initial measurement

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

(iv) Subsequent measurement

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

2. Significant accounting policies (Cont'd)

(m) Financial assets (Cont'd)

(v) 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 a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortised cost at the reversed date. The amount of reversal is recognised in profit or loss.

(n) 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.

(o) Project work-in-progress

The gross amounts due from or to customers for contract work at the end of the reporting period are recorded in the statement of financial position at cost plus attributable profit less recognised losses, net of progress billings and allowance for foreseeable losses, and are presented in the statement of financial position as "Project work-in-progress (due from contract customers)" (as an asset) for all contracts in progress for which cost incurred plus recognised attributable profit (less recognised losses) and allowance for foreseeable losses exceed progress billings or "Project work-in-progress (due to contract customers)" (as a liability) for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses) and allowance for foreseeable losses. Construction costs include cost of direct materials, direct labour and overhead costs incurred in connection with the construction.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Progress billings not yet paid by the customer are included in the statement of financial position under "Trade receivables". Amounts received before the related work is performed are included in the statement of financial position as a liability, as "Advances from customers".

2. Significant accounting policies (Cont'd)

(p) **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.

(q) **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.

(r) **Provisions**

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 reporting date. 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.

(s) **Related parties**

A related party is defined as follows:

a) A person or a close member of that person's family is related to the Group and the Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Group or the Company or a parent of the Company.

2. Significant accounting policies (Cont'd)

(s) **Related parties (Cont'd)**

b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary company and fellow subsidiary company is related to the others).

(ii) one entity is associated company or joint venture of other entity (or associated company or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is associated company of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(t) **Foreign currencies**

Functional and presentation currency

The individual financial statements of each entity in the Group are measured in the currency of the primary economic environment in which the 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 (the "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 included 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. 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 reporting date;

(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 taken to 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

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 lease term.

When an operating lease is terminated before the expiry of the lease period, 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.

(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) Dividend

Interim dividends are recorded during the financial year in which they are declared payable.

Final dividends are recorded in the Group's financial statements in the period in which they are approved by the Company's shareholders.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Significant accounting policies (Cont'd)

(x) 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 amount that would be recognised if they were accounted for as contingent liabilities. Financial guarantees contracts are amortised in profit or loss over the period of the guarantee.

(y) 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.

(z) 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.

(aa) 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.

(i) 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.

2. Significant accounting policies (Cont'd)

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

(i) Key sources of estimation uncertainty (Cont'd)

Depreciation of property, plant and equipment

Management estimates the useful lives of the Group's property, plant and equipment to be within 1 to 10 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 RMB296,390,000 (2012: RMB270,607,000).

Allowance for doubtful receivables

An allowance is provided for doubtful accounts on the estimated losses resulting from the subsequent inability of the Group's customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyses accounts receivables and analyses historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgment to evaluate the adequacy of the allowance for doubtful receivables.

The carrying amount of the Group's and Company's trade receivables at the end of the reporting period are RMB292,791,000 (2012: RMB163,951,000) and RMB135,000 (2012: RMB27,000) respectively.

Project work-in-progress

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the reporting date, 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 value of work performed. The carrying amounts of assets and liabilities arising from construction contracts at the end of the reporting period are disclosed in Note 17.

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.

2. Significant accounting policies (Cont'd)

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

(i) Key sources of estimation uncertainty (Cont'd)

Income taxes (Cont'd)

The carrying amount of the Group's income tax liability at 31 December 2013 was approximately RMB3,679,000 (2012: RMB2,765,000).

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.

(ii) 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 the undistributed profits

The Group's determination as to whether to recognise deferred tax for withholding taxes that would be payable on the 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 31 December 2013 was approximately RMB5,030,000 (2012: RMB5,030,000).

3. Revenue

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

4. Other income

	Group	
	2013	2012
	RMB'000	RMB'000
Repairing service income	**12**	–
Disposal of scrap material	**120**	189
Government grant received	**768**	951
Bank interest income	**2,348**	769
	3,248	1,909

5. Finance costs

	Group	
	2013	2012
	RMB'000	RMB'000
Bank charges	**3,257**	2,847
Interest expense	**9,291**	10,353
Guarantor fees	**180**	–
	12,728	13,200

6. Exceptional gain

	Group	
	2013	2012
	RMB'000	RMB'000
	(Revised)	
Reversal of non-existence of sales and cost of sales:		
- Decrease in revenue	**(247,855)**	–
- Decrease in cost of sales	**190,330**	–
Reduced in gross profit	**(57,525)**	–
Exceptional gain/(loss) from reversal of transactions below:		
Output value added tax ("VAT") written off	**(42,135)**	–
Write off of cash received from non-existence customers, net of tax	**275,054**	–
Write off cash paid to non-existence suppliers, net of tax	**(190,330)**	–
Total exceptional gain	**42,589**	–
Net loss arising from non-existence of sales	**(14,936)**	–

6. Exceptional 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 arising from this revision relates to a net unreconciled difference due to the loss of partial accounting books, records and supporting documents.

7. Profit before tax

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

	Group	
	2013	2012
	RMB'000	RMB'000
Audit fees payable/paid to auditors of the Company	**619**	616
Fees for non-audit services paid to auditors of the Company	**27**	16
Amortisation of land use rights (Note 12)	**96**	96
Depreciation of property, plant and equipment (Note 11)	**967**	1,051
Property, plant and equipment written off	**118**	62
Personnel expenses (Note 8)	**23,854**	19,354
Rental on land and buildings	**1,246**	1,254
Foreign exchange (gain)/loss	**(3,516)**	2,193

8. Personnel expenses

	Group	
	2013	2012
	RMB'000	RMB'000
Directors of the Company		
- Directors' fees	**1,005**	884
- Salaries and bonus	**1,998**	1,760
- Defined contribution benefits	**93**	58
- Share-based payments (Employee Share Option Scheme) (Note 28(b))	**1,004**	–
Other director of a subsidiary		
- Salaries and bonus	**271**	191
- Defined contribution benefits	**73**	73
Key management personnel (non-directors)		
- Salaries and bonus	**1,386**	1,341
- Defined contribution benefits	**285**	308
- Share-based payments (Employee Share Option Scheme) (Note 28(b))	**167**	–
Other personnel		
- Salaries, wages and bonus	**15,689**	12,837
- Defined contribution benefits	**507**	1,718
Other personnel related expenses	**1,376**	184
	23,854	19,354

9. Tax expense

Tax expense attributable to profits is made up of:

	Group	
	2013	2012
	RMB'000	RMB'000
Current income tax - PRC	**12,650**	13,234
Tax credit received for prior years' taxation – PRC	**(10,119)**	(12,324)
Under provision of tax in prior year	**848**	–
Deferred tax expense	**–**	660
	3,379	1,570

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 profit before tax due to the following factors:

	Group	
	2013	2012
	RMB'000	RMB'000
	(Revised)	
Profit before tax	**63,117**	42,264
Tax calculated at domestic statutory tax rate	**9,199**	11,459
Expenses not deductible for tax purposes	**4,062**	1,744
Non-taxable items	**(611)**	(21)
Under provision of tax in prior year	**848**	–
Tax credit received for prior year's taxation due to tax savings on high-tech enterprise of a PRC subsidiary	**(10,119)**	(12,324)
Others	**–**	52
	3,379	910
Deferred tax expense arising from distributable profits of foreign subsidiary	**–**	660
	3,379	1,570

The domestic statutory tax rates for Singapore and PRC entities are 17% (2012: 17%) and ranging from 15% to 25% (2012: 25%) respectively for the financial year ended 31 December 2013.

A subsidiary in PRC was granted a high-tech enterprise status in July 2009. In March 2013, the PRC subsidiary was re-accredited as high-tech enterprise status and 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 years FY2013 to FY2015 instead of its current tax rate of 25%.

During the financial year, the subsidiary received income tax refund of RMB10,119,000 (2012: RMB12,324,000) in relation to year 2011. The income tax refund was credited against income tax expense for year 2013.

The potential income tax refund for financial year 2012 income tax filings which is estimated to be RMB5.3 million has not been refunded by the PRC tax authority.

The Group has unutilised tax losses of approximately RMB4,273,000 (2012: RMB4,447,500) 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 profit attributable to the equity holders of the Company used in the basic and diluted earnings per share computation:

	2013 (Revised) [Note 37(i)]	2012
Profit attributable to the shareholders (RMB'000)	**59,738**	40,694
Weighted average number of ordinary shares at the end of the year	**662,997,358**	639,520,646
Basic and diluted earnings per share (RMB cents/share)	**9.0**	6.4

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 2013 and 31 December 2012.

11. Property, plant and equipment

Group	Motor vehicles RMB'000	Office equipment RMB'000	Machinery RMB'000	Renovation RMB'000	Construction work-in-progress RMB'000	Total RMB'000
Cost						
At 1 January 2012	714	1,244	7,034	55	9,435	18,482
Additions	–	19	–	–	255,704	255,723
Write off	–	(149)	–	–	–	(149)
Currency alignment	–	6	–	2	–	8
At 31 December 2012	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**
Accumulated depreciation						
At 1 January 2012	323	554	1,573	37	–	2,487
Charge for the year (Note 7)	136	230	668	17	–	1,051
Write off	–	(87)	–	–	–	(87)
Currency alignment	–	3	–	3	–	6
At 31 December 2012	459	700	2,241	57	–	3,457
Charge for the year (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**
Net carrying value						
At 31 December 2012	255	420	4,793	–	265,139	270,607
At 31 December 2013	**122**	**568**	**4,021**	**–**	**291,679**	**296,390**

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

Company

	Office equipment RMB'000	Renovation RMB'000	Total RMB'000
Cost			
At 1 January 2012	83	54	137
Currency alignment	4	3	7
At 31 December 2012	87	57	144
Currency alignment	(6)	(4)	(10)
At 31 December 2013	**81**	**53**	**134**
Accumulated depreciation			
At 1 January 2012	67	38	105
Charge for the year	16	17	33
Currency alignment	4	2	6
At 31 December 2012	87	57	144
Currency alignment	(6)	(4)	(10)
At 31 December 2013	**81**	**53**	**134**
Net carrying value			
At 31 December 2012	–	–	–
At 31 December 2013	–	–	–

The construction work-in-progress refers to the construction of the office building, steel fabrication plant, electronic control assembly plant and warehouse on the land of 16,536 square meters in Fujian Province (Note 12) and prepayments for land use rights of 193,493 square meters in Anhui Province (Note 13).

12. Land use right

	Group 2013 RMB'000	Group 2012 RMB'000
Cost		
At 1 January and 31 December	**4,780**	4,780
Accumulated amortisation		
At 1 January	**192**	96
Amortisation for the year (Note 7)	**96**	96
At 31 December	**288**	192
Net carrying amount	**4,492**	4,588
Amount to be amortised:		
- Not later than one financial year	**96**	96
- Later than one year but not later than five financial year	**384**	384
- Later than five financial years	**4,012**	4,108

Location	**Lease period**	**Land Area**
Longyan Economic Development District, Fujian Province, PRC	Commencing from January 2011 to November 2060	16,536 square meters

13. Prepayment for land use rights

This pertains to prepayment for land use rights for purchase of a piece of land of 193,493 square meters located at Anhui Province, PRC. The cost of the land use rights had been fully paid as at year end. The land use rights certificate is expected to be transferred to the PRC subsidiary after year end upon the completion of relevant administrative procedures.

The parcel of land was pledged as security for the Group's short-term borrowings as disclosed in Note 26.

14. Investment in subsidiaries

	Company 2013 RMB'000	Company 2012 RMB'000
Unquoted equity shares, at cost	**699,460**	577,950
Impairment on investment	**(8,593)**	(8,593)
Currency alignment	**7,801**	49,243
	698,668	618,600

14. Investment in subsidiaries (Cont'd)

The movements in impairment on investment are as follows:

	Company	
	2013	2012
	RMB'000	RMB'000
Balance at beginning of the year	**8,593**	5,738
Impairment made and recognised in profit or loss	**–**	2,855
Balance at end of the year	**8,593**	8,593

Details of the subsidiaries are as follows:

Name of subsidiary	**Principal activities**	**Country of incorporation**	**Equity holding**	
			2013	2012
			%	%
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
Infinitron Asia Limited (2)	De-registered	Hong Kong	**–**	100
Held by subsidiaries				
Fujian Dongyuan Environmental Protection Co., Ltd. (3)	Waste gas treatment solutions provider – Design and construct waste gas treatment systems	PRC	**100**	100
Anhui Dongyuan Environmental Protection Co., Ltd. (3)	Waste gas treatment solutions provider – Design and construct waste gas treatment systems	PRC	**100**	100

(1) Audited by Baker Tilly TFW LLP.

(2) During the financial year, Infinitron Asia Limited, a dormant company which was incorporated in Hong Kong had been wound up on 26 December 2013. The winding up of this subsidiary has no significant impact to the Group's and Company's profit and net assets for the current financial year.

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

15. Investment in associated company

	Group 2013 RMB'000	Group 2012 RMB'000
Unquoted equity investment		
Balance at beginning of the financial year	**–**	–
Acquisition during the financial year	**2,450**	–
Balance at end of the financial year	**2,450**	–

Details of the associate are as follows:

Name and Country of incorporation	Principal activities	Percentage of equity held by the Company 2013 %	2012 %
Beijing Gongdao Environmental Protection Technology Co., Ltd (PRC)	Research and development, industrialisation and commercialisation industrial waste gas treatment technology and other environmental protection technologies	**49**	-

The associate company was dormant during the financial year.

16. Inventories

	Group 2013 RMB'000	Group 2012 RMB'000
Raw materials, at cost	**20,516**	17,578

The cost of inventories recognised as an expense and included in cost of sales amounted to RMB189,311,000 (2012: RMB60,758,000).

17. Project work-in-progress

	Group 2013 RMB'000	Group 2012 RMB'000
Construction costs	**120,842**	39,218
Attributable profits recognised to-date	**35,605**	13,129
	156,447	52,347
Progress billings	**(156,447)**	(52,347)
Due from contract customers	**–**	–

18. Trade and bill receivables

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Revised)	(Revised)		
	[Note 37(i)]	[Note 37(i)]		
Trade receivables *	**292,671**	163,951	**135**	27
Bill receivables	**120**	–	**–**	–
	292,791	163,951	**135**	27
*Retention monies included in trade receivables	**45,167**	36,533	**–**	–

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 sale contracts. 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 months (2012: Nil).

19. Other receivables, deposits and prepayments

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other receivables	**50,096**	12,689	**–**	–
Prepayments	**49**	39	**49**	39
Advance payments to suppliers	**33,879**	31,592	**–**	–
Deposits	**124**	132	**122**	131
	84,148	44,452	**171**	170

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	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash in hand and at banks *	**165,343**	71,745	**12,703**	195
Less: bank balances pledged	**(75,028)**	(44,400)	**–**	–
	90,315	27,345	**12,703**	195

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

	Group	
	2013	2012
	RMB'000	RMB'000
(a) Issuance of bill payables (Note 23)	**10,000**	15,000
(b) Short-term bank borrowings (Note 26)	**62,428**	29,400
(c) Performance guarantee for sale contract	**2,600**	–
	75,028	44,400

The bank balances pledged earned interest at effective rate of 3.5% (2012: 3.5%) per annum.

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	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Singapore dollars	**54,137**	*	**–**	–
United States dollars	**42,976**	149	**16**	17

* Less than RMB1,000

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% (2012: 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 RMB283,337,440 (2012: RMB233,443,400) 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	
	2013	2012
	RMB'000	RMB'000
Trade payables – third parties	**3,743**	5,202
Value-added tax payable	**5,251**	4,961
Bill payables	**20,000**	15,000
	28,994	25,163

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 (2012: 6 months). The bill payables were secured by certain bank balances pledged to financial institutions as disclosed in Note 21.

24. Other payables and accruals

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accrual for sub-contracted processing costs	**8,610**	3,759	**–**	–
Accrual for sale commission	**4,200**	4,651	**–**	–
Advance receipts from customers	**800**	3,396	**–**	–
Accrual for staff social welfare contribution	**5,734**	5,611	**–**	–
Salary payables	**370**	288	**–**	–
Other tax payable	**848**	711	**–**	–
Other payables	**26,293**	29,018	**2,322**	3,301
	46,855	47,434	**2,322**	3,301

In 2012, included in other payables was an amount of RMB23,100,000 owing to a related party. The non-trade amount was fully settled during the year.

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

Amount due to a director, Mr Huang Min is unsecured, non-interest bearing and repayable on demand.

26. Short-term borrowings

	Group	
	2013	2012
	RMB'000	RMB'000
Bank loans		
- secured	**82,825**	56,500
- unsecured	**95,103**	107,490
	177,928	163,990

26. Short-term borrowings (Cont'd)

For financial year ended 31 December 2013

Short term borrowing

Total bank loans of RMB60.1 million were secured by bank deposits of RMB62.4 million (Note 21). Another RMB22.7 million was secured by prepaid land use rights of a PRC subsidiary (Note 13) and guaranteed by a third party.

The bank loans of RMB45.1 million were not secured by the Company's assets. These bank loans were guaranteed/secured by:

a) Bank loans of RMB30.0 million was guaranteed by one of the Company's directors and a related party and secured by the land use rights and leasehold buildings of a related party, Fujian Mintai Environmental Protection Co., Ltd;

b) Bank loans of RMB10.1 million were guaranteed by one of the Company's directors and the subsidiary of the Company; and

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

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

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

	Group	
	2013	2012
	RMB'000	RMB'000
United States dollars	**60,125**	–
Hong Kong dollars	**10,103**	–

These bank loans are repayable within the next twelve months and bear fixed interest rates ranging from 1.57% to 7.00% (2012: 5.60% to 7.54%) per annum.

For financial year ended 31 December 2012

The bank loans of RMB27.5 million were secured by bank deposits of RMB29.4 million (Note 21). Another RMB29.0 million was secured by prepaid land use rights of a PRC subsidiary (Note 13).

Total bank loans of RMB37.5 million were not secured by the Company's assets. These bank loans were guaranteed/secured by:

a) Bank loans of RMB10.0 million was guaranteed by one of the Company's directors and by a local government owned company, Longyan City SME Credit Guarantee Centre; and

b) Bank loans of RMB27.5 million were guaranteed by one of the Company's directors and secured by the land use rights and leasehold buildings of a related party, Fujian Mintai Environmental Protection Co., Ltd.

The remaining bank loans of RMB70.0 million were not secured by any other assets or guaranteed by any other parties.

27. Amounts due to subsidiaries (non-trade) - Company

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	
	2013	2012
	RMB'000	RMB'000
Chinese Renminbi	**2,168**	1,928
Hong Kong dollars	**–**	1

28. Share capital

(a) Share capital

Group	2013 Number of issued shares	2013 Issued share capital RMB'000	2012 Number of issued shares	2012 Issued share capital RMB'000
At 1 January	**639,520,646**	**193,052**	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**	639,520,646	193,052

Company	2013 Number of issued shares	2013 Issued share capital RMB'000	2012 Number of issued shares	2012 Issued share capital RMB'000
At 1 January	**639,520,646**	**614,360**	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**	639,520,646	614,360

28. Share capital (Cont'd)

(a) Share capital (Cont'd)

During the financial year, the Company issued the following shares:

(a) 65,000,000 ordinary shares were issued on 5 September 2013 by way of private placement at an issue price of S$0.2513 per placement share. The net proceeds from the placement shares were RMB77,066,000 after share issuance expense.

(b) 31,000,000 ordinary shares were issued on 6 December 2013 by way of another private placement at an issue price of S$0.55 per placement share. The net proceeds from the placement shares were RMB82,123,000 after share issuance expenses.

The total net proceeds from the placement shares are used to provide funds for working capital, acquisition of fixed assets and investments (if opportunities arise). The newly issued shares rank *pari passu* in all respects with the previously issued shares.

(b) Share options

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 1.1.2013	Options granted	Aggregate options outstanding at 31.12.2013
11 November 2013	0.59	–	3,500,000	3,500,000

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.

29. Other reserves

	Group	
	2013	2012
	RMB'000	RMB'000
General reserve fund	**52,054**	43,669
Enterprise expansion reserve fund	**26,027**	21,834
	78,081	65,503

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:

(i) 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.

(ii) 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.

30. Dividend paid

	Group and Company	
	2013	2012
	RMB'000	RMB'000
First and final tax-exempt (1-tier) dividend paid of Nil (2012: RMB0.01) per share in respect of the current financial year	**–**	6,448

31. Related party transactions

Other than disclosed elsewhere in the consolidated financial statements, transactions by the Group with related parties on terms agreed between the parties concerned are as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Group's operating expenses paid on behalf by directors	**36,940**	13,870
Repayment to directors	**36,940**	13,870
Group's operating expenses paid on behalf by a related party	**–**	46,200
Repayment to a related party	**23,100**	23,100
Rental expenses charged by a related party	**639**	639

32. Commitments

Capital commitments

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

	Group	
	2013	2012
	RMB'000	RMB'000
Commitments in respect of construction work-in-progress	**53,915**	69,257

Operating lease commitments

Commitments in relation to non-cancellable operating leases contracted for but not recognised as liabilities, are payable as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Not later than one financial year	**1,164**	1,212
Later than one financial year but not later than five financial years	**2,171**	2,290
	3,335	3,502

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 2013 for land and buildings is between 12 to 31 months (2012: 12 to 43 months).

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 is 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 the reporting date are as follows:

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Revised)	(Revised)		
Financial assets				
Loans and receivables	**508,354**	248,517	**129,903**	45,160
Financial liabilities				
Financial liabilities at amortised cost	**310,704**	233,102	**62,956**	8,179

(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:

(i) *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 US Dollars (USD), Singapore dollars (SGD) and Hong Kong dollars (HKD).

34. Financial instruments (Cont'd)

(b) Financial risk management (Cont'd)

(i) Foreign currency risk (Cont'd)

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:

Group

	2013			2012		
Denominated in:	**SGD**	**USD**	**HKD**	SGD	USD	HKD
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	**54,137**	**42,976**	**–**	–	149	–
Other payables and accruals	**–**	**–**	**(319)**	–	–	(342)
Short-term borrowings	**–**	**(60,125)**	**(10,103)**	–	–	–
Net financial assets/ (financial liabilities) denominated in foreign currencies	**54,137**	**(17,149)**	**(10,422)**	–	149	(342)
Company						
Cash and cash equivalents	**–**	**16**	**–**	–	17	–
Other payables and accruals	**–**	**–**	**(319)**	–	–	(342)
Net financial assets/ (financial liabilities) denominated in foreign currencies	**–**	**16**	**(319)**	–	17	(342)

34. Financial instruments (Cont'd)

(b) Financial risk management (Cont'd)

(i) Foreign currency risk (Cont'd)

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	
		2013	2012
		RMB'000	RMB'000
SGD/RMB	-strengthened 5% (2012: 5%)	2,301	–
	-weakened 5% (2012: 5%)	(2,301)	–
USD/RMB	-strengthened 5% (2012: 5%)	(729)	6
	-weakened 5% (2012: 5%)	729	(6)
HKD/RMB	-strengthened 5% (2012: 5%)	(443)	(14)
	-weakened 5% (2012: 5%)	443	14

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.

(ii) 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 the 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.

(iii) 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.

34. Financial instruments (Cont'd)

(b) Financial risk management (Cont'd)

(iii) Credit risk (Cont'd)

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 and salesperson will meet with the customers regularly to follow-up on the outstanding collections, including understanding of the latest business development, operating environment and financial status of the customers.

Included in other receivables (Note 19) were total amounts of RMB3,787,000 (2012: RMB3,787,000) which represent tender deposits that were aged for more than 1 year and not impaired. The management is of the view that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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.

Nearly all trade receivables of the Group are due from third parties in the PRC. The Group's trade receivables comprise 1 debtors (2012: 2 debtors) that represented approximately 13% (2012: 51%) 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 RMB111,629,000 (2012: RMB204,868,000).

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	
	2013	2012
	RMB'000	RMB'000
Past due less than 30 days	**23,376**	34,368
Past due 30 days to 60 days	**23,020**	47,534
Past due 61 days to 90 days	**54,421**	17,748
Past due more than 90 days	**80,225**	43,226
	181,042	142,876

34. Financial instruments (Cont'd)

(b) Financial risk management (Cont'd)

(iv) Liquidity and cash flow risk

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

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

	2013 RMB'000			2012 RMB'000		
Group	**1 year or less**	**1 to 5 years**	**Total**	1 year or less	1 to 5 years	Total
Trade and other payables	**74,955**	**–**	**74,955**	69,112	–	69,112
Amount due to a director	**57,821**	**–**	**57,821**	–	–	–
Loans and borrowings	**180,029**	**–**	**180,029**	167,020	–	167,020

(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.

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35. Capital management (Cont'd)

As disclosed in Note 29 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 2013 and 2012.

36. Segment information

The Group is organised into business units based on its produces 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.

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

	Construction contracts	
	2013	2012
	RMB'000	RMB'000
	(Revised)	(Revised)
Segment revenue	**276,225**	409,148
Segment profits	**69,981**	56,888
Depreciation and amortisation	**1,063**	1,147
Segment assets	**749,937**	550,326
Unallocated assets	**165,343**	71,745
Total assets	**915,280**	622,071
Segment liabilities	**75,849**	72,597
Unallocated liabilities	**244,458**	171,785
Total liabilities	**320,307**	244,382

36. Segment information (Cont'd)

Segment results

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

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

	Group	
	2013	2012
	RMB'000	RMB'000
	(Revised)	
Segment profits	**69,981**	56,888
Interest income	**2,348**	769
Foreign exchange gain/(loss)	**3,516**	(2,193)
Finance costs	**(12,728)**	(13,200)
Profit before tax	**63,117**	42,264

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 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 income tax liabilities, current tax payable and short-term borrowings. 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	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Revised)			
PRC	**276,225**	409,148	**352,482**	324,345

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

36. Segment information (Cont'd)

Information about major customers

Revenue of approximately 14% (2012: 61%) is derived from 1 (2012: 3) external customers and is attributable to the construction contracts segment.

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 audited financial statements for the financial year ended 31 December 2013 ("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 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) Revising and re-filing of financial statements for FY2013 and FY2014 (Cont'd)

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 also 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 financial statements for the financial year ended 31 December 2014 ("FY 2014").

Those FY 2013 and FY 2014 financial statements were audited by Baker Tilly TFW LLP and their Auditor's Report 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 ACRA's Financial Reporting Surveillance Programme, ACRA had requested the Company to revise and re-file the Company's audited financial statement for FY2013 and 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 is 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 incoming Auditor's findings of those 5 major trade receivables from their 1st Site Visit and 2nd Site Visit as disclosed in Note 37(v) and (vi), 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 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 2013, 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 2013 are summarised below.

Revision and comparative figures

	As previously stated RMB'000	Adjustments RMB'000	As Revised 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 gain	-	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 gain	-	(42,589)	(42,589)
Operating cash flow before movements in working capital:			
- Trade and other receivables	(183,683)	(27,653)	(211,336)
For the Financial Year ended 31 December 2012:			
Statements of Financial Position			
Trade and bill receivables	347,744	(183,793)	163,951
Revenue reserve	(296,356)	183,793	(112,563)

37. Basis for Revision (Cont'd)

(ii) <u>Proposed Change of Auditors</u>

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 expressed 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 would 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 would take 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 have 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)

(vi) <u>Update on landlord lockout</u>

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 had 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 events

Incorporation of new subsidiary

Subsequent to the year end, the Company incorporated a new subsidiary in PRC, namely Xiamen Gongyuan Environmental Protection Technology Co., Ltd. ("Xiamen Subsidiary"). The Company held 80% of the entire equity interest in the Xiamen Subsidiary and the remaining of the 20% equity interest in the Xiamen Subsidiary was held by the associated company, namely Beijing Gongdao Environmental Protection Technology Co., Ltd ("BJGD"), and another two individual third parties in the proportions of 1%, 7% and 12% respectively. The principal activities of the Xiamen Subsidiary are commercialisation of the technologies brought in by College of Engineering of Peking University ("COE-PKU") into BJGD and execution of commercial contracts. The technologies brought in by COE-PKU include but were not limited to:

a) technology for removal of PM2.5 ultrafine particles for thermal power plants and steel mills;

b) industrial residual heat recovery and recycling technology; and

c) solid waste treatment technology.

39. 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 2013 were authorised for issue in accordance with a resolution of the directors dated 26 April 2019.