



# CHINA ENVIRONMENT LTD.

(Registration No.: 200301902W)

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## RESTATING AND RE-FILEING OF FINANCIAL STATEMENTS FOR FY2013 AND FY2014

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The Board of Directors of China Environment Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”), wishes to announce that pursuant to the Accounting And Corporate Regulatory Authority (“ACRA”)’s Financial Reporting Surveillance Programme, ACRA has requested the Company to restate and re-file the Company’s audited financial statement for the financial year ended 31 December 2013 (“FY2013”) and financial year ended 31 December 2014 (“FY2014”).

Under the ACRA’s Financial Reporting Surveillance Programme, ACRA had on 21 August 2015 issued a warning letter under Section 201(3A) of the Companies Act to Mr. Huang Min and Mr. Wu Jida, two of the Company’s directors who were responsible for the financial management of the Company followed by an Advisory Letter with respect to the audited FY2013 financial statements (“Advisory Letter”) to the then Board of Directors of the Company on 23 October 2015.

The Advisory Letter was issued after a series of queries and responses by the Company and ACRA has considered 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.

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; ie. 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 Company had made an application for waiver of restatement and re-filing of the audited financial statements for the FY2013 and FY2014 and provided further information including but not limited to computations to ACRA on the ground that there were no material differences arising therefrom. Nevertheless, ACRA via its letter to the Company dated 20 May 2016, followed by a meeting with ACRA on 7 June 2016, informed the Company that ACRA is unable to grant waiver from restating both the FY2013 and FY2014 Financial Statements. Accordingly, the Company is required to restate and re-file FY2013 and FY2014 Financial Statements by 7 October 2016 with the condition that ensure both sets of the restated financial statements receive “**Unqualified**” audit opinions.

As a result of the requirement for restatement 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.

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 restatement and re-filing requirements of financial statements for FY2013 and FY2014.

The Company will announce any material updates to shareholders on a timely basis. In the meantime, the Board wishes to advise shareholders of the Company and investors to exercise caution when dealing in the shares of the Company.

**By Order of the Board**

Norman Winata  
Executive Chairman

16 June 2016