



seeking upfront **innovation.**

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### *corporate vision*

*To compete successfully as a waste and wastewater treatment specialist in the PRC and globally, through our unique and proprietary BMS Biological Process Technology, Japanese Process Technology, extensive R&D capabilities, and commitment to quality.*





Leveraging Technology



## corporate profile

“

Listed on the Main Board of the Singapore Exchange in February 2004, Bio-Treat Technology Limited is one of the PRC's leading companies in the development and application of biotechnology for the treatment of waste and wastewater.

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Bio-Treat Technology Limited is the PRC's leading waste and wastewater treatment company. Listed on the Main Board of the Singapore Exchange since February 2004, its key businesses comprise of the development and application of biotechnology in waste and wastewater treatment.

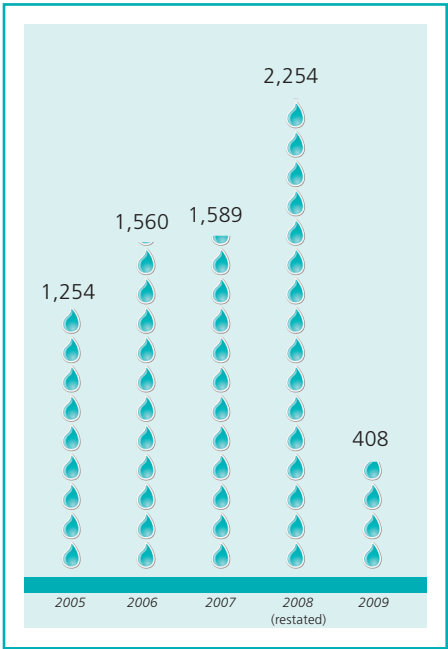
Central to Bio-Treat's business is its proprietary BMS Biological Process Technology ("BMS Technology"), which combines the use of micro-organisms and modern engineering techniques to treat waste and wastewater in a cost-effective, efficient and environmentally-friendly manner.

Since its first trial in 1993, BMS Technology has been applied to over 500 wastewater treatment projects in the PRC, including residential, commercial and industrial projects. This breakthrough attests to Bio-Treat's strong research and development capabilities, and its commitment to delivering quality waste and wastewater treatment services that meet the regulatory effluent standards in the PRC.

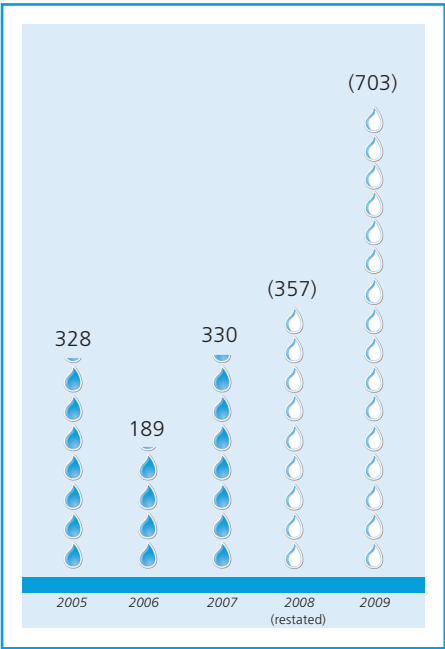
Currently, the Group has an extensive portfolio of large-scale Built-Operate-Transfer ("BOT") and Transfer-Operate-Transfer ("TOT") projects in the PRC, including Beijing, Jiangsu, Shaanxi, Hubei and Shandong. Upon completion of these projects, Bio-Treat will have a daily treatment capacity of over one million metric tonnes of wastewater.

# financial highlights

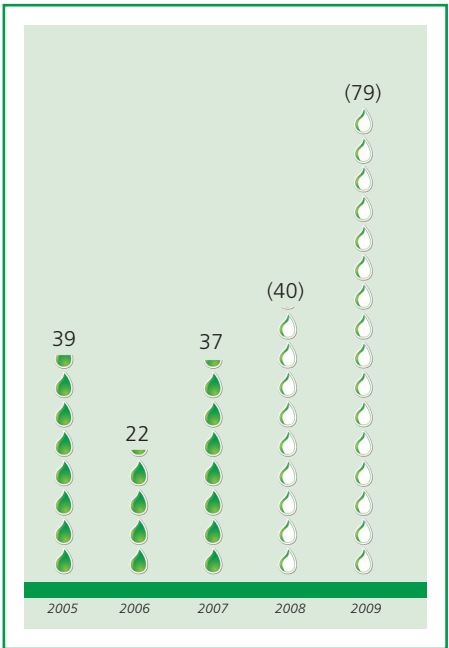
revenue (RMB' million)



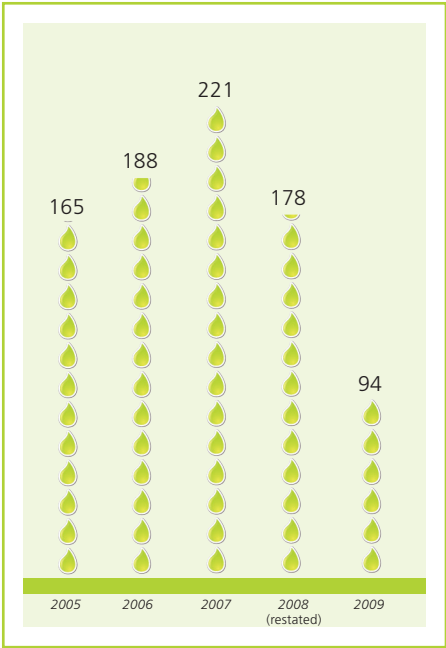
net profit (RMB' million)  
net (loss) (RMB' million)



earnings per share (RMB cents)  
(loss) per share (RMB cents)

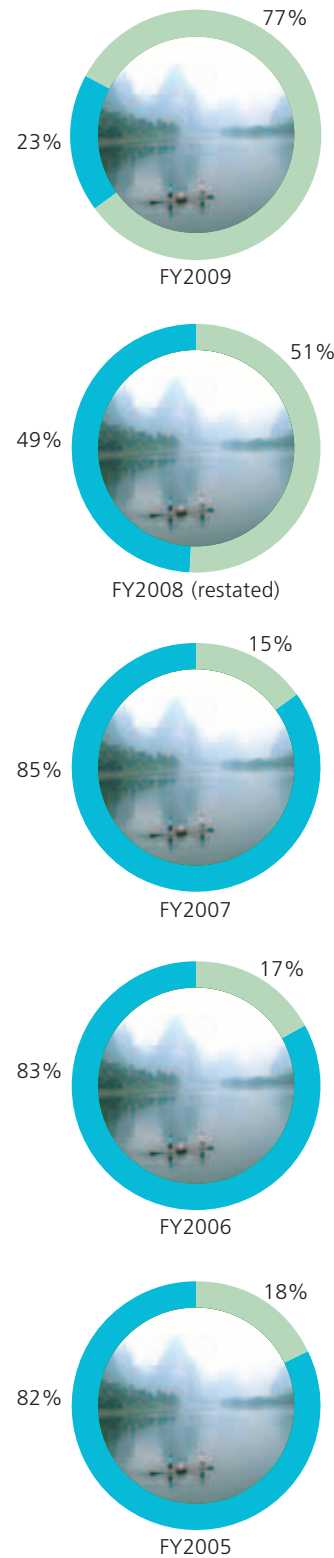


net asset value per ordinary share (RMB cents)

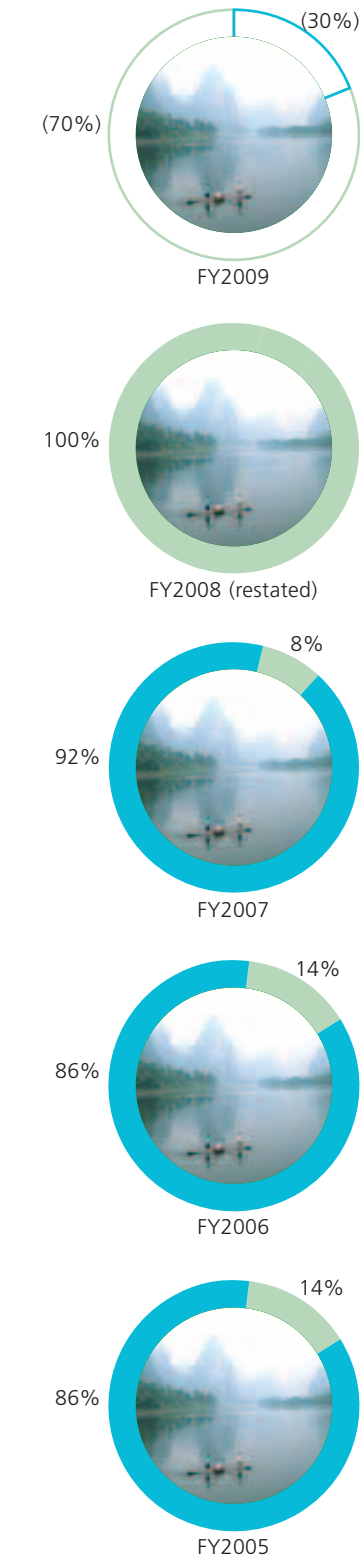


# financial highlights

revenue by business segments



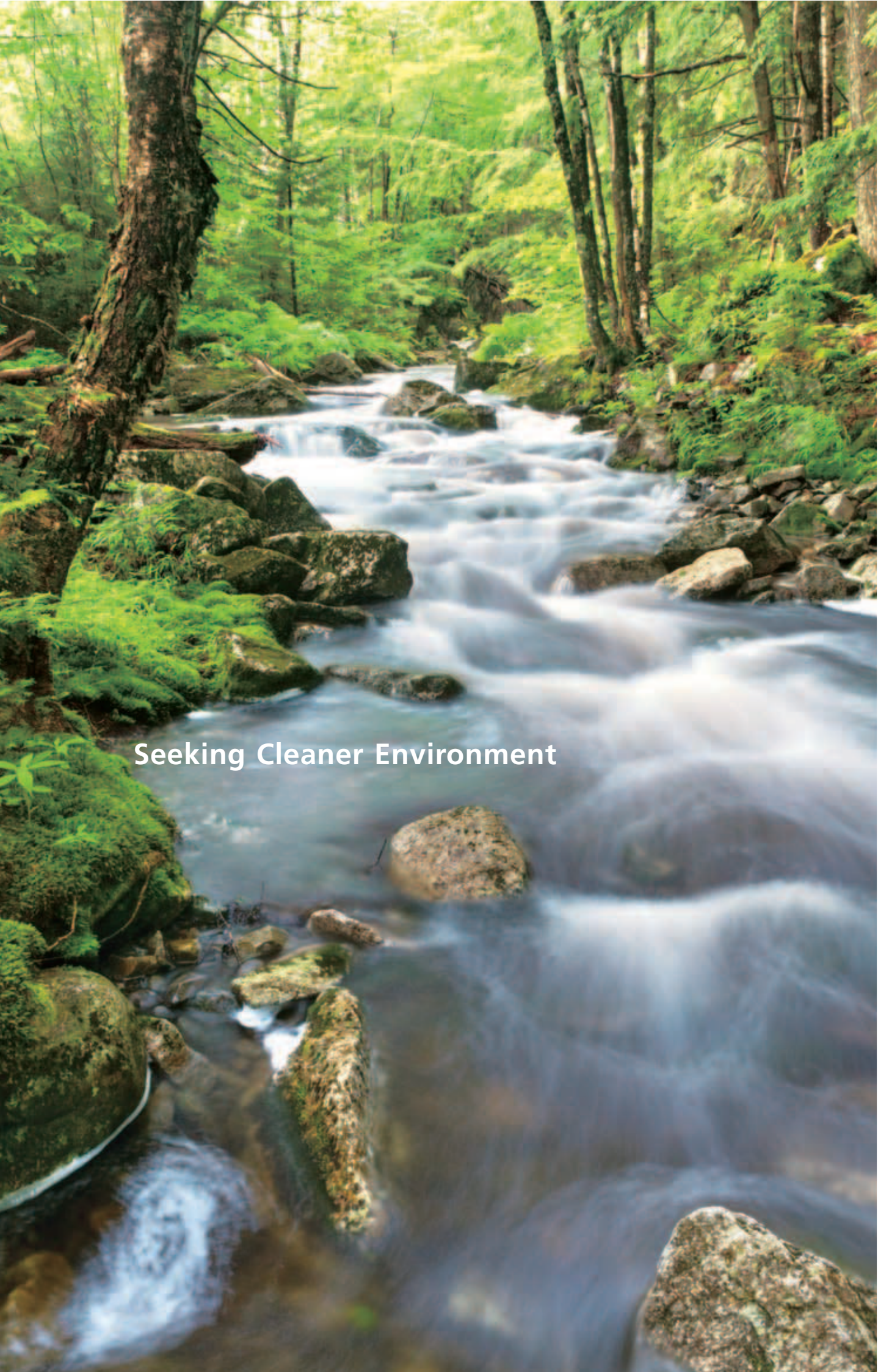
gross profit/(loss) by business segments



■ products sales, BOT/TOT discharge fees and construction revenue

■ turnkey wastewater treatment services



A photograph of a forest stream flowing over mossy rocks. The water is clear and fast-moving, creating white rapids. The surrounding forest is lush with green trees and ferns. The scene is peaceful and natural.

Seeking Cleaner Environment



## message to shareholders

“

With the growing demand for water and wastewater treatment technologies, among other factors, there will be ample opportunities in the PRC's wastewater treatment industry for companies like Bio-Treat to capitalize on.

”



Dear Shareholders,

On behalf of the Board of Directors of Bio-Treat Technology Limited (“**Bio-Treat**”), I present **Bio-Treat's** annual report and financial statements for the financial year ended 30 June 2009 (“FY2009”).

FY2009 was a tumultuous year from both a macroeconomic perspective of economic conditions in the People's Republic of China (the “**PRC**”), as well as the waste and wastewater treatment industry in the PRC. These factors have significantly affected Bio-Treat.

On the broader macroeconomic front, the global financial crisis resulted in significantly tighter liquidity conditions for most businesses in the PRC. The downturn also compelled companies to take an extra hard look at their clientele as they had to manage receivables even more carefully.



## message to shareholders (continued)

In addition, the PRC's water tariffs rose by an average of 3.4% in 2008. While this quantum was low compared to the global average rise of 6.7%, this disparity presents great upside potential for Bio-Treat to benefit from the expected rise in water tariffs in the PRC to keep pace with water tariffs globally.

### Financial Performance in FY2009

As a result of the difficult operating environment, the Group reported a net loss of RMB703.34 million for FY2009, compared with the net loss of RMB356.82 million for the year earlier, although revenues fell 81.9% to RMB407.99 million in the latest financial year.

The Group faced difficulties in dealing with finished construction projects in the last financial year. In many projects, even though the Group had completed designated projects and carrying the testing related mode, approvals from the various authorities at the municipal government levels were still pending. This affected the Group's ability to collect water tariffs on a timely basis, which in turn hurt its revenue streams.



## message to shareholders (continued)

The Group, given its experience in relation to customer payments especially in the context of the economic downturn, had adopted a more cautious approach in selecting new projects. Key to this approach is the Group's continued focus on growing its BOT/TOT business segment, while reducing its risk profile through a scaling back of turnkey projects in its portfolio. To date, Bio-Treat has completed a majority of its projects except for two in Nanjing and Nanjing Luhe.

The Group has also embarked on manufacturing products on an OEM basis. In this regard, the Group worked towards securing advanced deposits so that it may be insulated from any deterioration in the creditworthiness of the customers.

### Opportunities in the Current Year

Water scarcity and rising water treatment standards have been the PRC most recent and urgent issues, and they will continue to be so for the next couple of years.

The PRC government's RMB4 trillion stimulus package will create more opportunities for the industrial and wastewater treatment sector. We are of the opinion that the industrial and wastewater industry will benefit with an increased injection of funds into this sector.

In addition, the increased availability of credit in the PRC will provide the much-needed financial resources for companies to pursue new contracts and start BOT projects, which were threatened by the global credit crunch.

With the growing demand for water and wastewater treatment technologies, among other factors, there will be ample opportunities in the PRC's wastewater treatment industry for companies like Bio-Treat to capitalize on.

Currently, we see opportunities for Bio-Treat to seize in a few strategic areas. These include:

*Solving Water Needs:* The PRC government understands the importance of meeting its domestic needs for water in compliance with the applicable environmental standards and in a cost effective manner. Bio-Treat looks forward to working with the relevant planning agencies to address these concerns and meet the needs of the PRC government.

*Our commitment:* As the leader in the water treatment sector, Bio-Treat will continue to be engaged in active dialogues with the PRC's government planning communities to drive wastewater treatment initiatives.

## message to shareholders (continued)

*Full compliance:* In meeting the standards demanded by our customers, we will endeavour to comply in full with the relevant environmental and related laws and regulations.

*Green business growth:* The PRC has made a steady shift towards ecological efficiency with particular emphasis on the efficiency of resource use, and minimizing environmental damage so as to achieve a more sustainable economic and social development. Wastewater treatment is considered a key part of this green initiative, and Bio-Treat will play a big part in relation to this national goal.

*Continuous investment in high-yield technology:* Bio-Treat has consistently placed a strong emphasis on enhancing its water treatment biotechnology. The adoption of our technology by the wastewater industry is reflected by the 500 wastewater treatment projects (utilising our proprietary BMS Biological Process Technology) in which our Group has been involved. With the expected RMB4 trillion stimulus package from the PRC government, we see an even greater need to enhance our technological capabilities to stay ahead of our competitors.

*Driving home-front campaigns:* We will continue to initiate and lead campaigns emphasizing the improvement of health through wastewater management and increasing the general awareness of the functions and benefits of internal water treatment systems, which will augment the demand for our water treatment systems.

### Dividend

In view of the need to exercise greater prudence during these economically challenging times, our Board of Directors has not proposed a dividend for FY2009.

### Moving Forward Together

On behalf of our Board of Directors, senior management and staff, I would like to thank our shareholders for their support and sincerely hope that you will continue to support us in the following year as we pursue fresh opportunities to generate growth for the company.

I look forward to working with the Board of Directors and management to establish Bio-Treat as a leading player in the waste and wastewater treatment industry.

**Lau Cheuk Lun, Alan**

*Acting Chief Executive Officer*



Seeking Highest Quality



## business review

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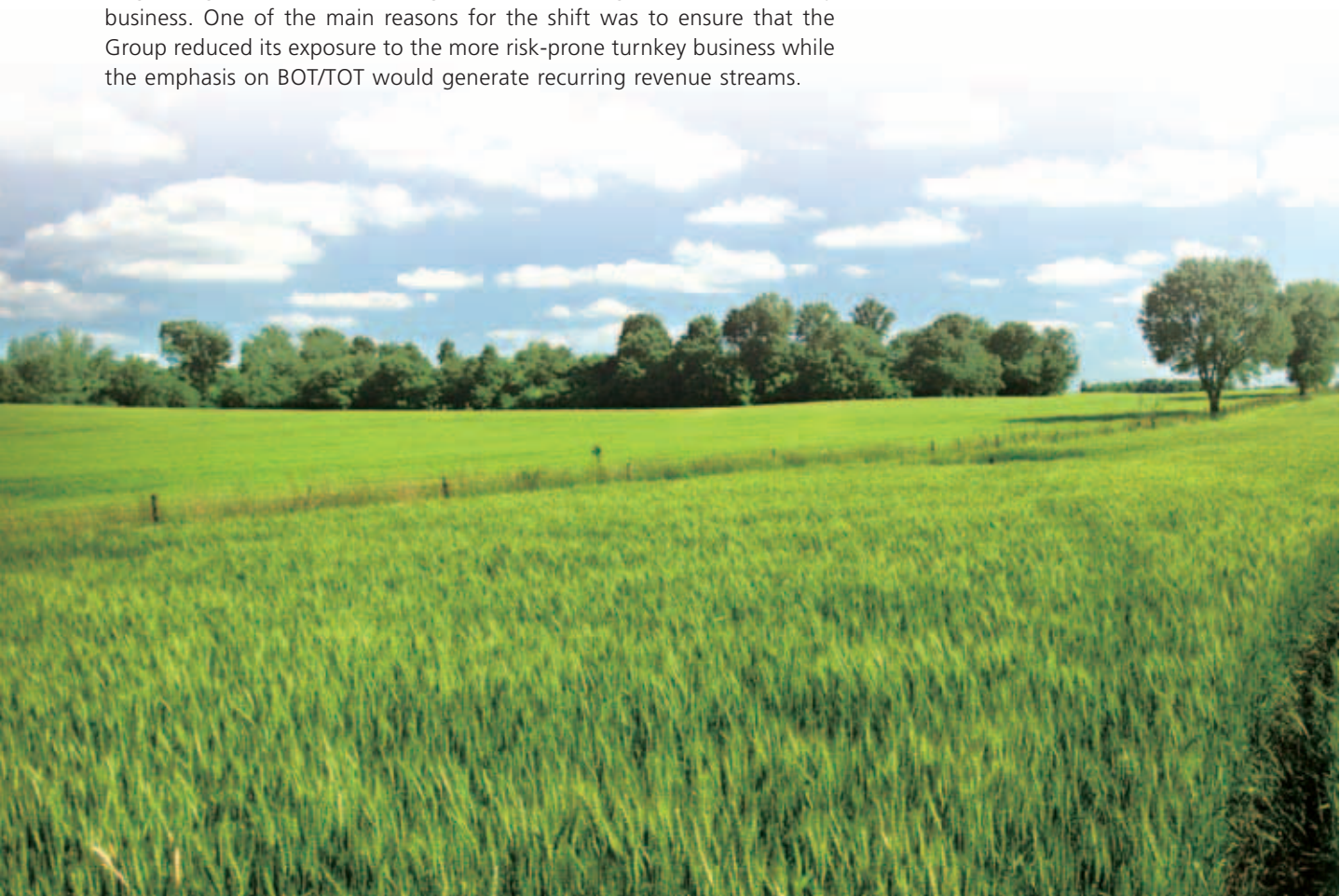
The Group re-aligned its business strategy to focus on its growing BOT/TOT business segment while scaling back on the turnkey business. One of the main reasons for the shift was to ensure that the Group reduced its exposure to the more risk-prone turnkey business while the emphasis on BOT/TOT would generate recurring revenue streams.

”

The Group began the financial year ended 30 June 2009 (“FY2009”) in earnest and believed that its ability to deliver quality wastewater treatment projects would put it in good stead to bid for and secure such projects.

Shortly into the Group’s FY2009, the global financial turmoil escalated, which resulted in a credit crunch in the PRC. The resulting deceleration in the Chinese economy, the acute focus on environmental protection and natural disasters clouded the macroeconomic landscape.

Given this backdrop, the Group re-aligned its business strategy to focus on its growing BOT/TOT business segment while scaling back on the turnkey business. One of the main reasons for the shift was to ensure that the Group reduced its exposure to the more risk-prone turnkey business while the emphasis on BOT/TOT would generate recurring revenue streams.



## business review

Further, Group believed that the BOT/TOT segment requires less manpower, which would help to lower its overall labour costs.

Currently, the Group had completed 10 of its 13 projects by the end of FY2009. The Group strongly believes that when all of the 13 projects are completed later in the current financial year, they will further contribute to Bio-Treat's recurring revenue stream.

The Group expects more water tariffs from its newly completed projects in Beijing, Suzhou and Lianyungang to contribute positively towards Group revenue, upon the receipt of approvals from the respective municipal Governments for full operations.

The Group also expects its soon-to-be-completed Nanjing and Nanjing Luhe BOT projects to boost its revenue stream upon their completion in the near future.

### Future Growth Engines

The Group is anchoring its transformation and future growth on four key areas:

- *Focus on Large-scale BOT Projects:* This will require the Group to concentrate mainly on first and second tier cities in China as well as reduce its reliance on turnkey businesses;
- *Cherry-pick BOT & TOT Projects:* The goal is to target cities in the PRC with stable economic conditions and rapid development prospects while simultaneously growing the BOT/TOT businesses;
- *Explore Joint Venture Partnerships:* The Group is seeking new business partnerships to reduce its capital outlay for BOT & TOT projects while leveraging existing partnerships for new business opportunities; and
- *Deepen its Corporate Financing Activities:* This requires an emphasis on improving its gearing while seeking project financing and syndicated loans.

The Group is in the transitional period for another transformation and the Management strongly believes that the long term outlook for the waste and wastewater treatment industry remains positive.





## outlook

“

As environmental issues remain a key focus for the PRC government in the long run, the industry is likely to benefit with a rise in tariff rates.

”

The waste and wastewater treatment industry is expected to see a turnaround with increasing availability of credit from financial institutions and the national stimulus package announced by the PRC government, which is expected to have an impact on the economy in the coming months.

The PRC government has implemented a number of economic stimulus measures, including monetary easing, fiscal stimulus (including a 4 trillion yuan stimulus package and other regional development and consumer spending stimulus measures. It is believed that these measures are gradually showing an effect on the economy of the PRC.

Many analysts see the increased credit availability in the PRC as the key catalyst propelling the general economic sentiment in the PRC.

The prevailing opinion is that the water industry will benefit with an increased injection of funds. As environmental issues remain a key focus for the PRC government in the long run, the industry is likely to benefit with a rise in tariff rates. Currently, the water tariff rates in the PRC are significantly lower than the global average tariff rates, at 20%-25% of the global average tariff rates.



In so far as Bio-Treat is concerned, our strategy is:

*Poised for challenge:* Bio-Treat is poised to tackle the mounting water challenges in the PRC to supply quality water to its 1.3 billion residents. Compared to foreign and newer industry players, Bio-Treat, the homegrown company, has an immense advantage in its understanding of the country's existing water issues.

*Expand and diversify:* Bio-Treat will continue to implement forward-looking strategies to develop the company's extensive project portfolio further, and diversify its revenue source.

These strategies will also see Bio-Treat picking up more large-scale BOT projects, exploring more strategic partnerships and committing to produce outstanding biotechnology. Eventually, this will lead to an increased adoption of Bio-Treat's proprietary technology.









## board of directors & management team

### **Cui Jun**

Senior Engineer and Executive Director

Mr. Cui joined our Group as Senior Engineer in February 2005 and was appointed as Executive Director in April 2005. With over 23 years of environmental engineering experience, he brings to Bio-Treat strong technical expertise and currently leads the project management team. His career achievements include being in charge of the project design and engineering of the North District Wastewater Treatment Plant in Shanghai, a project which won the Third-Grade Award of Shanghai Science and Research. He also designed many other waste and wastewater treatment projects including commercial, residential, industrial, and municipal projects such as the mobile toilets for China's Ministry of Railway. Mr. Cui also serves as an Assistant Professor in Tongji University, Shanghai, specialising in waste and wastewater treatment. As many of his students are from the environmental protection industry, Mr. Cui brings to Bio-Treat an extensive network of client contracts from both the private and public sectors. Prior to working at Bio-Treat, Mr. Cui worked as a Senior Engineer in the Shanghai Railway City Transportation Design Department for 20 years.

### **Ma Zheng Hai**

Company Legal Counsel and Executive Director

Mr. Ma joined our Group as Company Legal Counsel and Executive Director in April 2005. He brings to Bio-Treat over 14 years of legal experience from various facets of corporate and commercial law. Mr. Ma is responsible for our Company's legal matters including drafting of company contracts and overseeing legal matters such as patents, company licenses, and negotiations with the PRC government for commercial contracts. He is also in charge of our Group's internal legal controls to ensure that relevant governmental laws and regulations are adhered to by our Company. Prior to joining Bio-Treat, Mr. Ma was a lawyer at the Economic and Commerce Law Office of Xiangtan City, Hunan Province, the PRC. Mr. Ma graduated from the Northwest Political Science and Law University with a law degree.

### **Cheng Fong Yee, Fonda**

Independent Director

Ms. Cheng was appointed as our Independent Director on 31 July 2007. She is the Chairman of our remuneration committee.

Ms. Cheng is the General Manager of United Fiber Systems Ltd and is currently responsible for business development of the Company. She has more than 20 years of experience in the insurance industry. Ms. Cheng is an Associate of the Australian Insurance Institute. She has been involved in major overseas insurance projects, particularly in the Asia region and is actively involved in utilising insurance as a financial tool for project development in the region.

### **Kwok Chi-Shing**

Independent Director

Mr. Kwok is one of our Independent Directors and was appointed to our Board in May 2004. He is the Chairman of our audit committee and also a member of nominating committee and remuneration committee respectively.

Mr. Kwok brings with him over 13 years of accounting experience. He is currently a Director of Lam, Kwok, Kwan, & Cheng CPA Limited, a Hong Kong based accounting firm. He was formerly a partner of Wong, Lam, Leung, & Kwok CPA from 1993 to 1997.

He has extensive experience in corporate and financial management work, especially for real estate development and property management industries.

Mr. Kwok received his MA Honours degree in Accountancy and Economics from the University of Aberdeen, United Kingdom.

## board of directors & management team

### ***Lim Yu Neng, Paul***

Independent Director

Mr. Lim was appointed as our Independent Director on 31 July 2007. He is a member of both our audit committee and nominating committee.

Mr. Lim has over 20 years of banking experience. He is the Founder and Director of TruPartners Asia Pte Ltd and is also a Consultant to Morgan Stanley Asia. Prior to that, Mr. Lim was a Consultant to Deutsche Bank for more than five years.

Mr Lim was the President Director and Head of Investment Banking of PT Salomon Smith Barney, Indonesia and also the Director of Salomon Smith Barney International Merchant Bankers Limited (Singapore).

He is an Independent Director and Chairman of Audit Committee as well as member of both Nominating and Remuneration Committees of United Fiber System Ltd, a company listed on the Singapore Exchange Limited.

Mr. Lim obtained his Master Degree in Business Administration, Finance and Bachelor of Science in Computer Science from the University of Wisconsin, Madison, USA. He is a Chartered Financial Analyst (CFA).

### ***Zhou Yao Ming***

Independent Director

Mr. Zhou is one of our Independent Directors and was appointed to our Board in October 2003. He is the Chairman of the nominating committee and a member of Audit committee and remuneration committee respectively. Mr. Zhou has over 42 years of experience in training and education in the PRC and was the Principal of Jinan University from 1991 to 1995. He graduated from Zhongshan University with a Bachelor degree in History.

### ***Lau Cheuk Lun, Alan***

Acting Chief Executive Officer

Mr. Lau, our Acting Chief Executive Officer, is responsible for the overall strategic planning, management and business development of our Group. Mr. Lau has extensive experience in the areas of accounting, auditing, and finance from Canada and Hong Kong.

Prior to joining Bio-Treat, Mr. Lau worked at CIBA Vision Canada, a subsidiary of Novartis Corporation, a publicly listed company on the New York Stock Exchange, for 20 years. During his tenure with CIBA Vision, he held a number of senior posts, the most recent being Chief Financial Officer.

Mr. Lau has also worked in Hong Kong for several reputable companies for various positions such as internal audit, cost accounting and management accountant, amongst others.

Mr. Lau is a Chartered Accountant of England and Wales (A.C.A.), a member of the Hong Kong Institute of Certified Public Accountants (C.P.A.) as well as a fellow member of the Association of Chartered Certified Accountants of the United Kingdom (F.C.C.A.).

## board of directors & management team

### ***Su Jianlong***

General Manager

Mr. Su is our General Manager and is responsible for leading and supervising our Group's investment, operations and engineering teams to meet our corporate strategies and business target.

He has extensive experience in the environmental protection industry and was engaged in the development, construction and management of large-scale water projects in China. Prior to joining our Group, he was the Deputy General Manager of General Water of China Co., Ltd., General Manager of Yuanshui Science & Technology (Beijing) Co., Ltd., Chairman of Shenzhen GWC Co., Ltd. and Marketing Director and Principal Senior Consultant of China National Environmental Protection Group.

Mr. Su is devoted to his profession which is closely related to China's environment protection issue. He has held positions in public offices such as Governor of the Council on Large and Medium-sized Enterprises of China Investment Society, the Executive Governor of the Guangdong Association of Environmental Protection Industry and Vice-President of the Shenzhen Environmental Science Society. He was awarded the title of "Entrepreneur of the First National Excellent Environmental Protection Science and Technology" in 2001.

Mr. Su graduated with a Post-Doctorate in Mobile Station, from the Institute for Plasma Physics Research, Chinese Academy of Sciences in 1998. He has also received both his Doctorate and Masters Degree in Engineering, from the Institute for Plasma Physics Research, Chinese Academy of Sciences in 1996 and 1992 respectively. He also holds a Bachelors Degree, majoring in Electricity and Mechanics, from the Faculty of Electrical Engineering, Hefei University of Technology in 1987.

### ***Huang Hua Xiang***

Head of Investment

Mr. Huang, our Head of Investment, is responsible for our Group's investment projects and contract bidding activities in China. Mr. Huang brings along with him rich experience in pre-stage negotiations, design liaison, construction management, technology management and operation management of a sewage plant. Prior to joining our Group, he was the Deputy General Manager and Chief Engineer of Nanning Drainage Co., Ltd from 2000 to 2004. He was also the Deputy Chief Engineer and Deputy Director of the Office for Proposed Construction of Nanning Langdong Sewage Treatment Plant from 1997 to 2000.

Mr. Huang holds a Bachelor Degree in Environmental Engineering, from Hefei University of Technology.

### ***Zou Lian***

Head of Projects Operation

Mr. Zou is our Head of Projects Operation and is responsible for managing our Group's project operations activities.

He brings to our Group over 15 years of wastewater treatment experience in China. Before joining Bio-Treat, he was the Plant Manager of Luofang Sewage Plant with a capacity of 350,000 tons per day in Shenzhen from 1998 to 2006. He was also a Section Chief of the Sewage Section in Shenzhen Sewage Management Office from 1994 to 1998.

Mr. Zou graduated from the Lanzhou Railway University with a Bachelor Degree in Water Supply and Sewage.



# corporate information

**Board of Directors**

Executive Directors:  
Cui Jun  
Ma Zheng Hai

Independent Directors:  
Cheng Fong Yee  
Lim Yu Neng, Paul  
Kwok Chi-Shing  
Zhou Yao Ming

**Company Secretaries**

Lau Cheuk Lun, Alan  
(Acting Chief Executive Officer)  
Lotus Isabella Lim Mei Hua

**Audit Committee**

Kwok Chi-Shing (Chairman)  
Lim Yu Neng, Paul  
Zhou Yao Ming

**Nominating Committee**

Zhou Yao Ming (Chairman)  
Lim Yu Neng, Paul  
Kwok Chi-Shing

**Remuneration Committee**

Cheng Fong Yee (Chairman)  
Zhou Yao Ming  
Kwok Chi-Shing

**Registered Office**

Clarendon House  
2 Church Street  
Hamilton HM 11, Bermuda

**Head Office and Principal Place of Business**

Tu Tang Industry Area, Tu Tang  
Chang Ping, Dongguan City  
Guangdong Province, PRC

Office in Shenzhen, PRC  
Great China International Exchange Square  
East Area 26F, Jintian Road, Futian District  
Shenzhen, China 518034

Representative Office in Hong Kong  
Unit 1610, Tower 2, Silvercord  
30 Canton Road  
Tsim Sha Tsui, Hong Kong

**Bermuda Share Registrar**

The Bank of Bermuda Limited  
6 Front Street  
Hamilton HM11, Bermuda

**Singapore Share Transfer Agent**

Boardroom Corporate & Advisory Services Pte. Ltd.  
3 Church Street  
#08-01 Samsung Hub  
Singapore 049483

**Auditors**

Moore Stephens LLP  
10 Anson Road  
#29-15 International Plaza  
Singapore 079903  
Partner-in-charge: Ng Chiou Gee Willy  
Date of Appointment: July 1, 2008

**Principal Banker**

Fubon Bank (Hong Kong) Limited

## corporate governance report

The Company is committed to achieving high standards of corporate governance to ensure investor confidence in the Company as a trusted business enterprise. The Board and Management will continue to uphold good corporate governance practices to enhance long-term value and returns for shareholders and protect shareholders' interests.

This report describes the Company's corporate governance practices with specific reference made to each of the principles of the Code of Corporate Governance 2005 ("Code").

### (A) BOARD MATTERS

#### *The Board's conduct of its affairs*

The Board's key responsibilities include providing leadership and supervision to the management of the Company and its subsidiaries (the "Group") with a view to protecting shareholders' interests and enhancing long-term shareholders' value.

The Board's principal functions include the following:

- (1) review and approve corporate strategies, financial objectives and direction of the Group;
- (2) establish goals for management and monitor the achievement of these goals;
- (3) ensure management leadership of high quality, effectiveness and integrity;
- (4) approve annual budgets and investment and divestment proposals;
- (5) review the internal controls, risk management, financial performance and reporting compliance; and
- (6) assume responsibility for corporate governance.

The Board is aided in its tasks by sub-committees, namely, the Nominating Committee, the Remuneration Committee and the Audit Committee. These sub-committees function within written terms of reference and operating procedures, which are reviewed on a regular basis.

The Board meets regularly, at least on a quarterly basis. Ad-hoc meetings are held at such times, as and when required, to address any specific significant matters that may arise. At meetings of the Board, the Directors are free to discuss and openly challenge the views presented by management and other Directors. The decision making process is an objective one.



# corporate governance report

The number of meetings and Directors’ attendance at the Board meetings, held during the year, are as follows:

Name	Audit Committee					Nominating Committee		Remuneration Committee		Board							
	No. of Meetings Held					No. of Meetings Held		No. of Meetings Held		No. of Meetings Held							
Date	28/8/08	14/11/08	13/2/09	14/5/09	Total	28/8/08	Total	28/8/08	Total	28/8/08	21/11/08	14/11/08	3/11/08	13/2/09	14/5/09	20/8/09	Total
Mr. Chan Kong	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1	1	1	1	1	1	7
Mr. Cui Jun	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1	1	1	1	1	1	7
Mr. Ma Zheng Hai	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1	1	1	1	1	1	7
Mr. Wong Kim Kwan, Kings <sup>(2)</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	1	0	0	0	0	0	1
Ms. Cheng Fong Yee	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1	1	1	0	1	0	0	1	1	4
Mr. Lim Yu Neng Paul	1	1	1	1	4	1	1	N/A	N/A	1	1	1	1	1	1	1	7
Mr. Kwok Chi-Shing	1	1	1	1	4	1	1	1	1	1	1	1	1	1	1	1	7
Mr. Zhou Yao Ming	1	1	0	1	3	1	1	1	1	1	1	1	1	0	1	0	5

In lieu of physical meetings, written resolutions were also circulated for approval by members of the Board. The Company’s Bye-Laws also provide for meetings by way of telephone, electronic or other communication facilities.

The current members of the Board are familiar with the Group’s business operations and corporate governance practices. The Nominating Committee ensures that new Board appointees are provided with information to familiarise themselves with the Group’s business, strategic goals and directions and corporate governance practices.

At Board meetings, the Company provides ongoing education on Board processes, corporate governance practices and industry developments. Directors are encouraged to keep themselves abreast of the latest developments relevant to the business of the Group.

## Board Composition and Balance

The Board currently comprises of six Directors, four of whom are Independent Directors, namely, Mr. Kwok Chi-Shing, Mr. Zhou Yao Ming, Mr. Lim Yu Neng Paul and Ms. Cheng Fong Yee and they represent two-third of the Board.

The Board has determined that it is of an appropriate size to facilitate effective decision making, and to meet the objective of having a balance of skills and experience, taking into account the size and scope of Company’s operations.

The current Board comprises of business leaders and professionals with industry, legal, accounting, financial, business and management backgrounds. This composition enables the management to benefit from a diverse and objective external perspective, on issues raised before the Board. Each Director has been appointed based on the strength of his caliber, experience and his potential to contribute to the Group and its businesses. Profiles of the Directors are set out on pages 17 and 19 of this Annual Report.

The Directors and the sub-committees of the Board on which they sit are as follows:

Name of Director	Board	Audit	Nominating	Remuneration
Mr. Chan Kong <sup>(1)</sup>	Chief Executive Officer	No	No	No
Mr. Ma Zheng Hai	Executive Director	No	No	No
Mr. Cui Jun	Executive Director	No	No	No
Mr. Wong Kim Kwan, Kings <sup>(2)</sup>	Executive Director	No	No	No
Mr. Zhou Yao Ming	Independent Director	Yes	Yes (Chairman)	Yes
Mr. Kwok Chi-Shing	Independent Director	Yes (Chairman)	Yes	Yes
Mr. Lim Yu Neng Paul	Independent Director	Yes	Yes	No
Ms. Cheng Fong Yee	Independent Director	No	No	Yes (Chairman)



## corporate governance report

<sup>(1)</sup> Mr. Chan Kong resigned as Executive Director and Chief Executive Officer of the Company with effect from 1 September, 2009.

<sup>(2)</sup> Mr. Wong Kim Kwan, Kings resigned as Executive Director of the Company with effect from 5 August, 2009.

The Board is able to exercise objective judgment on corporate affairs independently from the Management. No individual or small group of individuals is allowed to dominate the Board's decision making. The Board is of the view that, given its current structure, there is sufficiently strong independent element on the Board to enable independent exercise of objective judgment on corporate affairs of the Group by members of the Board, taking into account factors such as the number of Independent Directors on the Board, as well as the size and scope of the affairs and operations of the Group.

### **Chairman and Chief Executive Officer**

The Company has not appointed a Chairman of the Board since the resignation of its previous chairman, Mr. Wing Hak Man, on 30 October 2006. However, it is continuing its search to appoint a suitable candidate who has relevant experience and leadership skills to take up a leading role on the Board.

The Chief Executive Officer of the Company was Mr. Chan Kong during FY2009, he resigned as the Chief Executive Officer with effect from 1 September, 2009. Mr. Lau Cheuk Lun Alan, the current Chief Financial Officer of the Company has been appointed as the Acting CEO with effect from 1 September 2009. The Chief Executive Officer and management regularly consult with and seek the advice of members of the Board (both individually and collectively) through meetings, telephone calls as well as by electronic mail.

### **Board Membership and Board Performance**

The Nominating Committee comprises Mr. Zhou Yao Ming as its Chairman, Mr. Kwok Chi-Shing and Mr. Lim Yu Neng Paul as its members all of whom are Independent Directors. The Chairman of the Nominating Committee is not directly associated with a substantial shareholder of the Company within the meaning of the Code.

The principal functions of the Nominating Committee are as follows:

- (1) make recommendations to the Board on all board appointments and re-nominations with regards to each Director's contribution and performance, his or her attendance at meetings of the Board or Board committees (where applicable), participation, candour and any special contributions;
- (2) review and determine annually whether a Director is independent, bearing in mind the considerations set out in the Code;
- (3) decide whether or not each Director is able to and has adequately carried out his duties as a director of the company, in particular where the Director concerned has multiple board representations;
- (4) identify any gaps in the mix of skills, experience and other qualities required in an effective Board and nominate or recommend suitable candidate(s) to fill these gaps; and
- (5) ensure that all Board appointees undergo an appropriate orientation programme.

In considering the re-appointment of a Director, the Nominating Committee evaluates such Director's contribution and performance, such as his or her attendance at meetings of the Board or Board committees, where applicable, participation, candour and any special contributions.

### **Access to Information**

To enable the Board to function effectively and to fulfill its responsibilities, Management strives to provide Board members with adequate information for Board meetings and on an ongoing basis.

The Board is furnished with Board papers prior to any Board meeting. These papers are issued in sufficient time to enable Directors to obtain additional information or explanations from Management, if necessary.

Directors are given separate and independent access to the Management team to address any enquiries and also have separate and independent access to the Company Secretary. The Company Secretary attends all Board meetings and ensures that they are conducted in accordance with the Bye-Laws of the Company and that applicable rules and regulations are complied with. When necessary, Directors can seek independent professional advice at the Company's expense.

# corporate governance report

## (B) REMUNERATION MATTERS

### *Procedures for Developing Remuneration Policies*

The Remuneration Committee comprises Ms. Cheng Fong Yee as Chairman, Mr. Kwok Chi-Shing and Mr. Zhou Yao Ming as members, all of whom are independent Directors.

The Remuneration Committee reviews the remuneration of the Chief Executive Officer, the Directors and key executives and approves recommendations on remuneration policies and packages for Directors and key executives. The review covers all aspects of remuneration, including, but not limited to directors' fees, salaries, allowances, bonuses, options, and benefits-in-kind. No Director shall be involved in any decision-making in respect of any compensation to be offered or granted to him.

### *Level and Mix of Remuneration*

Under the framework developed by the Remuneration Committee, the Remuneration Committee use the following factors to determine Directors' remuneration:

- (1) qualifications and experience of directors required by the Company;
- (2) for Independent Directors, the general level of fees earned by each Director in his professional capacity or billed by professionals in their industry;
- (3) time spent in preparing for meetings and actual attendance;
- (4) indirect costs and expenses incurred by the Directors;
- (5) such remuneration as may be considered fair and reasonable having regard to the nature and size of the business of the Company;
- (6) level of remuneration to vary in direct proportion to the extent of involvement and participation in and contribution to the business of the Company;
- (7) the level of commitment and the ability to devote sufficient time and attention to the business of the Company; and
- (8) where special circumstances justify, the payment of additional remuneration.

Annual reviews are carried out by the Remuneration Committee to ensure that key executives are appropriately rewarded, giving due regard to the financial health and business needs of the Group.

The Group's remuneration policy is to provide compensation packages appropriate to attract, retain and motivate key executives and Directors.



# corporate governance report

### Disclosure on Remuneration

A breakdown of the remuneration of Directors and the top five key executives (who are not Directors) for the financial year ended 30 June 2009 is set out below:

a) The level and mix of each Director's remuneration are as follows:

Remuneration Band and Name of Director	Directors' Fee %	Salary# %	Bonus %	Benefits in kind %	Total %
<b>Below S\$250,000</b>					
Mr. Chan Kong	–	100	–	–	100
Mr. Ma Zhenghai	–	100	–	–	100
Mr. Cui Jun	–	100	–	–	100
Mr. Wong Kim Kwan, Kings	–	100	–	–	100
Mr. Kwok Chi Shing	100	–	–	–	100
Mr. Zhou Yao Ming	100	–	–	–	100
Mr. Lim Yu Neng Paul	100	–	–	–	100
Ms. Cheng Fong Yee	100	–	–	–	100

# The salary amount shown is inclusive of allowances, statutory contributions, all fees other than directors' fees, and other emoluments.

b) The level and mix of each key executive's (who are not also Directors) remuneration in bands are as follows:

Remuneration Band and Name of Key Executive	Salary# %	Bonus %	Benefits in kind %	Total %
<b>Below S\$250,000</b>				
Mr. Huang Hua Xiang	100	–	–	100
Mr. Su Jianlong	100	–	–	100
Mr. Lau Cheuk Lun	100	–	–	100
Mr. Zou Lian	100	–	–	100

# The salary amount shown is inclusive of allowances, statutory contributions, all fees other than directors' fees, and other emoluments.

There are no employees of the Group who are immediate family members of a Director and whose remuneration exceeds S\$150,000 during the financial year ended 30 June 2009. None of the Directors and key executives' remuneration exceeded S\$250,000 per annum for the financial year ended 30 June 2009.

The Company had in June 2005 cancelled all outstanding options granted to Directors and employees under the Bio-Treat Technology Employee Share Option Scheme (the "Scheme"). As at the date of this Report, there are no outstanding options under the Scheme.





# corporate governance report

## (C) ACCOUNTABILITY AND AUDIT

### *Accountability*

The Board's primary role is to protect and enhance long-term value and returns for Shareholders. In the discharge of its duties to Shareholders, the Board, when reporting the Group's financial performance via SGXNET announcements and the Annual Report, has a responsibility to present a fair assessment of the Group's financial performance, position and prospects. Management currently provides the Board with detailed management accounts of the Group's performance, position and prospects on a quarterly basis. Directors have access to the Management at all times.

### *Audit Committee*

The Audit Committee comprises three Independent Directors and is chaired by Mr. Kwok Chi-Shing. The other two members are Mr. Zhou Yao Ming and Mr. Lim Yu Neng Paul.

The Audit Committee meets regularly with the Group's external auditors and Management to review accounting, auditing and financial reporting matters, so as to ensure that an effective control environment is maintained in the Group.

The Audit Committee also monitors proposed changes in accounting policies, reviews the internal audit functions and discusses the accounting implications of major transactions. In addition, the Audit Committee also advises the Board regarding the adequacy of the Group's internal controls and the contents and presentation of its reports.

The functions of the Audit Committee include:

- (a) reviews with the external independent auditors their audit plan, their evaluation of the system of internal accounting controls, their letter to management and management response;
- (b) reviews the quarterly and annual financial statements with management and external independent auditors (where applicable) before submission to the board of directors;
- (c) reviews the adequacy of the Group's internal controls, including financial, operational and compliance controls and risk management policies and systems;
- (d) reviews and approve the internal audit plans of the internal auditors;
- (e) evaluates the effectiveness of both the internal and external audit efforts through regular meetings;
- (f) determines that no unwarranted management restrictions are being placed upon either the internal or external independent auditors;
- (g) recommend to the board of directors the appointment or re-appointment of the external independent auditors for the coming year;
- (h) reviews the nature and extent of non-audit services provided by external independent auditor;
- (i) meet with the external independent auditors, without the presence of the Company's management, at least annually; and
- (j) reviews interested person transactions (if any), in accordance with the requirements of the SGX-ST Listing Manual.

The Audit Committee is authorised to investigate any matter within its terms of reference, and has full access to the Management and also full discretion to invite any Director or executive officer to attend its meetings, as well as reasonable resources to enable it to discharge its functions properly.

The Audit Committee is satisfied with the independence and objectivity of the external auditors, Moore Stephens LLP and is satisfied that the provision on non-audit services by them would not affect their independence and has recommended to the Board the re-appointment of Moore Stephens LLP as the external auditors of the Company.

# corporate governance report

## **Internal Controls and Internal Audit**

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will eliminate all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material mis-statement or loss. The Board and the Audit Committee regularly review the adequacy of all internal controls, including, financial, operational and compliance controls, and risk management policies and systems established by the Management.

Follow up actions has been taken progressive during the year under review and were listed as follow:

### **1. Internal Audit**

We have hired an external accounting firm to be responsible for our internal audit in November 2008. The firm has been hired to review the adequacy of internal controls in our financial system and to provide recommendations to strengthen any weaknesses in our internal controls.

### **2. Interested Person Transactions**

On a quarterly basis, board members have to declare that they have no direct or indirect interests in any of the interested person transactions of the Group.

### **3. Internal Control Process and Operations**

A series of internal control policies and measures have been actively implemented to facilitate our business development and to improve the Group's internal controls and corporate governance and these policies have been developed by Management and approved by the Board during the year. The Board and its Audit Committee will review the status and the efficacy of the internal control processes and operations on a quarterly basis and will determine if further actions need to be taken.

## **(D) COMMUNICATION WITH SHAREHOLDERS**

In line with continuous disclosure obligations of the Company, and pursuant to the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Rules and Bermuda companies legislation, the Board ensures that shareholders are fully informed of all major developments that impact the Group.

Information is disseminated to the shareholders on a timely basis through:

- (i) SGXNET announcements and press releases;
- (ii) Annual Reports prepared and issued to all shareholders; and
- (iii) Company's website at [www.bio-treattechnology.com](http://www.bio-treattechnology.com) at which shareholders can access information on the Group.

Quarterly results are released within 45 days of the quarter of the financial year. The Company ensures that it does not practice selective disclosure of material information. Material information is publicly released before the Company meets with investors or analysts.

Shareholders are encouraged to attend the Company's Annual General Meeting to be kept informed of the Group's strategy and goals. The notice of the Annual General Meeting is despatched to shareholders, together with explanatory notes or a circular on items of special business, at least 14 working days before the meeting. The Annual General Meeting is the principal forum for dialogue with shareholders.

The respective Board members will be available at the forthcoming Annual General Meeting to answer questions relating to the work of those sub-committees. The external auditors will also be present to assist the Directors in addressing any relevant queries from the shareholders.

Our Management acknowledges that effective communication with investors is of paramount importance to the Group. In order to reinforce mutual understanding between shareholders and the Company, we have established and maintained a number of ways to strengthen our communication with investors.

## corporate governance report

Measures that the Company has taken are as follows:

- a. organise analyst briefings to explain our latest published financial information as well as to provide our business update;
- b. attend meetings/telephone conferences requested by investors/shareholders/analysts on an ongoing basis throughout the year to assist them in understanding the latest updates relating to the Company;
- c. organise road shows for our investors/potential investors. This may be done solely by ourselves or coordinated with investment bankers;
- d. organise plant visits by investors/potential investors to our facilities;
- e. ensure important information of the Group will be announced in a timely manner without delay; and

### (E) DEALINGS IN SECURITIES

In line with Listing Rule 1207(18) of the Listing Manual, the Group prohibits its Directors and employees from trading in the Company's securities on short-term considerations. In addition, the Group prohibits its Directors and employees from dealing in the Company's securities during the period beginning one month before the release of any financial results of the Group or if they are in possession of any unpublished material price-sensitive information relating to the Group.

### (F) INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and that transactions are conducted on arm's length basis and not prejudicial to the interests of the shareholders. There are no interested person transactions for the financial year ended 30 June 2009.

### (G) MATERIAL CONTRACTS

There are no material contracts of the Group involving the interests of any Directors or controlling shareholders subsisting at the end of the financial year ended 30 June 2009, or entered into since the end of the previous financial year.

### (H) RISK MANAGEMENT

Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies. To further strengthen this area, a Risk Management Committee ("RMC") was set up in financial year FY2007, mainly to enhance communication between top management and all staff of the company. The Committee was set up to allow employees to report urgent cases relating to significant business events directly to top management, bypassing the usual reporting channel. This will enable management to be kept informed of any significant events that may happen from time to time, and to make urgent decisions in a timely manner. The terms of reference are:

- participation from all levels of staff (from management to general staff);
- timely investigation by management;
- no threshold limit for reporting; staff members will not be penalised even if the issues are proven not to be significant.

The RMC was established by management to facilitate more timely communication. The management will report to the Board on a quarterly basis, summarising all activities in the past quarter.



# report of the directors

The directors are pleased to present their report to the members together with the consolidated financial statements of Bio-Treat Technology Limited (the “Company”) and its subsidiaries (the “Group”) for the financial year ended 30 June 2009 and the balance sheet of the Company as at 30 June 2009.

## 1 DIRECTORS

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

Cui Jun  
Ma Zheng Hai  
Cheng Fong Yee, Fonda  
Lim Yu Neng, Paul  
Kwok Chi-Shing  
Zhou Yao Ming

## 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement 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’ INTERESTS IN SHARES OR DEBENTURES

The directors of the Company who held office at the end of the financial year had no interests in the shares or debentures of the Company and related corporations as recorded in the register of directors’ shareholdings kept by the Company except as follows:

	At 1 July 2008	Deemed interest At 30 June 2009	At 21 July 2009
<b>The Company</b> (Ordinary shares of HK\$0.40 each)			
Chan Kong <sup>(1)</sup>	43,511,560	43,511,560	43,511,560

\* Mr Chan Kong is deemed interested in the shares held by JP Practica Limited. Mr Chan Kong has resigned as director of the Company subsequent to the financial year end, with effect from 1 September 2009.

## 4 DIRECTORS’ CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit 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 as disclosed in the financial statements. Certain directors also received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

## 5 OPTIONS GRANTED

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

## 6 OPTIONS EXERCISED

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of options to take up unissued shares.

# report of the directors

## 7 OPTIONS OUTSTANDING

As at the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

## 8 AUDIT COMMITTEE

The members of the Audit Committee at the end of the financial year are as follows:

Kwok Chi-Shing (Chairman)  
Lim Yu Neng, Paul (Member)  
Zhou Yao Ming (Member)

All members of the Audit Committee are independent and non-executive directors. The Audit Committee carried out its functions as required by statute, the Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Manual and the Code of Corporate Governance.

The functions performed by the Audit Committee during the financial year are disclosed in the Corporate Governance Report.

On behalf of the Board of Directors,

**CUI JUN**  
*Executive Director*

**MA ZHENG HAI**  
*Executive Director*

13 October 2009



## statement by directors

30 June 2009

- (a) The directors are of the opinion that the consolidated financial statements of the Group and the balance sheet of the Company set out on pages 35 to 101 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 30 June 2009 and of the results, changes in equity and cash flows of the Group for the year then ended; and
- (b) As mentioned and more fully described in Note 2 to the financial statements, the ability of the Company and the Group to continue as going concerns is dependent upon:
- the continuing support of the Loan Lenders and the successful outcome of the negotiations with the Loan Lenders as described in Note 2(b) to the financial statements;
  - the continuing support of the Convertible Bondholders and the successful outcome of the Proposed Settlement with the Convertible Bondholders as described in Note 2(c) to the financial statements; and
  - the success of various strategies that management is presently evaluating to improve the operating performance, financial position and cash flows of the Company and the Group. These strategies include, *inter alia*, obtaining alternative sources of finance.

Based on the above factors, at the date of this statement, the directors are of the opinion that there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

**CUI JUN**

*Executive Director*

**MA ZHENG HAI**

*Executive Director*

13 October 2009





# independent auditors' report

to the members of bio-treat technology limited  
(incorporated in bermuda)

- 1 We were engaged to audit the accompanying financial statements of Bio-Treat Technology Limited (the "Company") and its subsidiaries (the "Group"), as set out on pages 35 to 101, which comprise the balance sheets of the Company and of the Group as at 30 June 2009, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## *Management's Responsibility for the Financial Statements*

- 2 Management is responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards. This responsibility includes:
  - (a) 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 consolidated income statement and balance sheets and to maintain accountability of assets;
  - (b) selecting and applying appropriate accounting policies; and
  - (c) making accounting estimates that are reasonable in the circumstances.

## *Auditors' Responsibility*

- 3 Our responsibility is to express an opinion on these financial statements based on conducting an audit in accordance with Singapore Standards on Auditing. Due to the significance of the matters discussed in paragraph 5 below, we were not able to form an opinion on the accompanying consolidated financial statements of the Group and the balance sheet of the Company.

## *Disclaimer Audit Opinion on the Financial Statements for the Year Ended 30 June 2008*

- 4 The auditors' report for the financial statements for the year ended 30 June 2008 contained a disclaimer opinion and an update of the matters that gave rise to the disclaimer opinion is set out in Note 5 below.

## *Basis for Disclaimer of Opinion on the Financial Statements*

### *Going Concern Assumption*

- 5 We draw attention to Note 2 to the financial statements, which discloses that:
  - (a) The Group incurred a net loss of RMB703,338,000 for the financial year ended 30 June 2009 (2008 (Restated): RMB356,816,000), and as of that date, the Group's current liabilities exceeded its current assets by RMB1,205,407,000 (2008 (Restated): RMB405,254,000). Further, the Group incurred a negative operating cash flow of RMB245,147,000 (2008 (Restated): RMB484,485,000) for the year.
  - (b) As disclosed in Note 27(b)(i) to the financial statements, the Group has an outstanding loan amount of HK\$239,412,000 (RMB211,449,000) (2008: HK\$239,412,00 (RMB211,504,000)) due to Precious Wise Group Limited ("Precious Wise"), a former shareholder of the Company, as at 30 June 2009. On 15 May 2008, pursuant to the event of default of the Convertible Bonds as described in Note 5(c) below, the Group received notice from Precious Wise that the Company's failure to meet the repayment for other loans of the Group constituted an event of default for the outstanding loan, and therefore they had invoked their rights pursuant to the terms and conditions of the loan agreement, amongst of which the outstanding loan had become immediately due and payable by reason of the default as at the end of the previous financial year ended 30 June 2008.

As disclosed in Note 27(b)(ii) to the financial statements, the Group has an outstanding loan balance of HK\$37,854,575 (RMB33,433,000) (2008: Nil) due to Datasino Group Limited ("Datasino"), a related party of Precious Wise, as at 30 June 2009. The Group has not repaid the outstanding loan balance which was due on 15 July 2009, subsequent to the financial year end.

As at the date of this report, negotiations by the Group are currently on-going with the Precious Wise and Datasino (collectively known as the "Loan Lenders") to seek a settlement and/or extension of repayment dates for the outstanding loans. The directors of the Company are presently unable to determine the outcome of the negotiations with the Loan Lenders.

## independent auditors' report

to the members of bio-treat technology limited  
(incorporated in bermuda)

- (c) On 18 January 2008, certain Convertible Bondholders exercised their put option in respect of the Convertible Bonds (the "Put Options"), with a principal amount of S\$116,400,000 (RMB586,656,000), to cause the Company to redeem the Put Bonds at 108.77% of their principal amount, totalling S\$126,608,000 (RMB638,106,000). The Company made partial payment amounting to S\$39,972,000 (RMB201,145,000) in respect of the Put Bonds during the previous financial year ended 30 June 2008. No further payment has been made in respect of the Put Bonds during the current financial year. The principal amount outstanding in respect of the Put Bonds amounted to S\$79,651,000 (RMB374,990,000) as at 30 June 2009 (2008: S\$79,651,000 (RMB401,729,000)).

The Company had on 18 April 2008, 22 July 2008 and 23 July 2008 received notices from certain Convertible Bondholders claiming that the Company's failure to redeem fully the Put Bonds that were put to the Company on 18 January 2008 constituted an event of default (the "Alleged Default") which the Alleged Default entitled the other Convertible Bondholders to accelerate the remaining Convertible Bonds (the "Accelerated Bonds") to become immediately due and payable. The total principal amount of the remaining Convertible Bonds that could potentially be accelerated was S\$89,600,000 (RMB453,644,000) as at 30 June 2008, of which the Company has, as at the date of our previous report for the financial year ended 30 June 2008, received notices of acceleration in respect of Convertible Bonds amounting to S\$50,600,000 (RMB255,206,000).

During the current financial year, the Company has on 8 October 2008 and 25 February 2009 received further notices of acceleration from certain Convertible Bondholders and consequently, as at the date of this report, the Convertible Bonds which are subject to the various notices of acceleration received by the Company totalled S\$61,200,000 (RMB288,124,000).

As disclosed in Note 30 to the financial statements, subsequent to the financial year end, the Company has on 22 September 2009 announced that it is proposing the following terms to all the Convertible Bondholders to effect a full and final settlement of all the Company's outstanding payment obligations under the Convertible Bonds (the "Proposed Settlement"). Pursuant to the Proposed Settlement:

- (i) the Company and all the Convertible Bondholders will effect a marking-down of the remaining balance of the Convertible Bonds from the principal amount of S\$169,251,000 to S\$37,080,000 (the "Marked-down Bonds") to be repayable on certain agreed bullet repayment dates;
- (ii) the Company will procure a wholly owned subsidiary of the Group, Bio-Treat International Limited ("BTI"), to grant a security interest over the shares held by BTI in World Pioneer Investments Limited, a wholly owned subsidiary of BTI, by way of two charges given in favour of the Company and the Bank of New York Mellon as security agents and trustees to secure the Company's obligations under the Marked-down Bonds; and
- (iii) the Company will issue to the holders of the Marked-down Bonds warrants (the "Warrants") entitling the holders of the Marked-down Bonds to subscribe for 89,000,000 new ordinary shares at an exercise price of S\$0.025 for each new share in the capital of the Company upon the exercise of the Warrants.

The Company has on 23 September 2009 given notice to the holders of the Convertible Bonds that a meeting has been convened to be held on 15 October 2009 to approve the Proposed Settlement.

As at the date of this report, the directors of the Company are unable to determine the outcome of the Proposed Settlement with the Convertible Bondholders.



## independent auditors' report

to the members of bio-treat technology limited  
(incorporated in bermuda)

- 6 The matters referred to in paragraph 5 above indicate the existence of material uncertainties which may cast significant doubt as to the ability of the Company and the Group to continue as going concerns and to discharge their liabilities in the normal course of business. The ability of the Company and the Group to continue as going concerns is therefore dependent upon:
- the continuing support of the Loan Lenders and the successful outcome of the negotiations with the Loan Lenders as described in Note 5(b) above;
  - the continuing support of the Convertible Bondholders and the successful outcome of the Proposed Settlement with the Convertible Bondholders as described in Note 5(c) above; and
  - the success of various strategies that management is presently evaluating to improve the operating performance, financial position and cash flows of the Company and the Group. These strategies include, *inter alia*, obtaining alternative sources of finance.
- 7 The financial statements have been prepared on the assumption that the Company and the Group will remain as going concerns, and discharge their liabilities in the normal course of business, the validity of which is dependent on, *inter alia*, the successful outcome of the negotiations with the Loan Lenders, the Proposed Settlement with the Convertible Bondholders, and the ability of the Company and the Group to generate positive cash flows from its operations in the future and/or obtain alternative sources of finance. The assumption is premised on future events, the outcome of which is inherently uncertain.

In the absence of sufficient appropriate evidential matter, we were unable to obtain sufficient audit assurance regarding the use of the going concern assumption in the preparation of the financial statements. Accordingly, we are unable to form a view as to the use of the going concern assumption in the preparation of the financial statements.

- 8 In the event the Company and the Group are unable to continue in operational existence for the foreseeable future, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Company and the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No such adjustments have been made to these financial statements.

### *Disclaimer Audit Opinion*

- 9 Because of the significance of the matters discussed in paragraphs 5 to 8, we are not in a position to, and accordingly do not, express an opinion as to whether the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2009 and the results, changes in equity and cash flows of the Group for the year ended on that date.

**MOORE STEPHENS LLP**  
Public Accountants and  
Certified Public Accountants

Singapore  
13 October 2009





# consolidated income statement

for the financial year ended 30 June 2009

		Group	
	Note	2009 RMB'000	2008 RMB'000 (Restated)
Revenue	(5)	407,985	2,253,940
Cost of sales		<u>(485,582)</u>	<u>(1,698,574)</u>
Gross (loss)/profit		(77,597)	555,366
Other income	(6)	65,170	11,259
Selling and distribution expenses		(2,513)	(20,658)
Research and development costs		(13,141)	(26,259)
Administrative expenses		(65,324)	(88,450)
Other operating expenses		(6,785)	(6,513)
Exceptional items	(7)	(467,528)	(532,633)
Finance income	(8)	465	7,865
Finance costs	(9)	(109,692)	(84,481)
Share of losses of an associated company		<u>(1)</u>	<u>(17)</u>
<b>Loss before income tax</b>	(10)	<b>(676,946)</b>	<b>(184,521)</b>
Income tax	(11)	<u>(26,392)</u>	<u>(172,295)</u>
<b>Loss for the year</b>		<b><u>(703,338)</u></b>	<b><u>(356,816)</u></b>
<b>Attributable to:</b>			
Equity holders of the Company		(702,744)	(357,571)
Minority interest		<u>(594)</u>	<u>755</u>
		<b><u>(703,338)</u></b>	<b><u>(356,816)</u></b>
Loss per share (RMB cents)	(12)		
– Basic		<u>(0.79)</u>	<u>(0.40)</u>
– Diluted		<u>(0.79)</u>	<u>(0.40)</u>

The accompanying notes form an integral part of these financial statements

# balance sheets

as at 30 June 2009

		Group		Company	
	Note	2009 RMB'000	2008 RMB'000 (Restated)	2009 RMB'000	2008 RMB'000
<b>ASSETS</b>					
<b>Non-current Assets</b>					
Property, plant and equipment	(13)	103,368	139,166	—	—
Intangible assets	(14)	484,075	501,600	—	—
Financial receivables	(15)	1,794,318	1,649,301	—	—
Investments in subsidiaries	(16)	—	—	261,882	261,882
Investment in an associated company	(17)	34,574	34,575	—	—
Financial assets, available-for-sale	(18)	69,845	69,845	—	—
Land use rights	(19)	75,909	96,362	—	—
Deferred tax assets	(28)	—	13,212	—	—
		<u>2,562,089</u>	<u>2,504,061</u>	<u>261,882</u>	<u>261,882</u>
<b>Current Assets</b>					
Financial receivables	(15)	6,091	3,007	—	—
Inventories	(20)	741	1,252	—	—
Trade and other receivables	(22)	63,453	544,647	1,666,707	1,949,582
Other current assets	(23)	56,665	115,135	—	—
Cash and bank balances	(24)	80,262	280,968	136	1,773
		<u>207,212</u>	<u>945,009</u>	<u>1,666,843</u>	<u>1,951,355</u>
<b>Total Assets</b>		<u><b>2,769,301</b></u>	<u><b>3,449,070</b></u>	<u><b>1,928,725</b></u>	<u><b>2,213,237</b></u>
<b>EQUITY AND LIABILITIES</b>					
<b>Share Capital and Reserves</b>					
Share capital	(25)	377,496	377,496	377,496	377,496
Reserves	(26)	463,987	1,200,556	375,021	694,876
		<u>841,483</u>	<u>1,578,052</u>	<u>752,517</u>	<u>1,072,372</u>
Minority interest		31	6,168	—	—
		<u>841,514</u>	<u>1,584,220</u>	<u>752,517</u>	<u>1,072,372</u>
<b>Non-current Liabilities</b>					
Borrowings	(27)	501,440	502,020	—	—
Deferred tax liabilities	(28)	13,727	12,567	—	—
		<u>515,167</u>	<u>514,587</u>	<u>—</u>	<u>—</u>
<b>Current Liabilities</b>					
Trade and other payables	(29)	114,496	74,315	37,190	16,737
Due to deconsolidated subsidiaries	(18)	69,845	69,845	—	—
Convertible bonds	(30)	927,569	912,624	927,569	912,624
Borrowings	(27)	300,462	255,884	211,449	211,504
Provision for income tax		248	37,595	—	—
		<u>1,412,620</u>	<u>1,350,263</u>	<u>1,176,208</u>	<u>1,140,865</u>
<b>Total Liabilities</b>		<u><b>1,927,787</b></u>	<u><b>1,864,850</b></u>	<u><b>1,176,208</b></u>	<u><b>1,140,865</b></u>
<b>Total Equity and Liabilities</b>		<u><b>2,769,301</b></u>	<u><b>3,449,070</b></u>	<u><b>1,928,725</b></u>	<u><b>2,213,237</b></u>

The accompanying notes form an integral part of these financial statements

# consolidated statement of changes in equity

for the financial year ended 30 June 2009

	Attributable to equity holders of the Company								
	Share capital RMB'000	Share premium RMB'000	Foreign currency translation reserves RMB'000	Statutory reserves RMB'000	Convertible bonds equity reserve RMB'000	Accumulated (losses)/retained earnings RMB'000	Total RMB'000	Minority interest RMB'000	Total RMB'000
<b>FY2009</b>									
<b>At 1 July 2008, as previously stated</b>	377,496	650,238	2,067	62,785	33,678	353,401	1,479,665	4,339	1,484,004
Effect of adoption of INT FRS 112	-	-	-	-	-	98,387	98,387	1,829	100,216
<b>At 1 July 2008, as restated</b>	377,496	650,238	2,067	62,785	33,678	451,788	1,578,052	6,168	1,584,220
Currency translation differences – recognised directly in equity	-	-	(147)	-	-	-	(147)	-	(147)
Loss for the year	-	-	-	-	-	(702,744)	(702,744)	(594)	(703,338)
<b>Total recognised income and (expenses) for the year</b>	-	-	(147)	-	-	(702,744)	(702,891)	(594)	(703,485)
Reclassification of convertible bonds (Note 30)	-	-	-	-	(33,678)	-	(33,678)	-	(33,678)
Acquisition from minority interests	-	-	-	-	-	-	-	(5,543)	(5,543)
<b>At 30 June 2009</b>	<u>377,496</u>	<u>650,238</u>	<u>1,920</u>	<u>62,785</u>	<u>-</u>	<u>(250,956)</u>	<u>841,483</u>	<u>31</u>	<u>841,514</u>

# consolidated statement of changes in equity

for the financial year ended 30 June 2009

	Attributable to equity holders of the Company								Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Foreign currency translation reserves RMB'000	Statutory reserves RMB'000	Convertible bonds equity reserve RMB'000	Accumulated (losses)/ retained earnings RMB'000	Total RMB'000	Minority interest RMB'000	
<b>FY2008</b>									
<b>At 1 July 2007, as previously stated</b>	375,740	636,779	1,357	40,581	77,429	822,382	1,954,268	8,883	1,963,151
Effect of adoption of INT FRS 112	—	—	—	—	—	42,319	42,319	820	43,139
<b>At 1 July 2007, as restated</b>	375,740	636,779	1,357	40,581	77,429	864,701	1,996,587	9,703	2,006,290
Currency translation differences – recognised directly in equity	—	—	710	—	—	—	710	—	710
Loss for the year	—	—	—	—	—	(357,571)	(357,571)	755	(356,816)
Transfer to statutory reserves in accordance with statutory requirements	—	—	—	22,204	—	(22,204)	—	—	—
<b>Total recognised income and (expenses) for the year</b>	—	—	710	22,204	—	(379,775)	(356,861)	755	(356,106)
Issue of new shares under scrip dividend scheme	1,756	13,459	—	—	—	—	15,215	—	15,215
Reclassification of convertible bonds (Note 30)	—	—	—	—	(43,751)	—	(43,751)	—	(43,751)
Dividend declared and paid (Note 31)	—	—	—	—	—	(33,138)	(33,138)	—	(33,138)
Capital injection from minority interests	—	—	—	—	—	—	—	598	598
Acquisition from minority interests	—	—	—	—	—	—	—	(4,888)	(4,888)
<b>At 30 June 2008, as restated</b>	<u>377,496</u>	<u>650,238</u>	<u>2,067</u>	<u>62,785</u>	<u>33,678</u>	<u>451,788</u>	<u>1,578,052</u>	<u>6,168</u>	<u>1,584,220</u>





# consolidated cash flow statement

for the financial year ended 30 June 2009

	2009 RMB'000	2008 RMB'000 (Restated)
<b>Cash Flows from Operating Activities</b>		
Loss before income tax	(676,946)	(184,521)
Adjustments for:		
Amortisation of discount on convertible bonds	24,260	34,384
Depreciation of property, plant and equipment	26,107	34,289
Amortisation of intangibles assets	19,386	13,824
Amortisation of land use rights	2,106	1,663
Loss/(gain) on disposal of property, plant and equipment	6,589	(7,913)
Gain on disposal of interest in an associated company	–	(2,987)
Exceptional items (Note 7)	467,528	532,633
Negative goodwill arising on acquisition of subsidiaries (Note 6)	(335)	–
Unrealised exchange (gain)/loss	(64,463)	11,586
Share of losses of an associate company	1	17
Finance income	(465)	(7,865)
Interest expense	85,432	50,097
Operating cash flow before working capital changes	(110,800)	475,207
Changes in working capital		
Financial receivables	(146,909)	(793,172)
Inventories	525	(1,071)
Trade and other receivables	157,107	(80,051)
Other current assets	(21,747)	55,085
Trade and other payables	(74,081)	(2,387)
Cash absorbed by operations	(195,905)	(346,389)
Interest received	465	7,865
Income tax paid	(49,707)	(145,961)
<b>Net cash used in operating activities</b>	<b>(245,147)</b>	<b>(484,485)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(4,710)	(7,025)
Deposits for property, plant and equipment	(1,854)	(7,706)
Increase in intangible assets	(1,861)	(56,297)
Payment for land use rights	(38)	(25,023)
Net cash inflow from disposal of a subsidiary (Note 16(b)(i))	15,000	–
Net cash outflow on acquisition of subsidiaries (Note 16(b)(ii))	(5,148)	(4,888)
Acquisition of an associated company	–	(2,402)
Proceeds from disposal of an associated company	–	2,567
<b>Net cash generated from/(used in) investing activities</b>	<b>1,389</b>	<b>(100,774)</b>
<b>Cash Flows from Financing Activities</b>		
Repayment of convertible bonds	–	(201,145)
Proceeds from bank borrowings	55,000	102,000
Repayment of bank borrowings	(44,380)	(17,130)
Proceeds from other loans	44,160	273,489
Repayment of other loans	(10,727)	(61,985)
Advances from an associated company	34,638	12,884
Dividends paid	–	(18,846)
Capital contribution from minority shareholder of a subsidiary company	–	598
Repayment from a former related party	–	2,000
Advances to related parties	–	(2,529)
Interest paid	(35,639)	(43,801)
Decrease in bank balances pledged	4,022	3,923
<b>Net cash generated from financing activities</b>	<b>47,074</b>	<b>49,458</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(196,684)</b>	<b>(535,801)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>264,657</b>	<b>800,458</b>
<b>Cash and cash equivalents at the end of the year (Note 24)</b>	<b>67,973</b>	<b>264,657</b>

The accompanying notes form an integral part of these financial statements

# notes to the financial statements

30 June 2009

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

## 1 GENERAL

Bio-Treat Technology Limited (the "Company") is incorporated in Bermuda as an exempt company with limited liability and is listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The registered address of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is at Tu Tang Industry Area, Tu Tang, Changping, Dongguan City, Guangdong Province, the People's Republic of China ("PRC").

The principal activity of the Company is that of an investment holding company. The principal activities of its subsidiaries are set out in Note 16.

The Board of Directors has authorised the issue of the financial statements in accordance with a resolution of the directors on the date of the Statement by Directors.

## 2 GOING CONCERN ASSUMPTION

(a) The Group incurred a net loss of RMB703,338,000 for the financial year ended 30 June 2009 (2008 (Restated): RMB356,816,000), and as of that date, the Group's current liabilities exceeded its current assets by RMB1,205,407,000 (2008 (Restated): RMB405,254,000). Further, the Group incurred a negative operating cash flow of RMB245,147,000 (2008 (Restated): RMB484,485,000) for the year.

(b) As disclosed in Note 27(b)(i) to the financial statements, the Group has an outstanding loan amount of HK\$239,412,000 (RMB211,449,000) (2008: HK\$239,412,000 (RMB211,504,000)) due to Precious Wise Group Limited ("Precious Wise"), a former shareholder of the Company, as at 30 June 2009. On 15 May 2008, pursuant to the event of default of the Convertible Bonds as described in Note 2(c) below, the Group received notice from Precious Wise that the Company's failure to meet the repayment for other loans of the Group constituted an event of default for the outstanding loan, and therefore they had invoked their rights pursuant to the terms and conditions of the loan agreement, amongst of which the outstanding loan had become immediately due and payable by reason of the default as at the end of the previous financial year ended 30 June 2008.

As disclosed in Note 27(b)(ii) to the financial statements, the Group has an outstanding loan balance of HK\$37,854,575 (RMB33,433,000) (2008: Nil) due to Datasino Group Limited ("Datasino"), a related party of Precious Wise, as at 30 June 2009. The Group has not repaid the outstanding loan balance which was due on 15 July 2009, subsequent to the financial year end.

As at the date of authorisation of these financial statements, negotiations by the Group are currently on-going with the Precious Wise and Datasino (collectively known as the "Loan Lenders") to seek a settlement and/or extension of repayment dates for the outstanding loans. The directors of the Company are presently unable to determine the outcome of the negotiations with the Loan Lenders.

(c) On 18 January 2008, certain Convertible Bondholders exercised their put option in respect of the Convertible Bonds (the "Put Options"), with a principal amount of S\$116,400,000 (RMB586,656,000), to cause the Company to redeem the Put Bonds at 108.77% of their principal amount, totalling S\$126,608,000 (RMB638,106,000). The Company made partial payment amounting to S\$39,972,000 (RMB201,145,000) in respect of the Put Bonds during the previous financial year ended 30 June 2008. No further payment has been made in respect of the Put Bonds during the current financial year. The principal amount outstanding in respect of the Put Bonds amounted to S\$79,651,000 (RMB374,990,000) as at 30 June 2009 (2008: S\$79,651,000 (RMB401,729,000)).

The Company had on 18 April 2008, 22 July 2008 and 23 July 2008 received notices from certain Convertible Bondholders claiming that the Company's failure to redeem fully the Put Bonds that were put to the Company on 18 January 2008 constituted an event of default (the "Alleged Default") which the Alleged Default entitled the other Convertible Bondholders to accelerate the remaining Convertible Bonds (the "Accelerated Bonds") to become immediately due and payable. The total principal amount of the remaining Convertible Bonds that could potentially be accelerated was S\$89,600,000 (RMB453,644,000) as at 30 June 2008, of which the Company has, as at the date of authorisation of the financial statements for the financial year ended 30 June 2008, received notices of acceleration in respect of Convertible Bonds amounting to S\$50,600,000 (RMB255,206,000).

# notes to the financial statements

30 June 2009

## 2 GOING CONCERN ASSUMPTION (cont'd)

(c) (cont'd)

During the current financial year, the Company has on 8 October 2008 and 25 February 2009 received further notices of acceleration from certain Convertible Bondholders and consequently, as at the date of authorisation of these financial statements, the Convertible Bonds which are subject to the various notices of acceleration received by the Company totalled S\$61,200,000 (RMB288,124,000).

As disclosed in Note 30 to the financial statements, subsequent to the financial year end, the Company has on 22 September 2009 announced that it is proposing the following terms to all the Convertible Bondholders to effect a full and final settlement of all the Company's outstanding payment obligations under the Convertible Bonds (the "Proposed Settlement"). Pursuant to the Proposed Settlement:

- (i) the Company and all the Convertible Bondholders will effect a marking-down of the remaining balance of the Convertible Bonds from the principal amount of S\$169,251,000 to S\$37,080,000 (the "Marked-down Bonds") to be repayable on certain agreed bullet repayment dates;
- (ii) the Company will procure a wholly owned subsidiary of the Group, Bio-Treat International Limited ("BTI"), to grant a security interest over the shares held by BTI in World Pioneer Investments Limited, a wholly owned subsidiary of BTI, by way of two charges given in favour of the Company and the Bank of New York Mellon as security agents and trustees to secure the Company's obligations under the Marked-down Bonds; and
- (iii) the Company will issue to the holders of the Marked-down Bonds warrants (the "Warrants") entitling the holders of the Marked-down Bonds to subscribe for 89,000,000 new ordinary shares at an exercise price of S\$0.025 for each new share in the capital of the Company upon the exercise of the Warrants.

The Company has on 23 September 2009 given notice to the holders of the Convertible Bonds that a meeting has been convened to be held on 15 October 2009 to approve the Proposed Settlement.

As at the date of authorisation of these financial statements, the directors of the Company are unable to determine the outcome of the Proposed Settlement with the Convertible Bondholders.

- (d) The conditions referred to in Note 2(a) to 2(c) above indicate the existence of material uncertainties which may cast significant doubt as to the ability of the Company and the Group to continue as going concerns and to discharge their liabilities in the normal course of business. The ability of the Company and the Group to continue as going concerns is therefore dependent upon:
- the continuing support of the Loan Lenders and the successful outcome of the negotiations with the Loan Lenders as described in Note 2(b) above;
  - the continuing support of the Convertible Bondholders and the successful outcome of the Proposed Settlement with the Convertible Bondholders as described in Note 2(c) above; and
  - the success of various strategies that management is presently evaluating to improve the operating performance, financial position and cash flows of the Company and the Group. These strategies include, *inter alia*, obtaining alternative sources of finance.
- (g) The financial statements have been prepared on the assumption that the Company and the Group will remain as going concerns, and discharge their liabilities in the normal course of business, the validity of which is dependent on, *inter alia*, the successful outcome of the negotiations with the Loan Lenders, the Proposed Settlement with the Convertible Bondholders, and the ability of the Company and the Group to generate positive cash flows from its operations in the future and/or obtain alternative sources of finance. The assumption is premised on future events, the outcome of which is inherently uncertain.

# notes to the financial statements

30 June 2009

## 2 GOING CONCERN ASSUMPTION (cont'd)

- (h)
- In the event the Company and the Group are unable to continue in operational existence for the foreseeable future, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recoded in the balance sheets. In addition, the Company and the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No such adjustments have been made to these financial statements.

## 3 SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial statements, which are expressed in Renminbi ("RMB"), have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise judgements in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and contingent liabilities at the balance sheet date that are not readily apparent from other sources. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results may ultimately differ from these estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### (i) Adoption of New/Revised FRS and INT FRS

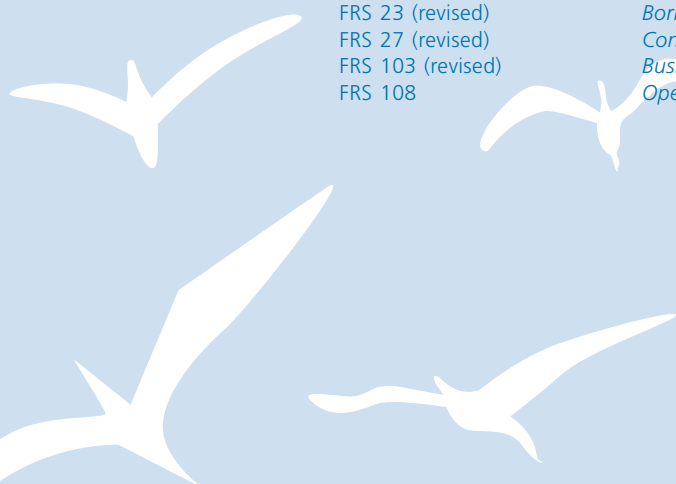
During the current financial year, the Group adopted the new/revised FRS and new Interpretations to FRS ("INT FRS") issued that are relevant to its operations and effective to the Group's financial statements for the said year.

The adoption of the new/revised FRS or INT FRS did not result in any significant changes to the Group's accounting policies nor any significant financial impact on these financial statements except for the adoption of INT FRS 112 *Service Concession Arrangements*. The effect of the change in this accounting policy is disclosed in Note 3(b).

#### (ii) New/Revised FRS and INT FRS issued but not yet effective

As at the date of authorisation of these financial statements, the Group has not applied the following relevant new/revised FRS that have been issued but are not yet effective:

FRS 1 (revised)	<i>Presentation of Financial Statements</i>
FRS 23 (revised)	<i>Borrowing Costs</i>
FRS 27 (revised)	<i>Consolidated and Separate Financial Statements</i>
FRS 103 (revised)	<i>Business Combinations</i>
FRS 108	<i>Operating Segments</i>





# notes to the financial statements

30 June 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (a) *Basis of Preparation* (cont'd)

#### (ii) New/Revised FRS and INT FRS issued but not yet effective (cont'd)

##### FRS 1 (revised)

The revised standard affects the presentation of owner changes in equity and of comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other FRSs. The Group will apply the revised FRS 1 from the annual period beginning 1 July 2009. It requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

##### FRS 23 (revised)

The revised standard removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. The Group will apply the revised FRS 23 from the annual period beginning 1 July 2009. As the Group capitalise borrowing costs for the construction of any qualifying asset, the revised standard is not expected to have any impact on the financial statements of the Group upon application.

##### FRS 27 (revised)

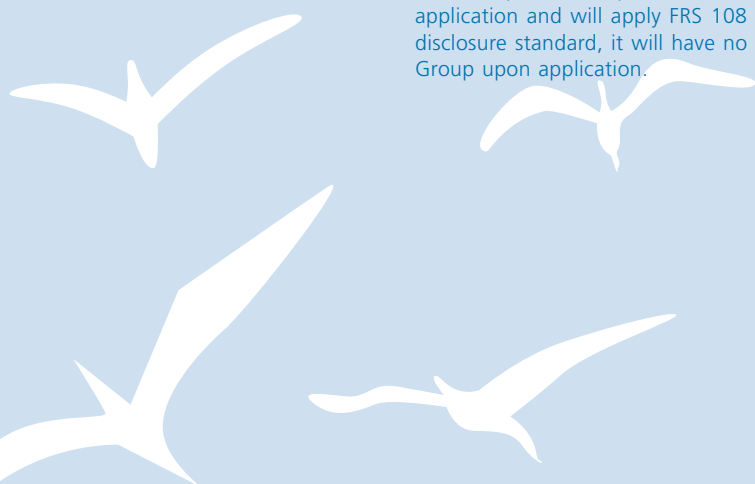
The revised standard is effective for annual periods beginning on or after 1 July 2009. Apart from matters of presentation, the principal amendments to FRS 27 that will impact the Group concern the accounting treatment for transactions that result in changes in a parent's interest in a subsidiary. It is likely that these amendments will significantly affect the accounting for such transactions in future accounting periods, but the extent of such impact will depend on the detail of the transactions, which cannot be anticipated. The changes will be adopted prospectively for transactions after the date of adoption of the revised standard and, therefore, no restatements will be required in respect of transactions prior to the date of adoption.

##### FRS 103 (revised)

The revised standard will be effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. FRS 103 is concerned with accounting for business combination transactions. The changes to the standard are significant, but their impact can only be determined once the detail of future business combination transactions is known. The amendments to FRS 103 will be adopted prospectively for transactions after the date of adoption of the revised standard, and therefore, no restatement will be required in respect of transactions prior to the date of adoption.

##### FRS 108

This standard, which replaces FRS 14 *Segment Reporting*, requires the identification and reporting of operating segments based on the information used internally by the Group's chief operating decision maker in order to evaluate segment performance and deciding on allocation of resources. The Group is in the process of making an assessment of the impact of FRS 108 upon initial application and will apply FRS 108 from the annual period beginning 1 July 2009. As this is a disclosure standard, it will have no impact on the financial results and financial position of the Group upon application.



# notes to the financial statements

30 June 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (b) *Changes in Accounting Policies*

#### *Adoption of INT FRS 112 Service Concession Arrangements*

On 1 July 2009, the Group adopted INT FRS 112 *Service Concession Arrangements* which is effective for the Group's financial statements for the current financial year.

INT FRS 112 applies to public-to-private service concession arrangements if the infrastructure is constructed or acquired by the Group as part of the concession arrangement or is given for use by the party that grants the concession arrangement (the "grantor") and:

- the grantor controls or regulates what services the Group must provide with the infrastructure, to whom it must provide them, and at what price; and
- the grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the concession arrangement.

On adoption of INT FRS 112, the infrastructure constructed in a service concession arrangement is not recognised as property, plant and equipment of the Group.

The Group has entered into various service concession arrangements with governing bodies or agencies of the government of the People's Republic of China ("PRC") (the "grantors") to construct and operate wastewater treatment plants for concession periods of between 25 to 30 years and the plants transferred back to the grantors at the end of the concession periods. Such concession arrangements fall within the scope of INT FRS 112 and are accounted for as follows:

#### *Recognition of Financial Receivables*

The Group recognises a financial receivable if it has a contractual right under the concession agreements to receive a fixed and determinable amount of payments during the concession period irrespective of the usage of the plants. The financial receivable is measured on initial recognition at its fair value. Subsequent to initial recognition, the financial receivable is measured at amortised cost using the effective interest method.

When the Group receives a payment during the concession period, it will apportion such payment between (i) a repayment of the financial receivable (if any), which will be used to reduce the carrying amount of the financial receivable on the balance sheet, (ii) interest income, which will be recognised as finance income in its income statement and (iii) revenue from operating the plants in its income statement.

#### *Recognition of Intangible Assets*

The Group recognises an intangible asset if it does not have any contractual right under the concession agreements to receive a fixed and determinable amount of payments during the concession period. The intangible asset is recognised to the extent that the Group has a right to charge fees for the usage of the plants and is amortised over the concession period from commencement of the operation of the plants.



notes to the financial statements

30 June 2009

3

SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Changes in Accounting Policies (cont'd)

Adoption of INT FRS 112 *Service Concession Arrangements* (cont'd)

Financial Effects of Adoption of INT FRS 112

The adjustment of INT FRS 112 is applied retrospectively. The financial effects of adoption of INT FRS 112 on the consolidated balance sheet, consolidated income statement and loss per share are as follows:

	Group Increase/(Decrease)	
	2009 RMB'000	2008 RMB'000
<i>Consolidated balance sheet:</i>		
Property, plant and equipment	45,584	(606,501)
Construction-in-progress	(73,870)	(1,434,624)
Intangible assets	(17,525)	501,600
Financial receivables	126,615	1,652,308
Deferred tax liabilities	819	12,567
Reserves	79,985	98,387
Minority interest	—	1,829
<i>Consolidated income statement:</i>		
Revenue	138,791	848,714
Cost of sales	29,114	757,009
Finance costs	28,873	28,706
Income tax expense	819	5,922
<i>Loss per share(RMB cents)</i>		
— Basic	(0.09)	(0.06)
— Diluted	(0.09)	(0.06)

(c) Currency Translation

Functional and Foreign Currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in RMB, which is the Group’s functional and presentation currency, as it best reflects the economic substance of the underlying events and circumstances relevant to the Group, and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

Transactions and Balances

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates prevailing at the dates of 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 the income statement, except for currency translation differences on net investment in foreign entities and borrowings and other currency instruments qualifying as net investment hedges for foreign operations in foreign currencies, which are included in the currency translation reserve within equity in the consolidated financial statements.

# notes to the financial statements

30 June 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (c) *Currency Translation* (cont'd)

#### Transactions and Balances (cont'd)

Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair value was determined. Currency translation differences on non-monetary items, whereby the gains or losses are recognised in the income statement, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Currency translation differences on non-monetary items whereby the gains or losses are recognised directly in equity, such as equity investments classified as financial assets, available-for-sale are included in the fair value reserve.

#### 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 presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- Income and expenses for the income statement are translated at average exchange rate (unless this 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 dates of the transactions); and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

#### Consolidation Adjustments

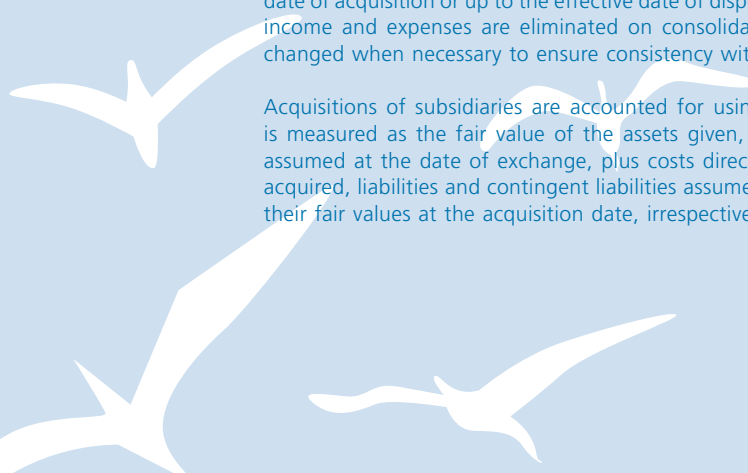
On consolidation, currency translation differences arising from the net investment in foreign entities and borrowings and other currency instruments designated as hedges of such investments are taken to the foreign currency translation reserve. When a foreign operation is disposed of, such currency translation differences are recognised in the income statement as part of the gain or loss on disposal.

### (d) *Basis of Consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company 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 results of subsidiaries acquired or disposed of during the financial year are included from the effective date of acquisition or up to the effective date of disposal. All significant intra-group transactions, balances, income and expenses are eliminated on consolidation. Accounting policies of subsidiaries have been changed when necessary to ensure consistency with the policies adopted by the Group.

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.





# notes to the financial statements

30 June 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (d) *Basis of Consolidation* (cont'd)

Goodwill arising on acquisitions of subsidiaries is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. The accounting policy for goodwill is set out in Note 3(i) below.

Minority interests are that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the losses applicable to the minority interests in a subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority interests are attributed to the equity holders of the Company, unless the minority interests have a binding obligation to, and are able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority interests are attributed to the equity holders of the Company until the minority interests' share of losses previously absorbed by the equity holders of the Company have been recovered.

#### Transactions with Minority Interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recognised in the income statement. Acquisition from minority interests result in goodwill, being the difference between any consideration paid and the Group's incremental share of the fair value of the identifiable net assets of the subsidiary.

### (e) *Investments in Subsidiaries*

Investments in subsidiaries are stated in the Company's balance sheet at cost less any accumulated impairment losses. An assessment of investments in subsidiaries is performed when there is indication that the asset has been impaired or the impairment losses recognised in the prior years no longer exist. On disposals of investments in subsidiaries, the difference between net disposal proceeds and the carrying amount of the investments are taken to the income statement.

### (f) *Investments in Associated Companies*

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied a shareholding of between and including 20% and 50% of the voting rights. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting. Investments in associated companies in the consolidated balance sheet include goodwill (net of impairment losses) identified on acquisition, where applicable. The goodwill on acquisition of associated companies is assessed for impairment as part of the investments in associated companies.

Investments in associated companies are stated in the Company's balance sheet at cost less any accumulated impairment losses. The cost of 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. On disposal of investments in associated companies, the difference between net disposal proceeds and the carrying amount of the investments are taken to the income statement.

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interests 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.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

# notes to the financial statements

30 June 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (g) *Property, Plant and Equipment*

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in a manner intended by management.

Construction-in-progress represents property, plant and equipment under construction, are carried at cost less accumulated impairment losses. Cost capitalised include costs of construction, and other directly related development expenditure including borrowing costs incurred in construction. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives less residual values where applicable on the following basis:

Laboratory equipment	–	20%
Machinery	–	10% – 20%
Motor vehicles and office equipment	–	20%
Leasehold improvements	–	25%
Wastewater treatment plant and building	–	4%

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in the income statement when the changes arise.

Fully depreciated assets still in use are retained in the financial statements. On disposal or retirement of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in the income statement.

### (h) *Land Use Rights*

Land use rights are carried at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line method over the respective lease period of the land use rights, which range from 25 to 50 years.

### (i) *Intangible Assets*

#### *Goodwill on Acquisitions*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable net assets and contingent liabilities of the acquired subsidiaries at the date of acquisition.

Negative goodwill which represents the excess of the fair value of the Group's share of the net identifiable net assets and contingent liabilities over the cost of an acquisition is recognised in the income statement at the date of acquisition.

Goodwill on subsidiaries are recognised separately as intangible assets and carried at cost less accumulated impairment losses. Goodwill on associated companies is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries and associated companies include the carrying amount of goodwill relating to the entity sold.

#### *Research and Development Costs*

Internally-generated intangible assets are amortised on a straight-line method over their estimated useful lives. Where no internally-generated intangible asset can be recognised, development costs are charged to the income statement in the period in which it is incurred. Research costs are recognised as an expense when incurred.

# notes to the financial statements

30 June 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (i) *Intangible Assets* (cont'd)

#### Research and Development Costs (cont'd)

An internally-generated intangible asset is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefit;
- the entity has the capacity to control the future economic benefits from the asset; and
- the development cost of the asset can be measured reliably.

#### Concession Rights

Concession rights are stated at the fair value of services provided less accumulated amortisation and impairment losses. Concession rights are amortised to the income statement on a straight-line method over the concession periods, which range from 25 to 30 years, from commencement of the operations of the plants.

### (j) *Impairment of Non-financial Assets*

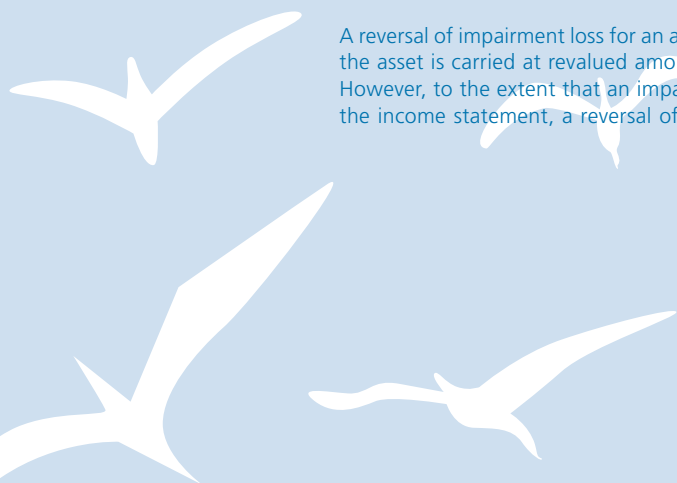
Non-financial assets (excluding goodwill) of the Group are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Goodwill included in the carrying amount of an investment in a subsidiary is tested for impairment as part of the investment, rather than separately. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss. 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.

For the purpose of impairment testing of these assets, the recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss is recognised in the income statement unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment is also recognised in the income statement.



# notes to the financial statements

30 June 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (k) *Financial Assets*

Financial assets are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset.

#### **Financial Assets, Available-for-sale**

The Group's investments in equity securities are classified as financial assets, available-for-sale. They are presented as non-current assets unless management intends to dispose of the assets within twelve months after the balance sheet date.

Available-for-sale financial assets are initially recognised at fair value plus, any direct attributable transaction costs, and subsequently carried at fair value with gains and losses being recognised directly in equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Where an investment in equity security classified as financial assets, available-for-sale does not have a quoted market price in an active market and other methods of determining fair value do not result in a reasonable estimate, the investment is measured at cost less impairment losses.

#### **Trade and Other Receivables**

Trade and other receivables (including financial receivables) are initially recognised at fair value, and subsequently carried at amortised cost, using the effective interest method, less allowance for impairment.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and at banks or financial institutions, including fixed deposits, less restricted bank balances, which form an integral part of the Group's cash management. Cash and cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value.

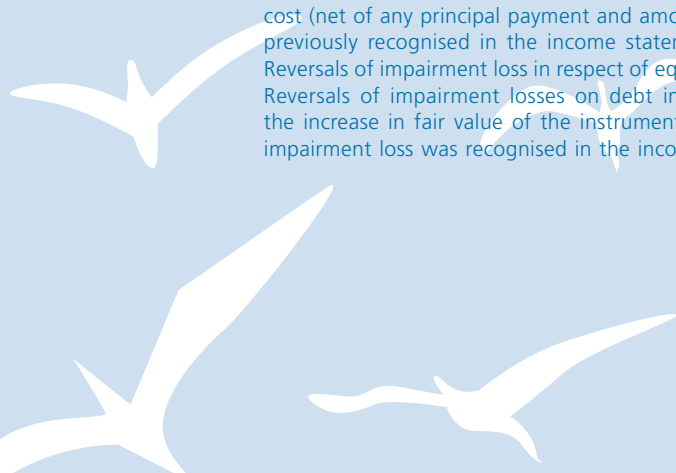
### (l) *Impairment of Financial Assets*

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

#### **Financial Assets, Available-for-sale**

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment in equity securities classified as financial assets, available-for-sale are impaired.

If an financial asset, available-for-sale is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Reversals of impairment loss in respect of equity instruments are not recognised in the income statement. Reversals of impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.





# notes to the financial statements

30 June 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (l) **Impairment of Financial Assets** (cont'd)

#### Assets Carried at Amortised Cost

If there is objective evidence that an impairment loss on financial assets (trade and other receivables and financial receivables) carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

### (m) **Construction Contracts**

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

Contract costs are recognised when incurred.

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

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is only included in contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

The stage of completion is measured by reference to the contract costs incurred to date to the estimated total costs of the contracts. Costs incurred during the financial year in connection with future activity on a contract are excluded from costs incurred to date when determining the stage of completion of a contract. Such costs are shown as contracts work-in-progress on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

At the balance sheet date, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contract work-in-progress within "trade and other receivables" in the balance sheet. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contract work-in-progress within "trade and other payables" in the balance sheet.

# notes to the financial statements

30 June 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (m) **Construction Contracts** (cont'd)

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

### (n) **Inventories**

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in-first-out method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs necessary to make the sale. Allowance is made for obsolete and slow-moving items.

### (o) **Trade and Other Payables**

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

### (p) **Provisions**

Provisions are recognised when the Group has a present obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

### (q) **Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowing costs directly attributable to the construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised on a time-proportion basis in the income statement using the effective interest method.

### (r) **Convertible Bonds**

When convertible bonds are issued, the total proceeds are allocated to the liability component and the equity component, which are separately presented on the balance sheet.

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bonds.



# notes to the financial statements

30 June 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) **Convertible Bonds** (cont'd)

The difference between the total proceeds and the liability component is allocated to the convertible bond equity reserve, which is presented in equity, net of any deferred tax effect. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, the carrying amount will be transferred to share capital. When the conversion option lapses, its carrying amount will be transferred to retained earnings.

(s) **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.

(t) **Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, when it is probable that the collectibility of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

### Revenue from Construction Services

Revenue from construction services under a service concession arrangement is recognised in accordance with the Group's accounting policy on recognition of revenue for construction contracts (see Note 3(m) above).

Revenue from rendering of construction contract services for the design, installation and construction of plants for wastewater and sewage treatment is recognised using the stage of completion method.

### Sale of Goods

Revenue from the sale of goods is recognised when a Group entity has delivered the products to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

### Discharge Fees from Treatment of Wastewater

Discharge fee from treatment of wastewater is recognised based on the volume of wastewater treated and is recognised in the period when the services are rendered.

### Finance Income

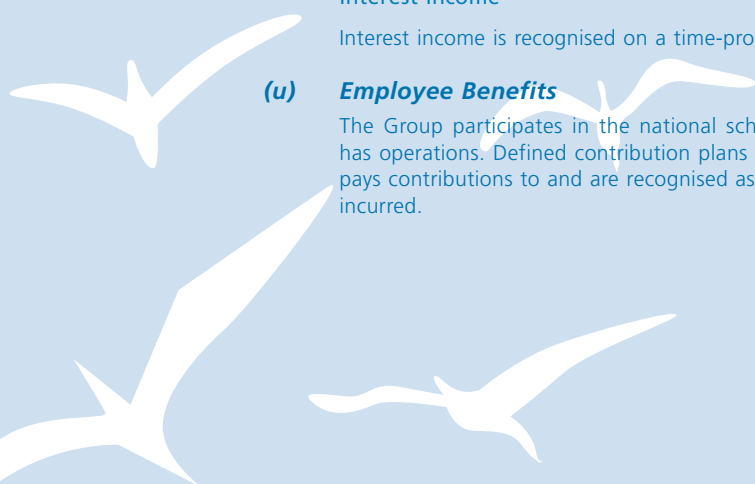
Finance income represents the interest income on the financial receivable arising from a service concession arrangement, and is recognised in the income statement using the effective interest method.

### Interest Income

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

(u) **Employee Benefits**

The Group participates in the national schemes as defined by the laws of the countries in which it has operations. Defined contribution plans are post-employment benefit plans under which the Group pays contributions to and are recognised as an expense in the income statement as and when they are incurred.



# notes to the financial statements

30 June 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (v) *Operating Leases*

Leases of property, plant and equipment in which a significant portion of the risks and rewards of 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 the income statement on a straight-line method over the period of the lease. When an operating lease is terminated before the lease period has expired, 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.

### (w) *Income Tax*

#### Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current taxes are recognised in the income statement except that tax relating to items recognised directly in equity is recognised directly in equity.

#### Deferred Tax

Deferred income tax is provided, using the liability method, on temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred taxes are recognised in the income statement except that deferred tax relating to items recognised directly in equity is recognised directly in equity.

### (x) *Segment Reporting*

A business segment is a distinguishable component of the Group engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

# notes to the financial statements

30 June 2009

## 4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

### ***Construction services***

Revenue for construction services is recognised based on the percentage of completion method during the construction phase. The percentage of completion method during the construction phase is measured by reference to the construction costs incurred to date bear to the estimated total construction costs. Significant judgement is required in determining the stage of completion, the extent of the construction costs incurred and the estimated total construction costs. The amount of revenue from construction services recognised during the financial year is disclosed in Note 5.

### ***Depreciation of property, plant and equipment***

Property, plant and equipment are depreciated on a straight-line method over their estimated useful lives. The Group's management estimates the useful lives of these property, plant and equipment to be within 4 to 25 years. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of a similar nature and function. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. The carrying amount of the Group's property, plant and equipment at the balance sheet date is disclosed in Note 13.

### ***Impairment of non-financial assets***

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

In estimating recoverable amount, management used value in use calculations. In assessing value in use, the estimated future cash flows are discounted to their present value using suitable discount rate. For the current financial year, no allowance for impairment have been recognised for the Group's non-financial assets except for the impairment of land use rights amounted to RMB20,000,000 (see Note 19) (2008: Nil).

### ***Impairment of receivables***

The Group makes allowances for impairment of receivables based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be recoverable. Management specifically analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment for receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables. During the current financial year, no allowance for impairment have been recognised for the Group's receivables other than the impairment of trade receivables amounted to RMB344,027,000 (2008: RMB532,633,000) as disclosed in Note 7.

### ***Income taxes***

The Group's exposure to income taxes derives mainly from the PRC where majority of the subsidiaries operate. Significant judgement is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of 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 and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's provision for income tax and deferred tax liabilities is disclosed in the balance sheet.



# notes to the financial statements

30 June 2009

5 REVENUE

	Group	
	2009 RMB'000	2008 RMB'000 (Restated)
Construction services from service concession arrangement	60,229	812,478
Construction contract services	93,480	1,098,954
Sale of goods	31,537	183,885
Finance income from service concession arrangement	160,846	93,760
Discharge fees from wastewater treatment	61,893	64,863
	<u>407,985</u>	<u>2,253,940</u>

6 OTHER INCOME

	Group	
	2009 RMB'000	2008 RMB'000
Foreign exchange gain, net	64,108	–
Gain on disposal of property, plant and equipment	–	7,913
Gain on disposal of interest in an associated company	–	2,987
Negative goodwill arising on acquisition of subsidiaries (Note 16 (b)(ii))	335	–
Business tax refund	101	67
Sundry income	626	292
	<u>65,170</u>	<u>11,259</u>

7 EXCEPTIONAL ITEMS

	Group	
	2009 RMB'000	2008 RMB'000 (Restated)
Allowance for impairment of:		
– land use rights (Note 19)	20,000	–
– trade receivables (Note 36(c))	344,027	532,633
Loss on disposal of a subsidiary (Note 16(b)(i))	44,858	–
Other current assets written off (Note 23)	58,643	–
	<u>467,528</u>	<u>532,633</u>



# notes to the financial statements

30 June 2009

## 8 FINANCE INCOME

	Group	
	2009 RMB'000	2008 RMB'000
Interest income on bank deposits	<u>465</u>	<u>7,865</u>

## 9 FINANCE COSTS

	Group	
	2009 RMB'000	2008 RMB'000
		(restated)
Amortisation of discount on convertible bonds	24,260	34,384
Interest expense on:		
– convertible bonds	21,268	10,282
– bank borrowings	35,225	33,472
– other loans	28,525	6,296
Bank charges	<u>414</u>	<u>47</u>
	<u>109,692</u>	<u>84,481</u>

## 10 LOSS BEFORE INCOME TAX

	Group	
	2009 RMB'000	2008 RMB'000 (Restated)
This is arrived at after charging the following items:		
Amortisation of intangible assets included in:		
– cost of sales	19,386	13,824
Amortisation of land use rights included in:		
– cost of sales	2,106	1,663
Depreciation on property, plant and equipment included in:		
– cost of sales	9,116	9,305
– research and development costs	12,889	21,440
– administrative expenses	4,102	3,544
Included in cost of sales:		
– cost of inventories sold	21,333	257,667
– construction services cost over-run	285,126	133,467
Included in other operating expenses:		
– loss on disposal of property, plant and equipment	6,589	–
– inventories written off	187	–
– foreign exchange loss	–	6,095
Rental expense on operating leases	3,401	4,887
Staff costs (including directors' remuneration):		
– directors' fees	723	750
– wages and salaries	21,262	24,378
– defined contribution plans	1,836	2,068
– welfare and other benefits	<u>2,640</u>	<u>2,742</u>

There were no non-audit fees paid to the auditors of the Company during the financial years ended 30 June 2009 and 2008.

# notes to the financial statements

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## 11 INCOME TAX

	Group	
	2009 RMB'000	2008 RMB'000 (Restated)
Current tax:		
– current year	12,360	147,813
– under provision in prior years	–	18,560
	12,360	166,373
Deferred tax (Note 28):		
– current year	820	5,922
– reversal of temporary differences	13,212	–
	26,392	172,295

The Group's tax assessable profits were entirely derived by the operations of the Group's subsidiaries in the PRC.

A reconciliation of income tax expense and loss before tax multiplied by the applicable corporate tax rate in the PRC is as follows:

	Group	
	2009 RMB'000	2008 RMB'000 (Restated)
Loss before income tax	(676,946)	(184,521)
Income tax expense calculated based on the applicable PRC corporate tax rate of 25% (2008: 25%)	(169,237)	(46,130)
Tax concession	(1,363)	(7,174)
Non-deductible expenses	195,316	205,190
Deferred tax assets not recognised	1,676	1,872
Utilisation of deferred tax assets previously not recognised	–	(23)
Under recognition of income tax in prior years	–	18,560
	26,392	172,295

Foreign invested manufacturing enterprises in the PRC are entitled to full exemption from Enterprise Income Tax ("EIT") for the first two years and a 50% reduction in the tax rate for the next three years, commencing from the first profitable year of operation after offsetting all tax losses brought forward from previous years (at most five years) ("Tax Holiday").

During the current financial year, the Group's subsidiaries are either in a tax loss position or its profits are exempted from EIT.

The current income tax expense is mainly attributable to the following subsidiaries of the Group and their respective tax status is as follows:

- Golden Idea Bio-Engineering (Dongguan) Co., Ltd was exempted from tax from FY2002. Its Tax Holiday has since expired during FY2007 and is subject to EIT at a rate of 25% (2008: 25%).
- Kunshan Gang Dong Wastewater Treatment Co., Ltd was exempted from tax from FY2005. Its Tax Holiday has expired during FY2009 and is subject to EIT at a rate of 25% (2008: 15%).

notes to the financial statements

30 June 2009

11 INCOME TAX (cont'd)

- (c)

Hubei New Environment Water Co., Ltd currently does not enjoy any tax incentives and is subject to EIT at a rate of 25% (2008: 30%).
- (d)

Lianyungang King Fortune Water Co., Ltd was exempted from tax from FY2006. It is currently in its fourth year of Tax Holiday and is subject to EIT at a rate of 12.5% (2008: 12.5%). Its Tax Holiday will expire during FY2010.

As at the end of the financial year, certain of the Group's subsidiaries in the PRC have unutilised tax losses of approximately RMB24,071,000 (2008: RMB17,367,000) that are available for offset against future taxable profits of the subsidiaries in which the losses arose, for which no deferred tax assets is recognised due to the uncertainty of its utilisation. The use of these unutilised tax losses is subject to agreement of the PRC tax authorities and compliance with certain provisions of the PRC tax legislation.

12 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated on the Group's net loss for the financial year attributable to equity holders of the Company divided by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2009	2008 (Restated)
Loss for the year attributable to equity holders of the Company (RMB'000)	(702,744)	(357,571)
Weighted average number of ordinary shares outstanding during the year (RMB'000)	891,324	889,250
Basic loss per share (RMB cents)	(0.79)	(0.40)



# notes to the financial statements

30 June 2009

12 LOSS PER SHARE (cont'd)

(b) Diluted loss per share

Diluted loss per share is calculated by dividing the loss for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding after adjusting for the effects of all dilutive potential ordinary shares, being the outstanding convertible bonds issued by the Company which are assumed to have been converted into ordinary shares at the beginning of the financial year and the loss for the year is adjusted to eliminate the amortisation of discount on convertible bonds.

	Group	
	2009	2008 (Restated)
Loss for the year attributable to equity holders of the Company (RMB'000)	(702,744)	(357,571)
Amortisation of discount on convertible bonds (RMB'000)	24,260	25,686
Exchange (gain)/loss on convertible bonds	(35,092)	9,952
Adjusted loss used to determine diluted loss per share	(713,576)	(321,933)
Weighted average number of ordinary shares outstanding during the year for basic loss per share ('000)	891,324	889,250
Adjustment for convertible bonds ('000)	98,461	98,461
Adjusted weighted average number of ordinary shares ('000)	989,785	987,711
Diluted loss per share (RMB cents)	(0.72)*	(0.33)*

\* The diluted loss per share is the same as the basic loss per share as the effect of the conversion of the convertible bonds is anti-dilutive.





notes to the financial statements

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13    PROPERTY, PLANT AND EQUIPMENT

	Laboratory equipment RMB'000	Machinery RMB'000	Motor vehicles & office equipment RMB'000	Leasehold improvements RMB'000	Wastewater treatment plant & building* RMB'000	Construction work-in- progress RMB'000	Total RMB'000
<b>Group</b>							
<b>2009</b>							
<b>Cost</b>							
As at 1 July 2008, as previously stated	106,362	292,472	17,990	8,039	591,327	1,437,471	2,453,661
Effect of adoption of INT FRS 112	-	(214,732)	-	-	(477,264)	(1,434,624)	(2,126,620)
As at 1 July 2008, restated	106,362	77,740	17,990	8,039	114,063	2,847	327,041
Additions	-	2,225	2,378	-	-	107	4,710
Acquisition of subsidiaries (Note 16(b)(ii))	-	-	228	-	-	-	228
Transfers	-	-	-	-	310	(310)	-
Disposals	(106,362)	(74,474)	(639)	(6,533)	-	-	(188,008)
Disposal of a subsidiary	-	-	(44)	-	-	-	(44)
As at 30 June 2009	-	5,491	19,913	1,506	114,373	2,644	143,927
<b>Accumulated depreciation</b>							
As at 1 July 2008, as previously stated	82,005	109,994	9,651	4,957	66,763	-	273,370
Effect of adoption of INT FRS 112	-	(41,042)	-	-	(44,453)	-	(85,495)
As at 1 July 2008, restated	82,005	68,952	9,651	4,957	22,310	-	187,875
Charge for the year	12,889	5,213	3,099	811	4,095	-	26,107
Disposals	(94,894)	(72,612)	(591)	(5,322)	-	-	(173,419)
Disposal of a subsidiary	-	-	(4)	-	-	-	(4)
As at 30 June 2009	-	1,553	12,155	446	26,405	-	40,559
<b>Net book value</b>							
As at 30 June 2009	-	3,938	7,758	1,060	87,968	2,644	103,368



# notes to the financial statements

30 June 2009

## 13 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Laboratory equipment RMB'000	Machinery RMB'000	Motor vehicles & office equipment RMB'000	Leasehold improvements RMB'000	Wastewater treatment plant & building RMB'000	Construction work-in- progress RMB'000	Total RMB'000
<b>2008</b>							
<b>Cost</b>							
As at 1 July 2007, as previously stated	184,149	290,647	15,794	6,817	590,820	617,522	1,705,749
Effect of adoption of INT FRS 112	—	(213,641)	—	—	(476,757)	(617,212)	(1,307,610)
As at 1 July 2007, restated	184,149	77,006	15,794	6,817	114,063	310	398,139
Additions	—	1,070	2,196	1,222	—	2,537	7,025
Disposals	(77,787)	(336)	—	—	—	—	(78,123)
As at 30 June 2008, restated	106,362	77,740	17,990	8,039	114,063	2,847	327,041
<b>Accumulated depreciation</b>							
As at 1 July 2007, as previously stated	137,265	87,123	6,858	4,302	34,205	—	269,753
Effect of adoption of INT FRS 112	—	(23,126)	—	—	(16,005)	—	(39,131)
As at 1 July 2007, restated	137,265	63,997	6,858	4,302	18,200	—	230,622
Charge for the year	21,440	5,291	2,793	655	4,110	—	34,289
Disposals	(76,700)	(336)	—	—	—	—	(77,036)
As at 30 June 2008, restated	82,005	68,952	9,651	4,957	22,310	—	187,875
<b>Net book value</b>							
As at 30 June 2008, restated	24,357	8,788	8,339	3,082	91,753	2,847	139,166

\* Relate to a wastewater treatment plant wholly owned by a subsidiary of the Group. The operation of the plant does not fall within the scope of INT FRS 112.



# notes to the financial statements

30 June 2009

14 INTANGIBLE ASSETS

	Concession rights RMB'000
<b>Group</b>	
<b>2009</b>	
<b>Cost</b>	
As at 1 July 2008, as previously stated	—
Effect of adoption of INT FRS 112	524,253
As at 1 July 2008, restated	524,253
Additions	1,861
As at 30 June 2009	526,114
<b>Accumulated amortisation</b>	
As at 1 July 2008, as previously stated	—
Effect of adoption of INT FRS 112	22,653
As at 1 July 2008, restated	22,653
Additions	19,386
As at 30 June 2009	42,039
<b>Net book value</b>	
As at 30 June 2009	484,075
<b>2008</b>	
<b>Cost</b>	
As at 1 July 2007, as previously stated	—
Effect of adoption of INT FRS 112	467,956
As at 1 July 2007, restated	467,956
Additions	56,297
As at 30 June 2008, restated	524,253
<b>Accumulated amortisation</b>	
As at 1 July 2007, as previously stated	—
Effect of adoption of INT FRS 112	8,829
As at 1 July 2007, restated	8,829
Additions	13,824
As at 30 June 2008, restated	22,653
<b>Net book value</b>	
As at 30 June 2008, restated	501,600



# notes to the financial statements

30 June 2009

## 15 FINANCIAL RECEIVABLES

	Group	
	2009 RMB'000	2008 RMB'000
Current	6,091	3,007
Non-current	1,794,318	1,649,301
	1,800,409	1,652,308

The fair value of financial receivables approximates its carrying amount, as the management is of the opinion that the effective interest rates used is similar to market interest rates.

## 16 INVESTMENTS IN SUBSIDIARIES

	Company	
	2009 RMB'000	2008 RMB'000
Unquoted equity shares, at cost	261,882	261,882

(a) Details of the subsidiaries at the end of the financial year are as follows:

Name of company	Principal activities	Country of incorporation and operation	Effective interest held by the Group	
			2009 %	2008 %
<b>Held by the Company</b>				
Ocean Force International Limited	Investment holding	British Virgin Islands ("BVI")	100	100
<b>Held by subsidiaries</b>				
Bio-Treat Resources Limited	Investment holding	BVI	100	100
Bio-Treat International Limited	Investment holding	BVI	100	100
Ocean Master International Limited	Investment holding	BVI	100	100
Sky Billion Limited	Investment holding	BVI	100	100



notes to the financial statements

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16 INVESTMENTS IN SUBSIDIARIES (cont'd)

(a) Details of the subsidiaries at the end of the financial year are as follows: (cont'd)

Name of company	Principal activities	Country of incorporation and operation	Effective interest held by the Group	
			2009 %	2008 %
Newsussex International Limited	Investment holding	BVI	100	100
Biopower International Limited	Investment holding	BVI	100	100
True Global Limited	Investment holding	BVI	100	100
World Pioneer Investments Limited	Investment holding	BVI	100	100
Trademart Developments Limited	Investment holding	BVI	100	100
Rich Progress Limited	Investment holding	Hong Kong	100	100
Perfect Grace Investments Limited	Investment holding	Hong Kong	100	100
Bio-Treat Finance Limited	Investment holding	Hong Kong	100	100
Great Lucky Holdings Group Limited	Investment holding	Hong Kong	64	64
Profit Choice Investments Limited	Investment holding	Hong Kong	60	60
Oriental Fortune Limited <sup>(2)</sup>	Investment holding	Hong Kong	100	–
New Efficient Limited <sup>(4)</sup>	Investment holding	BVI	100	–
Prime Green Environment Technology Co., Ltd	Production, marketing, sales of Aqua Mate Coagulant	PRC	60	60
Golden Idea Bio-Engineering (Dongguan) Co., Ltd.	Research and development of environmental protection technologies, production and wastewater treatment equipment and provision of after-sales services such as installation and maintenance	PRC	100	100
Jinai Bio-Technology Engineering (Shanghai) Co., Ltd. <sup>(1)</sup>	Research and development of environmental technologies	PRC	–	–
Shanghai Jindi Bio-Technology Co., Ltd. <sup>(1)</sup>	Research and development of BMS Biological Process Technology, provision of environmental services and design of wastewater treatment projects	PRC	–	–



notes to the financial statements

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16 INVESTMENTS IN SUBSIDIARIES (cont'd)

(a) Details of the subsidiaries at the end of the financial year are as follows: (cont'd)

Name of company	Principal activities	Country of incorporation and operation	Effective interest held by the Group	
			2009 %	2008 %
Shanghai Aidi Technology Co., Ltd. <sup>(1)</sup>	Research and development of environmental technologies	PRC	–	–
Xianyang Bai Sheng Shui Purifying Co., Ltd.	Construction and operation of wastewater treatment plant for provision of wastewater treatment services	PRC	100	100
Lianyungang King Fortune Water Co., Ltd <sup>(3)</sup>	Construction and operation of wastewater treatment plant for provision of wastewater treatment services	PRC	100	95
Suqian City Cheng Bei Wastewater Treatment Co., Ltd	Construction and operation of wastewater treatment plant for provision of wastewater treatment services	PRC	100	100
Suqian City Cheng Bei Water Treatment Co., Ltd.	Construction and operation of wastewater treatment plant for provision of wastewater treatment services	PRC	100	100
Kunshan Gang Dong Wastewater Treatment Co., Ltd	Construction and operation of wastewater treatment plant for provision of wastewater treatment services	PRC	100	100
Hubei New Environment Water Co., Ltd	Construction and operation of water treatment plant	PRC	100	100
Nanjing Golden Idea Water Development Co., Ltd.	Construction and operation of wastewater treatment plant for provision of wastewater treatment services	PRC	100	100
Beijing Bio-Treat Water Co., Ltd	Construction and operation of wastewater treatment plant for provision of wastewater treatment services	PRC	100	100
Suzhou Jin Di Water Co., Ltd	Construction and operation of wastewater treatment plant for provision of wastewater treatment services	PRC	100	100
Nanjing Jin Huan Water Development Co., Ltd	Construction and operation of wastewater treatment plant for provision of wastewater treatment services	PRC	100	100

notes to the financial statements

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16 INVESTMENTS IN SUBSIDIARIES (cont'd)

(a) Details of the subsidiaries at the end of the financial year are as follows: (cont'd)

Name of company	Principal activities	Country of incorporation and operation	Effective interest held by the Group	
			2009 %	2008 %
Binzhou Jin Di Co., Ltd	Construction and operation of wastewater treatment plant for provision of wastewater treatment services	PRC	100	100
Foshan Jin Di Co., Ltd (5)	Construction and operation of wastewater treatment plant for provision of wastewater treatment services	PRC	–	100
Anhui Jin Di Co., Ltd	Construction and operation of wastewater treatment plant for provision of wastewater treatment services	PRC	97	97
Jiangdu Yanjiang Hui Tong Co., Ltd (6)	Construction and operation of wastewater treatment plant for provision of wastewater treatment services	PRC	100	–

- (1) The subsidiaries were deconsolidated with effect from 1 July 2006 (Note 18(b)).
- (2) Oriental Fortune Limited was acquired during the current financial year (see Note 16(b)(ii)).
- (3) The Group's effective interest in Lianyungang King Fortune Water Co., Ltd increased to 100% as a result of the acquisition of 100% interest in Oriental Fortune Limited, which holds the minority 5% interest in Lianyungang King Fortune Water Co., Ltd.
- (4) The Group held a 15% interest in New Efficient Limited as at the end of the previous financial year (see Note 18(a)). Consequent to the acquisition of the remaining 85% interest in New Efficient Limited during the current financial year (see Note 16(b)(ii)), New Efficient Limited became a 100% owned subsidiary of the Group.
- (5) Foshan Jin Di Co., Ltd was disposed of during the current financial year (see Note 16(b)(i)).
- (6) Jiangdu Yanjiang Hui Tong Co., Ltd became a wholly owned subsidiary of the Group as it is wholly held by New Efficient Limited consequent to the acquisition of the additional 85% interest in New Efficient Limited as described in (4) above.

All the subsidiaries are audited by Moore Stephens LLP, Singapore.



# notes to the financial statements

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## 16 INVESTMENTS IN SUBSIDIARIES (cont'd)

### (b) Acquisition and Disposal of Subsidiaries

Financial year ended 30 June 2009

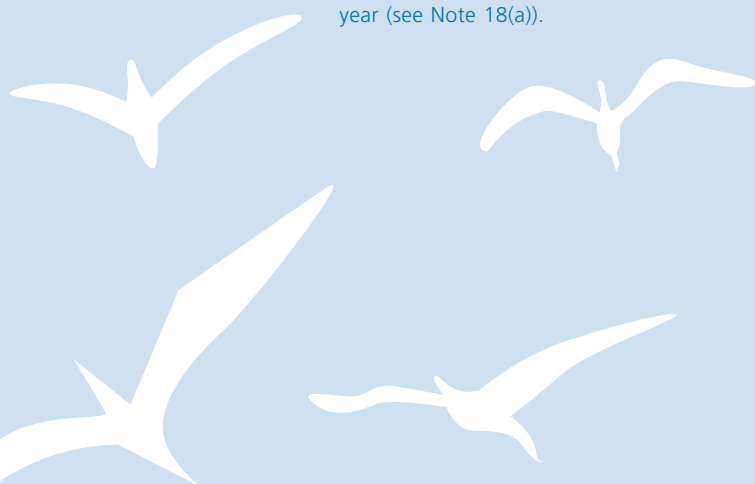
- (i) On 3 April 2009, the Group entered into an agreement with a third party to dispose of its 100% interest in the issued share capital in Foshan Jin Di Co., Ltd for a cash consideration of RMB23,995,000, resulting in a loss recognised of RMB44,858,000 (Note 7) in the Group's consolidated financial statements for the current financial year ended 30 June 2009. According to the terms of the agreement, the consideration is to be received in three installments (i) RMB15,000,000 being the deposit and the first installment payment, (ii) RMB7,795,000 being the second installment due on 10 June 2009 and (iii) RMB1,200,000 being the third and final installment receivable on or before 10 December 2009. The second and third final installments amounting to RMB8,995,000 remained outstanding as at 30 June 2009 (Note 22).

The carrying amounts of the assets and liabilities of the subsidiary disposed and the effect of disposal on the Group's consolidated cash flows are as follows:

	Group 2009 RMB'000
<hr/>	
<i>Identifiable assets and liabilities</i>	
Property, plant and equipment	(40)
Financial receivables	(45,538)
Other current assets	(23,539)
Other payables	264
	<hr/>
Identifiable net assets (disposed)	(68,853)
	<hr/>
Cash consideration for disposal	23,995
Less: Cash consideration receivable	(8,995)
Less: Cash and bank balances in subsidiary disposed	—
	<hr/>
Net cash inflow on disposal	15,000

- (ii) On 8 May 2009, the Group acquired a 100% interest in the issued share capital in Oriental Fortune Limited ("Oriental Fortune"), a company incorporated in Hong Kong, for a cash consideration of RMB5,334,000.

On 19 May 2009, the Group acquired the remaining 85% interest in the issued share capital in New Efficient Limited for a cash consideration of RMB434,000, including a settlement of certain liabilities of New Efficient Limited, amounting to RMB18,066,000, according to the terms of the acquisition. Prior to the acquisition, the Group held a 15% interest in the subsidiary which was accounted for under financial assets, available-for-sale as at the end of the previous financial year (see Note 18(a)).



notes to the financial statements

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16

INVESTMENTS IN SUBSIDIARIES (cont'd)

(b) Acquisition and Disposal of Subsidiaries (cont'd)

Financial year ended 30 June 2009 (cont'd)

(ii) (cont'd)  
From the date of acquisition, the net results of the subsidiaries acquired as disclosed above are not significant to the consolidated financial statements of the Group for the financial year ended 30 June 2009. If the acquisition had taken place at the beginning of the year, the Group's revenue would have been RMB355,110,000 and net loss for the year would have been RMB761,811,000.

The fair values of the identifiable assets and liabilities of the subsidiaries acquired and the effect of acquisition on the Group's consolidated cash flows are as follows:

	Group At fair values RMB'000	Carrying amounts in acquirees's books RMB'000
<i>Identifiable assets and liabilities</i>		
Property, plant and equipment	228	228
Intangible assets	2,174	2,174
Financial receivables	46,730	46,730
Inventories	14	14
Trade and other receivables	2,386	2,386
Other current assets	111	111
Cash and bank balances	620	620
Minority interests acquired <sup>(1)</sup>	5,543	5,543
Total assets	57,806	57,806
Deferred tax liabilities	340	340
Trade and other payables	51,363	51,363
Total liabilities	51,703	51,703
Identifiable net (assets) acquired	(6,103)	(6,103)
Negative goodwill arising on acquisition of interests in subsidiaries (Note 6)	335	
Cash consideration for acquisition paid	(5,768)	
Less: Cash and bank balances in subsidiaries acquired	620	
Net cash outflow on acquisition	(5,148)	

<sup>(1)</sup> Minority interests acquired relate to the 5% interest held in Lianyungang King Fortune Water Co., Ltd by Oriental Fortune Limited consequent to the acquisition of 100% interest in Oriental Fortune Limited as disclosed above.

# notes to the financial statements

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## 16 INVESTMENTS IN SUBSIDIARIES (cont'd)

### (b) *Acquisition and Disposal of Subsidiaries* (cont'd)

Financial year ended 30 June 2008

- (iii) The Group acquired a 60% interest in the issued share capital of Profit Choice Investments Limited from a third party on 20 September 2007, for a cash consideration of HK\$1 (RMB1). The fair value of the attributable assets and liabilities of the subsidiary acquired was not significant to the consolidated financial statements of the Group for the financial year ended 30 June 2008. The acquired subsidiary was dormant at the date of acquisition and remained so at the end of the financial year.

During the financial year ended 30 June 2008, the Group entered into an agreement to acquire and dispose additional equity interests in subsidiaries and associated companies (Note 17), hereinafter referred to as the "Acquisition and Disposal Agreement". As part of the Acquisition and Disposal Agreement, the Group acquired the remaining issued share capital in the subsidiaries, Suqian City Cheng Bei Wastewater Treatment Co., Ltd and Suqian City Cheng Bei Water Treatment Co., Ltd on 31 March 2008 from the minority interests, for a cash consideration of RMB4,888,000. Further details of the Acquisition and Disposal Agreement are disclosed in Note 17(b).

The purchase consideration approximates the fair value of identifiable net assets at the date of acquisition. The net results of the operations and net assets of the subsidiaries which are not previously owned by the Group have been accounted for as minority interests up to the date of the acquisition. The net results of the minority interests acquired are not significant to the consolidated financial statements of the Group for the financial year ended 30 June 2008.





notes to the financial statements

30 June 2009

17 INVESTMENT IN AN ASSOCIATED COMPANY

	Group	
	2009 RMB'000	2008 RMB'000
Unquoted equity shares, at cost	34,753	34,753
Less: Share of losses of an associated company	(179)	(178)
	<u>34,574</u>	<u>34,575</u>

(a) Details of the associated company at the end of the financial year are as follows:

Name of company	Principal activities	Country of incorporation and operation	Effective interest held by the Group	
			2009 %	2008 %
New World Jiangdu Water Network Co., Ltd <sup>(1)</sup>	Construction and operation of wastewater treatment plant for provision of wastewater treatment services	PRC	35	35

<sup>(1)</sup> The associated company is audited by Moore Stephens LLP, Singapore.

(b) Acquisition and disposal of associated companies

During the previous financial year ended 30 June 2008, as part of the Acquisition and Disposal Agreement as described in Note 16(b)(iii):

- (i)

The Group disposed of its equity interests in Aton International Limited to a third party for a cash consideration of RMB2,567,000 resulting in a gain recognised of RMB2,987,000 in the Group's consolidated financial statements for the previous financial year ended 30 June 2008.
- (ii)

The Group acquired additional interest of the issued share capital in New World Jiangdu Water Network Co., Ltd from 33.79% to 35% on 31 March 2008, for a cash consideration of RMB2,402,000. The purchase consideration approximates the fair value of identifiable net assets as at the date of acquisition.

(c) The summarised financial information of the associated company is as follows:

	Group	
	2009 RMB'000	2008 RMB'000
Assets	99,639	99,640
Liabilities	<u>(3)</u>	<u>(3)</u>
Revenue	—	—
Net loss	<u>(1)</u>	<u>(49)</u>

notes to the financial statements

30 June 2009

18 FINANCIAL ASSETS, AVAILABLE-FOR-SALE

(a) Other investments

	Group	
	2009 RMB'000	2008 RMB'000
Unquoted equity securities	—	*

\* Less than RMB1,000.

As at 30 June 2008, other investments relate to the Group's 15% interest of the issued share capital in New Efficient Limited. As disclosed in Note 16(b)(ii), the Group acquired the remaining 85% interest of the issued share capital in New Efficient Limited during the current financial year.

(b) Deconsolidated subsidiaries

	Group	
	2009 RMB'000	2008 RMB'000
Fair value of investments in deconsolidated subsidiaries	69,845	69,845
Due to deconsolidated subsidiaries	(69,845)	(69,845)

In 2006, the directors of the Company were unable to obtain the accounting and other records of certain subsidiaries for the purpose of preparing the Group's consolidated financial statements, as the Group had ceased to have control over the management of these subsidiaries. These subsidiaries were not material to the Group as they have ceased operations in 2006 and remained inactive since that year. The directors of the Company were therefore of the view that these entities have ceased to be subsidiaries of the Group and accordingly they were deconsolidated from the Group's consolidated financial statements with effect from 1 July 2006.

The amounts due to deconsolidated subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms.



# notes to the financial statements

30 June 2009

19 LAND USE RIGHTS

	Land use rights RMB'000
<b>Group</b>	
<b>2009</b>	
<b>Cost</b>	
As at 1 July 2008	81,973
Additions	–
Acquisition of subsidiaries (Note 16(b)(ii))	2,174
Allowance for impairment	(20,000)
	<hr/>
As at 30 June 2009	64,147
<b>Accumulated amortisation</b>	
As at 1 July 2008,	2,568
Additions	2,106
	<hr/>
As at 30 June 2009	4,674
<b>Net book value</b>	
As at 30 June 2009	<hr/> 59,473
<b>Deposits for acquisition of land use rights</b>	
As at 30 June 2009	<hr/> 16,436
Total	<hr/> <hr/> 75,909
<b>2008</b>	
<b>Cost</b>	
As at 1 July 2007	23,093
Additions	58,880
	<hr/>
As at 30 June 2008	81,973
<b>Accumulated amortisation</b>	
As at 1 July 2007	905
Additions	1,663
	<hr/>
As at 30 June 2008	2,568
<b>Net book value</b>	
As at 30 June 2008	<hr/> 79,405
<b>Deposits for acquisition of land use rights</b>	
As at 30 June 2008	<hr/> 16,957
Total	<hr/> <hr/> 96,362

During the financial year, management of Golden Idea Bio-Engineering (Dongguan) Co., Ltd, a subsidiary of the Group, carried out a review of the recoverable amount of its land use rights to an unoccupied plot of land in Dongguan city, PRC. Based on the assessment, the Group recognised an impairment loss of RMB20,000,000 (2008: Nil) (Note 7), representing the write down of the land use rights to its recoverable amount based on the land's estimated open market value.

notes to the financial statements

30 June 2009

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INVENTORIES

	Group	
	2009 RMB'000	2008 RMB'000
At cost:		
Raw materials	741	1,134
Finished goods	—	118
	<u>741</u>	<u>1,252</u>

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CONSTRUCTION CONTRACT WORK-IN-PROGRESS

	Group	
	2009 RMB'000	2008 RMB'000
Aggregate costs incurred plus attributable profits	681,052	2,047,044
Less: Progress billings	<u>(52,728)</u>	<u>(575,883)</u>
	<u>628,324</u>	<u>1,471,161</u>
Presented as:		
Due from customers on construction contract work-in-progress (Note 22)	—	107,722
Construction services in progress under service concession arrangements recognised in financial receivables and/or intangible assets	<u>628,324</u>	<u>1,363,439</u>
	<u>628,324</u>	<u>1,471,161</u>



notes to the financial statements

30 June 2009

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TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Trade receivables – third parties	931,228	935,735	–	–
Less: Allowance for impairment loss	(889,260)	(545,233)	–	–
Trade receivables, net	41,968	390,502	–	–
Due from customers on construction contracts work-in-progress (Note 21)	–	107,722	–	–
Due from subsidiaries	–	–	1,666,707	1,949,582
Due from related parties	–	34,319	–	–
VAT recoverable	1,796	–	–	–
Sundry debtors	19,689	12,104	–	–
	63,453	544,647	1,666,707	1,949,582

Trade receivables are non-interest bearing and are generally on 30 to 90 days terms. Trade and other receivables are denominated in Renminbi.

As at 30 June 2009, retention monies held by customers for construction contract services work-in-progress included in trade receivables amounted to Nil (2008: RMB70,510,000).

The amounts due from subsidiaries and related parties are non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms.

Included in sundry debtors is an amount of RMB8,000,000 (2008: RMB9,000,000), relating to proceeds outstanding for the disposal of property, plant and equipment and RMB8,995,000 (Note 16(b)(i)) (2008: Nil), relating to proceeds outstanding for the disposal of a subsidiary.

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OTHER CURRENT ASSETS

	Group	
	2009 RMB'000	2008 RMB'000
Deposits for purchases of property, plant and equipment	29,013	105,029
Deposits for bidding and contracts secured	23,872	9,357
Sundry deposits	1,534	384
Prepayments	2,246	365
	56,665	115,135
Other current assets are denominated in:		
Renminbi	56,227	114,915
Hong Kong dollar	438	220
	56,665	115,135

During the financial year, the Group has written off certain long outstanding deposits for purchases of property, plant and equipment and bidding and contracts secured totalling RMB58,643,000 (2008: Nil) (Note 7) as there are significant uncertainties over the recovery of these deposits.

# notes to the financial statements

30 June 2009

## 24 CASH AND BANK BALANCES

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Cash at banks and on hand	72,262	171,968	136	1,773
Short-term bank deposits	8,000	109,000	–	–
	<u>80,262</u>	<u>280,968</u>	<u>136</u>	<u>1,773</u>

Bank balances bear interest rates at a range of 0.01% to 1.41% (2008: 0.01% to 2.75%) per annum. Short term bank deposits at the balance sheet date have an average maturity of less than a month from the end of the financial year and bear an interest rate of 1.35% (2008: 1.71%) per annum.

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Renminbi	79,143	245,830	–	–
Hong Kong dollar	988	33,894	5	766
Singapore dollar	131	1,005	131	1,005
United States dollar	–	239	–	2
	<u>80,262</u>	<u>280,968</u>	<u>136</u>	<u>1,773</u>

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprised:

	Group	
	2009 RMB'000	2008 RMB'000
Cash and bank balances	80,262	280,968
Less: Restricted bank balances	<u>(12,289)</u>	<u>(16,311)</u>
	<u>67,973</u>	<u>264,657</u>

The restricted bank balances relate to security deposits for the construction of wastewater treatment plants and tender deposits for bidding of contracts by the Group.





notes to the financial statements

30 June 2009

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SHARE CAPITAL

	Group and Company			
	2009 No. of ordinary shares of HK\$0.40 each	2009 RMB'000	2008 No. of ordinary shares of HK\$0.40 each	2008 RMB'000
<i>Authorised share capital</i>				
As at beginning of the year and end of the year	<u>2,000,000,000</u>	<u>848,106</u>	<u>2,000,000,000</u>	<u>848,106</u>
<i>Issued and fully paid</i>				
As at beginning of the year	891,324,026	377,496	886,935,385	375,740
Issue of new shares under scrip dividend scheme	—	—	4,388,641	1,756
As at end of the year	<u>891,324,026</u>	<u>377,496</u>	<u>891,324,026</u>	<u>377,496</u>

All issued ordinary shares are fully paid.

During the previous financial year ended 30 June 2008, 4,388,641 ordinary shares of HK\$0.40 each in the Company have been allotted and issued under the Bio-Treat Technology Limited Scrip Dividend Scheme in respect of the dividend of Singapore 0.74 cents (RMB0.037) per share. The newly issued shares rank pari passu in all respects with the previously issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per ordinary share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

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RESERVES

	Group		Company	
	2009 RMB'000	2008 RMB'000 (Restated)	2009 RMB'000	2008 RMB'000
Share premium	650,238	650,238	650,238	650,238
Foreign currency translation reserve	1,920	2,067	—	—
Statutory reserves	62,785	62,785	—	—
Convertible bonds equity reserve	—	33,678	—	33,678
Accumulated (losses)/retained earnings	<u>(250,956)</u>	<u>451,788</u>	<u>(275,217)</u>	<u>10,960</u>
	<u>463,987</u>	<u>1,200,556</u>	<u>375,021</u>	<u>694,876</u>



# notes to the financial statements

30 June 2009

26 RESERVES (cont'd)

(i) Share premium

The share premium account may be applied only for the purposes specified in the Companies Act 1981 of Bermuda.

(ii) Foreign currency translation reserve

The foreign currency translation reserve is used to record foreign exchange differences arising from the translation of the financial statements of group entities whose functional currency is different from that of the Group's presentation currency.

(iii) Statutory reserves

The Group's subsidiaries which are incorporated in PRC are required to appropriate 10% of the profit arrived at in accordance with PRC General Accepted Accounting Practice for each year to a statutory reserve. The profit arrived at must be used to set off against any accumulated losses. The appropriation to statutory reserve after offsetting against any accumulated losses must be made before the distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital. This statutory reserve is not distributable in the form of cash dividends.

(iv) Convertible bonds equity reserve

The convertible bonds equity reserve represents the difference between the net proceeds from the issuance of the convertible bonds and the fair value of the liability portion recognised.

27 BORROWINGS

	Group	
	2009 RMB'000	2008 RMB'000
Current:		
Bank borrowings (a)	55,580	44,380
Other loans (b)	244,882	211,504
	300,462	255,884
Non-current:		
Bank borrowings (a)	501,440	502,020
	801,902	757,904

(a) Bank borrowings

	Group	
	2009 RMB'000	2008 RMB'000
Current:		
Borrowing I	10,880	10,880
Borrowing II	30,000	30,000
Borrowing III	4,500	2,000
Borrowing IV	3,000	1,500
Borrowing V	7,000	–
Borrowing VI	200	–
	55,580	44,380

notes to the financial statements

30 June 2009

27 BORROWINGS (cont'd)

(a) Bank borrowings (cont'd)

	Group	
	2009 RMB'000	2008 RMB'000
Non-current:		
Borrowing I	32,640	43,520
Borrowing II	330,000	360,000
Borrowing III	53,500	58,000
Borrowing IV	37,500	40,500
Borrowing V	28,000	—
Borrowing VI	19,800	—
	501,440	502,020
Total bank borrowings	557,020	546,400
Non-current bank borrowings are repayable as follows:		
2 to 5 years	274,590	234,270
After 5 years	226,850	267,750
	501,440	502,020

Bank borrowings are denominated Renminbi.

(i) Borrowing I

Borrowing I relates to a term loan facility amounting to RMB65,280,000 granted by a financial institution to a subsidiary of the Group to finance the subsidiary's acquisition of a wastewater treatment plant located at Lianyungang city, PRC.

This facility has been fully drawn down and the balance outstanding at 30 June 2009 is RMB43,520,000 (2008: RMB54,400,000).The loan is scheduled to be repaid within six years, with twelve equal installments of RMB5,440,000 each to be paid bi-annually in every March and September of the year, with the first installment commencing from September 2007. The loan incurred effective interest at 7.75% (2008: 7.35%) per annum.

The term loan facility granted to the subsidiary includes the following covenants:

- Receipts from trade receivables from the operation of the water treatment plant shall be processed through the financial institution.
- No dividends to shareholders of the subsidiary shall be declared or paid until full repayment of the loan.
- Assets of the water treatment plant shall not be pledged or assigned to third parties.



# notes to the financial statements

30 June 2009

## 27 BORROWINGS (cont'd)

### (a) Bank borrowings (cont'd)

#### (ii) Borrowing II

Borrowing II related to a term loan facility amounting to RMB390,000,000 granted by a financial institution to a subsidiary of the Group to finance its construction of a wastewater treatment plant located in Suzhou city, PRC.

This facility has been fully drawn down and the balance outstanding at 30 June 2009 is RMB360,000,000 (2008: RMB390,000,000). The loan is scheduled to be repaid, commencing from November 2008, by two equal installments of RMB30,000,000 each over the first two years, followed by two equal installments of RMB40,000,000 each in the next two years, and another five equal installments of RMB42,000,000 each over the following five years, and a last installment of RMB40,000,000 by November 2017. The loan incurred effective interest at 6.48% (2008: 7.16%) per annum.

The term loan facility granted to the subsidiary includes the following covenants:

- Receipts from trade receivables from the operation of the water treatment plant shall be processed through the financial institution.
- No dividends to shareholders of the subsidiary shall be declared or paid until full repayment of the loan.
- Assets of the water treatment plant shall not be pledged or assigned to third parties.

#### (iii) Borrowing III

Borrowing III related to a term loan facility amounting to RMB60,000,000 granted by a financial institution to a subsidiary of the Group to finance its construction of a wastewater treatment plant located in Beijing City, PRC.

This facility has been fully drawn down and the balance outstanding at 30 June 2009 is RMB58,000,000 (2008: RMB60,000,000). The loan is scheduled to be repaid, commencing from May 2009, by two equal installments of RMB2,000,000 each during the first year, followed by RMB5,000,000 in the second year, RMB6,000,000 in the third year, and six equal installments of RMB7,500,000 each year by 2017. The loan incurred effective interest at 7.4% (2008: 7.83%) per annum.

The term loan facility granted to the subsidiary includes the following covenants:

- Receipts from trade receivables from the operation of the water treatment plant shall be processed through the financial institution.
- Guarantee from a related company, Golden Idea Bio-Engineering (Dongguan) Co., Ltd.



# notes to the financial statements

30 June 2009

27 BORROWINGS (cont'd)

(a) Bank borrowings (cont'd)

(iv) Borrowing IV

Borrowing IV related to a term loan facility amounting to RMB42,000,000 granted by a financial institution to a subsidiary of the Group to finance its construction of a wastewater treatment plant located in Nanjing City, PRC.

This facility has been fully drawn down and the balance outstanding at 30 June 2009 is RMB40,500,000 (2008: RMB42,000,000). The loan is scheduled to be repaid, bi-annually in every May and October of the year, commencing from May 2009, by four equal installments of RMB1,500,000, followed by six equal installments of RMB2,000,000 each, six equal installments of RMB2,500,000 each, two last installments of RMB3,000,000 each and a last installment of RMB3,000,000 by March 2018. The loan incurred effective interest at 7.33% (2008: 6.74%) per annum.

The term loan facility granted to the subsidiary includes the following covenants:

- Upon completion of the construction of the water treatment plant (the “assets”) in Nanjing City, PRC, the assets shall be pledged to the bank.
- Guarantee from a related company, Golden Idea Bio-Engineering (Dongguan) Co., Ltd.

(v) Borrowing V

Borrowing V relates to a term loan facility amounting to RMB35,000,000 granted by a financial institution to a subsidiary of the Group to finance the subsidiary’s acquisition of a wastewater treatment plant located at Lianyungang city, PRC.

This facility has been fully drawn down and the balance outstanding at 30 June 2009 is RMB35,000,000. The loan is scheduled to be repaid within five years, with ten equal installments of RMB3,500,000 each to be paid bi-annually in every February and August of the year, with the first installment commencing from August 2009. The loan incurred effective interest at 6.34% per annum.

The term loan facility granted to the subsidiary includes the following covenants:

- Daily bank balances shall not be less than RMB250,000.
- Assets of the water treatment plant shall be pledged to the bank.



# notes to the financial statements

30 June 2009

27 BORROWINGS (cont'd)

(a) Bank borrowings (cont'd)

(vi) Borrowing VI

Borrowing VI related to a term loan facility amounting to RMB20,000,000 granted by a financial institution to a subsidiary of the Group to finance its construction of a wastewater treatment plant located in Nanjing City, PRC.

This facility has been fully drawn down and the balance outstanding at 30 June 2009 is RMB20,000,000. The loan is scheduled to be repaid, annually in every November of the year, by nine installments with first installment of RMB200,000 in 2009, RMB1,000,000 in 2010, RMB1,400,000 in 2011, RMB1,900,000 in 2012, RMB2,400,000 in 2013, RMB2,700,000 in 2014, RMB3,000,000 in 2015, RMB3,500,000 in 2016 and last installment of RMB3,900,000 in 2017. The loan incurred effective interest at 7.722% per annum.

The term loan facility granted to the subsidiary includes the following covenants:

- Guarantee from a related company, Golden Idea Bio-Engineering (Dongguan) Co., Ltd.

(vii) Carrying Amounts and Fair Value Information

The following fair values of bank borrowings are for information purposes only and are not recognised in the financial statements.

	Group	
	2009 RMB'000	2008 RMB'000
Carrying amounts	557,020	546,400
Fair values	492,915	476,131

The fair values of borrowings at the balance sheet date are based on expected future cash flows, discounted using market rates for similar instruments at the balance sheet date.

(b) Other loans

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Current:				
Loan I	211,449	211,504	211,449	211,504
Loan II	33,433	—	—	—
	244,882	211,504	211,449	211,504

The loans are denominated in Hong Kong dollars.



# notes to the financial statements

30 June 2009

## 27 BORROWINGS (cont'd)

### (b) Other loans (cont'd)

#### (i) Loan I

On 18 January 2008, the Company entered into a loan agreement with a former shareholder, Precious Wise Group Limited ("Precious Wise"), who ceased to be a shareholder of the Company during the financial year ended 30 June 2009, for a loan facility of up to but not exceeding the principal sum of HK\$360,000,000 in aggregate for a loan period of five years and six months, up to 2013. The loan incurs interest at a rate of 4.5% per annum. The full principal amount of the loan was originally scheduled to be repaid in one lump sum on the maturity date, subject to the terms and conditions of the loan agreement.

During the previous financial year ended 30 June 2008, the Company utilised HK\$309,412,000 (RMB273,489,000) of the loan facility and made a partial repayment of the loan amounting to HK\$70,000,000 (RMB61,985,000). During the current financial year ended 30 June 2009, there was no further utilisation of the loan facility nor repayment made in respect of the outstanding loan. As at 30 June 2009, the principal sum of the outstanding loan amounted to HK\$239,412,000 (RMB211,449,000) (2008: HK\$239,412,000 (RMB211,504,000)). The movement is due to currency adjustment.

#### *Event of Default of Loan I*

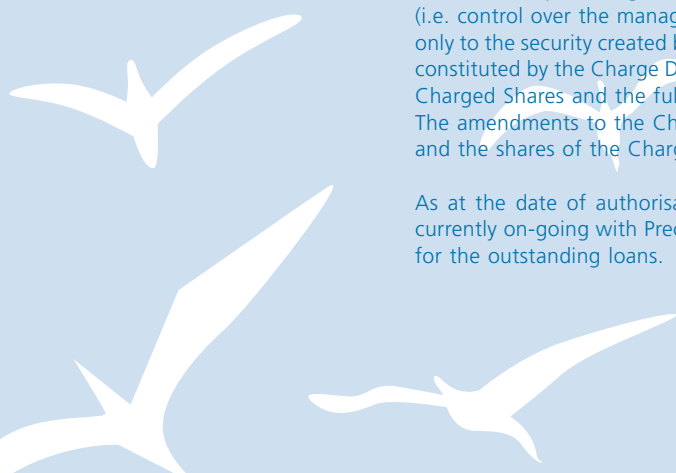
On 15 May 2008, pursuant to the event of default of the Convertible Bonds (Note 30), the Group received notice from Precious Wise that the Company's failure to meet the repayment terms for other loans of the Group constituted an event of default for the outstanding loan, and therefore they had invoked their rights pursuant to the terms and conditions of the loan agreement. Accordingly under the terms and conditions of the loan agreement, the Group's interest in shares held in certain subsidiaries shall be pledged to Precious Wise as security for the outstanding loan and the outstanding loan is immediately due and payable by reason of the default, and accordingly, in the financial statements, the outstanding loan had been reclassified to current liabilities as at the end of the previous financial year ended 30 June 2008. Further, interest is charged at 5% per annum on the outstanding loan in the event of default.

In connection with the above, during the current financial year, the Group entered into several Deed of Charge ("Charge Deed") with Precious Wise, dated 28 November 2008, over the Group's interests in shares ("Charged Shares") held in certain subsidiaries ("Charged Subsidiaries") to provide Precious Wise with security for the Group's repayment of the defaulted loan. Consequently, the Group's interests in shares of the Charged Subsidiaries were transferred to Precious Wise for perfection of Precious Wise's security for the Group's repayment of the defaulted loan, in accordance with the terms of the Charge Deed.

#### *Subsequent Event*

Subsequent to the financial year end, the Group entered into several Supplemental Deed with Precious Wise, dated 16 September 2009, to amend certain terms of the Charge Deed amongst of which the parties agree that the Group will remain beneficial owner of the Charged Shares (i.e. control over the management of the Charged Subsidiaries remain with the Group) (subject only to the security created by the Charge Deed) and that prior to the enforcement of the security constituted by the Charge Deed, the Group retains all voting and other rights associated with the Charged Shares and the full rights to vote at all general meetings of the Charged Subsidiaries. The amendments to the Charge Deed are effective from the date of the relevant Charge Deed and the shares of the Charged Subsidiaries were consequently transferred back to the Group.

As at the date of authorisation of these financial statements, negotiations by the Group are currently on-going with Precious Wise to seek a settlement and/or extension of repayment dates for the outstanding loans.





# notes to the financial statements

30 June 2009

## 27 BORROWINGS (cont'd)

### (b) Other loans (cont'd)

#### (ii) Loan II

On 18 July 2008, one of the subsidiaries of the Group entered into a loan agreement with Datasino Group Limited ("Datasino"), which is a related party of Precious Wise, for a loan facility of a principal sum of HK\$50,000,000. The full principal amount was scheduled to be repaid in one lump sum on 15 July 2009. The loan incurs interest at a rate of 2% per month.

During the current financial year, the Group utilised the loan facility HK\$50,000,000 (RMB44,160,000) and made a partial repayment of the loan amounting to HK\$12,145,425 (RMB10,727,000). As at 30 June 2009, the principal sum of the outstanding loan amounted to HK\$37,854,575 (RMB33,433,000) (2008: Nil).

In connection with the above loan, the Group entered into a Deed of Charge ("Charge Deed") with Datasino, dated 18 July 2008, over the Group's interest in shares ("Charged Shares") held in a subsidiary ("Charged Subsidiary") to provide Datasino with security for the Group's repayment of the loan. Consequently, the Group's interest in shares of the Charged Subsidiary was transferred to Datasino for perfection of Datasino's security for the Group's repayment of the loan, in accordance with the terms of the Charge Deed.

#### Subsequent Event

Subsequent to the financial year end, the Group entered into a Supplemental Deed with Datasino, dated 16 September 2009, to amend certain terms of the Charge Deed amongst of which the parties agree that the Group will remain beneficial owner of the Charged Shares (i.e. control over the management of the Charged Subsidiary remain with the Group) (subject only to the security created by the Charge Deed) and that prior to the enforcement of the security constituted by the Charge Deed, the Group retains all voting and other rights associated with the Charged Shares and the full rights to vote at all general meetings of the Charged Subsidiary. The amendments to the Charge Deed are effective from the date of the relevant Charge Deed and the shares of the Charged Subsidiary were consequently transferred back to the Group.

As at the date of authorisation of these financial statements, the Group has not repaid the outstanding loan balance which was due on 15 July 2009, subsequent to the financial year end as negotiations by the Group are currently on-going with Datasino to seek a settlement and/or extension of repayment dates for the outstanding loan.

## 28 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets against deferred tax liabilities and when the deferred taxes relates to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown as follows:

### (i) Deferred tax assets

The deferred tax assets arose from the excess of tax written down value over net book value of property, plant and equipment. The movement during the financial year is due to the disposal of property, plant and equipment.

	Group	
	2009 RMB'000	2008 RMB'000 (Restated)
Recoverable after one year:		
As at beginning of the year	13,212	13,212
Charged to income statement (Note 11)	(13,212)	—
As at end of the year	—	13,212

# notes to the financial statements

30 June 2009

28 DEFERRED TAX LIABILITIES (cont'd)

(ii) Deferred tax liabilities

	Group	
	2009 RMB'000	2008 RMB'000 (Restated)
Deferred tax liabilities:		
– to be settled within one year	174	141
– to be settled after one year	13,553	12,426
	<u>13,727</u>	<u>12,567</u>

The deferred tax liabilities relate to the temporary differences due to accounting of service concession arrangements and the movement is as follows:

	Group	
	2009 RMB'000	2008 RMB'000 (Restated)
Balance at beginning of year	12,567	6,645
Charged to income statement (Note 11)	820	5,922
Acquisition of subsidiaries (Note 16(b)(ii))	340	–
	<u>13,727</u>	<u>12,567</u>

29 TRADE AND OTHER PAYABLES

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Trade payables – third parties	3,014	31,429	–	–
Accrued expenses	16,329	17,150	132	132
Accrued interest on other loans	34,343	6,296	26,790	6,296
Other taxes payable	166	5,679	–	–
Due to an associated company	34,638	–	–	–
Sundry creditors	26,006	13,761	10,268	10,309
	<u>114,496</u>	<u>74,315</u>	<u>37,190</u>	<u>16,737</u>

Trade payables are non-interest bearing and are generally settled on 30 to 90 days terms.

The amount due to an associated company is non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms.

# notes to the financial statements

30 June 2009

## 29 TRADE AND OTHER PAYABLES (cont'd)

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Renminbi	77,284	57,578	–	–
Hong Kong dollar	26,812	6,296	26,790	6,296
Singapore dollar	132	132	132	132
United States dollar	10,268	10,309	10,268	10,309
	<u>114,496</u>	<u>74,315</u>	<u>37,190</u>	<u>16,737</u>

## 30 CONVERTIBLE BONDS

	Group and Company	
	2009 RMB'000	2008 RMB'000
<i>Current:</i>		
Put bonds	429,290	436,961
Convertible bonds	<u>498,279</u>	<u>475,663</u>
	<u>927,569</u>	<u>912,624</u>

### Summary of Background

On 13 January 2006, the Company entered into purchase agreements with various investors in relation to the issue by the Company of S\$206,000,000 (RMB1,040,300,000) ("principal amount") zero coupon Convertible Bonds due on 18 January 2013 (the "CB"). The CB are redeemable by the Company at 134.23% of the principal amount on the maturity date on 18 January 2013.

Under the terms of the CB, on or at any time after 18 July 2007, and prior to 11 January 2013, the Company may redeem the CB in whole but not in part at the applicable early redemption, subject to the terms of the CB. The Convertible Bondholders (the "CB holders") have the option to cause the Company to redeem the CB on 18 January 2008, 18 January 2010 and 18 January 2012 at 108.77%, 118.32% and 128.7% of the principal amount respectively.

Each CB will be convertible at the option of the holder into fully paid ordinary shares of par value HK\$0.40 each (the "Conversion Shares") of the Company at the initial conversion price of S\$1.30 (RMB6.565) (the "Conversion Price"). The maximum number of ordinary shares arising from full conversion of the CB based on the initial Conversion Price would be 158,461,538. The initial Conversion Price is subject to adjustments under the terms of the CB.

The conversion period commenced on 28 February 2006 and expires on 8 January 2013, subject to adjustments under the terms of the CB.

On 18 September 2006, the Conversion Price was re-set from S\$1.30 to S\$1.02 in accordance with the terms and conditions of the CB. Consequent to the re-set, the number of ordinary shares arising from such conversion would increase to 201,960,784.

On 18 January 2008, the Conversion Price was re-set from S\$1.02 to S\$0.91 in accordance with the terms and conditions of the CB. Consequent to the re-set, the number of ordinary shares arising from such conversion would increase to 226,373,626.

The Conversion Shares, when allotted and issued, will rank pari passu in all respects with the then existing ordinary shares for any dividends, rights, allotments or other distributions.

The fair value of the liability component of the CB, included under non-current liabilities, was calculated using a market interest rate of 5.5% per annum for an equivalent non-convertible loan. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity under convertible bonds equity reserve.

# notes to the financial statements

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30 CONVERTIBLE BONDS (cont'd)

Event of Default of Convertible Bonds

On 18 January 2008, certain Convertible Bondholders exercised their put option in respect of the Convertible Bonds (the "Put Options"), with a principal amount of S\$116,400,000 (RMB586,656,000), to cause the Company to redeem the Put Bonds at 108.77% of their principal amount, totalling S\$126,608,000 (RMB638,106,000). The Company made partial payment amounting to S\$39,972,000 (RMB201,145,000) in respect of the Put Bonds during the previous financial year ended 30 June 2008. No further payment has been made in respect of the Put Bonds during the current financial year. The principal amount outstanding in respect of the Put Bonds amounted to S\$79,651,000 (RMB374,990,000) as at 30 June 2009 (2008: S\$79,651,000 (RMB401,729,000)).

The Company had on 18 April 2008, 22 July 2008 and 23 July 2008 received notices from certain Convertible Bondholders claiming that the Company's failure to redeem fully the Put Bonds that were put to the Company on 18 January 2008 constituted an event of default (the "Alleged Default") which the Alleged Default entitled the other Convertible Bondholders to accelerate the remaining Convertible Bonds (the "Accelerated Bonds") to become immediately due and payable, and accordingly, in the financial statements, the Accelerated Bonds had been reclassified to current liabilities as at the end of the previous financial year ended 30 June 2008. The total principal amount of the remaining Convertible Bonds that could potentially be accelerated was S\$89,600,000 (RMB453,644,000) as at 30 June 2008, of which the Company has, as at the date of authorisation of the financial statements for the financial year ended 30 June 2008, received notices of acceleration in respect of Convertible Bonds amounting to S\$50,600,000 (RMB255,206,000).

Subsequently, the Company has on 8 October 2008 and 25 February 2009 received further notices of acceleration from certain Convertible Bondholders and consequently, as at the date of authorisation of these financial statements, the Convertible Bonds which are subject to the various notices of acceleration received by the Company totalled S\$61,200,000 (RMB288,124,000).

	Group and Company	
	2009	2008
	RMB'000	RMB'000
Convertible Bonds:		
Face value of convertible bonds	1,040,300	1,040,300
Transaction costs	(38,024)	(38,024)
Net proceeds	1,002,276	1,002,276
Equity conversion component, net of transaction costs	(77,429)	(77,429)
Liability component on initial recognition	924,847	924,847
Expenses in relation to the issuance of convertible bonds	35,087	35,087
Reclassification from equity component	33,678	—
Accumulated amortisation of discount on convertible bonds	134,114	109,854
Redemption of convertible bonds	(594,355)	(594,355)
Currency adjustment	(35,092)	230
As at end of the year	498,279	475,663
Comprised:		
Accelerated Bonds	288,124	255,206
Balance of Convertible Bonds	210,155	220,457
	498,279	475,663

notes to the financial statements

30 June 2009

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CONVERTIBLE BONDS (cont'd)

	Group and Company	
	2009 RMB'000	2008 RMB'000
<i>Put Bonds:</i>		
As at beginning of the year	436,961	—
Carrying amount of convertible bonds redeemed by convertible bonds holders		
– liability component	—	594,355
– reclassification from equity component	—	43,751
Partial payment during the year	—	(201,145)
Interest expense	21,268	10,282
Interest paid	—	(10,282)
Currency adjustment	(28,939)	—
As at end of the year	429,290	436,961

**Proposed Settlement with Convertible Bondholders**

Subsequent to the financial year end, the Company has on 22 September 2009 announced that it is proposing the following terms to all the Convertible Bondholders to effect a full and final settlement of all the Company's outstanding payment obligations under the Convertible Bonds (the "Proposed Settlement"). Pursuant to the Proposed Settlement:

- (i)

the Company and all the Convertible Bondholders will effect a marking-down of the remaining balance of the Convertible Bonds from the principal amount of S\$169,251,000 to S\$37,080,000 (the "Marked-down Bonds") to be repayable on certain agreed bullet repayment dates;
- (ii)

the Company will procure a wholly owned subsidiary of the Group, Bio-Treat International Limited ("BTI"), to grant a security interest over the shares held by BTI in World Pioneer Investments Limited, a wholly owned subsidiary of BTI, by way of two charges given in favour of the Company and the Bank of New York Mellon as security agents and trustees to secure the Company's obligations under the Marked-down Bonds; and
- (iii)

the Company will issue to the holders of the Marked-down Bonds warrants (the "Warrants") entitling the holders of the Marked-down Bonds to subscribe for 89,000,000 new ordinary shares at an exercise price of S\$0.025 for each new share in the capital of the Company upon the exercise of the Warrants.

The completion of the Proposed Settlement is conditional upon, *inter alia*:

- (i)

the Proposed Settlement and the Warrant Instrument being validly executed by the Company;
- (ii)

written confirmation from the Company of the passing of the extraordinary resolutions of the holders of the Convertible Bonds required to approve the matters contemplated in the Proposed Settlement;



# notes to the financial statements

30 June 2009

## 30 CONVERTIBLE BONDS (cont'd)

### ***Proposed Settlement with Convertible Bondholders (cont'd)***

- (iii) written confirmation from the Company, of the passing of the special resolutions of the shareholders of the Company to approve, *inter alia*, (1) the matters contemplated in the Proposed Settlement; and (2) the capital reorganisation of the share capital of the Company to permit the issuance of the Warrants (the "Capital Reorganisation"); and
- (iv) the completion of the Capital Reorganisation.

\* "Capital Reorganisation" means the effecting of the following:

- (i) the reduction of the issued and paid up share capital of the Company (the "Capital Reduction") from HK\$356,529,610.40 to HK\$89,132,402.60 by cancelling the paid-up capital of the Company to the extent of HK\$0.30 on each of the shares of HK\$0.40 in issue as at such date so that each issued share of HK\$0.40 shall be treated as one fully paid up share of HK\$0.10 and any liability of the holder of such shares to make any further contribution to the capital of the Company on each such share shall be treated as satisfied;
- (ii) that subject to and forthwith upon the Capital Reduction taking effect, all the authorised but unissued shares of HK\$0.40 each in the Company (which shall include the authorised but unissued share capital resulting from the Capital Reduction) being cancelled and the authorised share capital of the Company of HK\$800,000,000 being diminished by HK\$710,867,597.40 representing the amount of shares so cancelled and, forthwith upon such cancellation, the authorised share capital of the Company being increased to HK\$600,000,000 by the creation of 5,108,675,974 shares of HK\$0.10 each (representing the difference between 6,000,000,000 and the number of shares of HK\$0.10 each in the Company in issue after the Capital Reduction); and
- (iii) that subject to and forthwith upon the Capital Reduction taking effect, the credit amount of HK\$267,397,207.80 arising from the Capital Reduction being credited to the contributed surplus account of the Company, and the application of the sum of HK\$267,397,207.80 in the contributed surplus account being set off against the accumulated losses in the accounts of the Company.

The Company has on 23 September 2009 given notice to the holders of the Convertible Bonds that a meeting has been convened to be held on 15 October 2009 to approve the Proposed Settlement.

As at the date of authorisation of these financial statements, the directors of the Company are unable to determine the outcome of the Proposed Settlement with the Convertible Bondholders.

## 31 DIVIDENDS

During the previous financial year ended 30 June 2008, the Company paid a final dividend of Singapore 0.74 cents per share amounting to RMB33,138,000.



# notes to the financial statements

30 June 2009

## 32 RELATED PARTY TRANSACTIONS

**(i) Transactions with related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

During the financial year, the Group had significant transactions with related parties on terms agreed between the parties as follows:

	Group	
	2009 RMB'000	2008 RMB'000
<b>With entities which have common shareholders</b>		
Advances from related parties	–	2,929
Advances to a related party	–	(400)
<b>With shareholder</b>		
Loans from shareholder	–	273,489
Interest expense charged	–	6,296
<b>With a company which a director has an interest</b>		
Professional fees	212	136

**(ii) Compensation of directors and key management personnel**

	Group	
	2009 RMB'000	2008 RMB'000
Salaries, bonus and related benefits	4,466	4,698
Defined contribution plans	60	45
	<u>4,526</u>	<u>4,743</u>
<i>Comprised amounts paid/payable to:</i>		
Directors of the Company	1,767	2,141
Other key management personnel	2,759	2,602
	<u>4,526</u>	<u>4,743</u>





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COMMITMENTS

(i)

Future capital commitments

	Group	
	2009 RMB'000	2008 RMB'000
Capital expenditure on purchase of property, plant and equipment – committed but not provided for in the financial statements	95,318	377,444
	95,318	377,444
Capital investment commitment in respect of a joint venture (see below)	–	13,220

During the previous financial year on 15 January 2008, Bio-Treat International Limited (“BTI”), a wholly owned subsidiary of the Group, entered into a joint venture (“JV”) agreement with a Japanese partner to form a JV company to market an innovative process technology (the “Japanese Technology”) for industrial wastewater treatment in the PRC. The JV company, Prime Green Environment Technology Ltd which is 60% owned by BTI and 40% owned by the Japanese partner was incorporated in 2008. The total capital investment commitment by BTI includes cost of investment of RMB8,220,000 (US\$ 1,200,000) and RMB5,000,000 payable to the Japanese partner for the transfer of the Japanese Technology to the JV company. During the current financial year, the Group has cancelled the joint venture agreement with the Japanese partner, and accordingly, the Group ceased to have the said capital investment commitment as at 30 June 2009.

(ii)

Operating lease commitments

At the balance sheet date, the Group had entered into several operating lease commitments for office premises and staff accommodation. These leases do not contain renewal options and there were no restrictions placed upon the Group by entering into these leases. At the balance sheet date, the future minimum lease payables under these non-cancellable operating leases are as follows:

	Group	
	2009 RMB'000	2008 RMB'000
Within one year	3,296	2,814
Between two to five years	8,797	10,054
After five years	–	1,471
	12,093	14,339



# notes to the financial statements

30 June 2009

## 34 CONTINGENT LIABILITIES

During the previous financial year, Mr Wing Hak Man, a former director of the Company, and his wife (the "Plaintiffs") commenced legal action against the Company in the High Court of Singapore in Suit 682 of 2008/D (the "Legal Proceedings"). In this Suit, the Plaintiffs alleged that the Company and several of its former and present directors had conspired to defraud them of their interest in the Company as well as the proceeds from the sale of the shares in the Company. The Plaintiffs have also alleged that they have suffered losses and/or damages in excess of S\$400,000,000 and are seeking to recover, amongst other reliefs, damages and a declaration that they retain an interest in the shares of the Company.

Pursuant to an order made by the High Court of Singapore on 9 January 2008, the Legal Proceedings brought by the Plaintiffs against the Company in the High Court was stayed on the basis that it was not appropriate for the Plaintiffs to have commenced the proceedings against the Company in Singapore. Although the Plaintiffs filed an appeal against this decision, this appeal was subsequently dismissed in the High Court on 24 March 2008. Consequently, the Plaintiffs are not be able to pursue the Legal Proceedings in Singapore. The Plaintiffs had further filed an appeal against this decision to the Court of Appeal, which was dismissed by the Singapore Court of Appeal on 4 February 2009. Accordingly, the Plaintiffs are not be able to pursue the Legal Proceedings in Singapore.

As at the date of authorisation of these financial statements, the directors of the Company are not aware of any further Legal Proceedings the Plaintiffs have brought against the Company.

## 35 SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segment, is based on the Group's management and internal reporting structures.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, corporate assets and expenses that cannot be directly allocated to a particular business segment.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

### ***Business segments***

The Group comprises the following main business segments:

- Best Micro-Organism System ("BMS") turnkey wastewater treatment services
- BMS and Aqua Mate product sales
- Built-Operate-Transfer ("BOT")/Transfer-Operate-Transfer ("TOT") water service fees

### ***Geographical segments***

The Group operates predominantly in the PRC.



# notes to the financial statements

30 June 2009

## 35 SEGMENT REPORTING (cont'd)

### (a) Business Segments

Group	BMS turnkey wastewater treatment services RMB'000	BMS and Aqua Mate product sales RMB'000	BOT/TOT wastewater treatment RMB'000	Total RMB'000
<b>2009</b>				
Revenue	93,480	31,537	282,968	407,985
Segment results	(375,209)	(59,903)	(97,220)	(532,332)
Unallocated income				65,170
Unallocated expense				(100,556)
Finance income				465
Finance costs				(109,692)
Share of losses of an associated company				(1)
Loss before income tax				(676,946)
Income tax				(26,392)
Loss for the year				(703,338)
Other segment items				
Capital expenditure – allocated	1,303	440	2,967	4,710
Depreciation – allocated	14,351	4,842	5,576	24,769
– unallocated				1,338
				26,107
Amortisation of intangible assets	–	–	19,386	19,386
Amortisation of land use rights	656	221	1,229	2,106
Allowance for impairment of:				
– land use rights	20,000	–	–	20,000
– trade receivables	285,485	58,542	–	344,027
Assets and Liabilities				
Segment assets	38,472	13,149	2,532,222	2,583,843
Unallocated assets				185,458
Total assets				2,769,301
Segment liabilities	5,200	1,755	27,072	34,027
Unallocated liabilities				1,893,760
Total liabilities				1,927,787

# notes to the financial statements

30 June 2009

35 SEGMENT REPORTING (cont'd)

(a) Business Segments (cont'd)

Group	BMS turnkey wastewater treatment services RMB'000	BMS and Aqua Mate product sales RMB'000	BOT/TOT wastewater treatment RMB'000	Total RMB'000
2008 (Restated)				
Revenue	1,098,954	183,885	971,101	2,253,940
Segment results	(82,766)	50,406	(8,385)	(40,745)
Unallocated income				3,346
Unallocated expense				(70,489)
Finance income				7,865
Finance costs				(84,481)
Share of losses of associated companies				(17)
Loss before income tax				(184,521)
Income tax				(172,295)
Loss for the year				(356,816)
Other segment items				
Capital expenditure				
– allocated	2,984	499	3,542	7,025
Depreciation				
– allocated	23,685	3,963	5,244	32,892
– unallocated				1,397
				34,289
Amortisation of intangible assets	–	–	13,824	13,824
Amortisation of land use rights	563	94	1,006	1,663
Allowance for impairment of trade receivables	515,832	16,801	–	532,633
Assets and Liabilities				
Segment assets	526,576	57,371	2,430,694	3,014,641
Unallocated assets				434,429
Total assets				3,449,070
Segment liabilities	34,148	5,714	13,809	53,671
Unallocated liabilities				1,811,179
Total liabilities				1,864,850

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FINANCIAL RISK MANAGEMENT

The Group's activities exposed it to a variety of financial risks such as market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group continually monitors the risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Board will review and agree on policies for managing each of these risks as summarised below.

(a)

Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposures to interest rate risk relates primarily to the Group's interest-bearing assets and liabilities. The Group does not enter into interest rate swaps to manage its interest rate risk. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

The table below sets out the Group's exposure to interest rate risks. Included in the table are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Variable rates			Fixed rates		Non-interest bearing	Total
	Within 1 year	1 to 5 years	After 5 years	Within 1 year	1 to 5 years		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 30 June 2009							
Assets							
Cash and bank balances	71,942	-	-	8,000	-	320	80,262
Trade and other Receivables	-	-	-	-	-	63,453	63,453
Other financial assets	-	-	-	-	-	1,924,673	1,924,673
Non-financial assets	-	-	-	-	-	700,913	700,913
Total assets	71,942	-	-	8,000	-	2,689,359	2,769,301
Liabilities							
Borrowings	55,580	274,590	226,850	244,882	-	-	801,902
Convertible bonds	-	-	-	429,290	-	498,279	927,569
Trade and other payables	-	-	-	-	-	184,341	184,341
Non-financial liabilities	-	-	-	-	-	13,975	13,975
Total liabilities	55,580	274,590	226,850	674,172	-	696,595	1,927,787



# notes to the financial statements

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36 FINANCIAL RISK MANAGEMENT (cont'd)

(a) Interest rate risk (cont'd)

	Variable rates			Fixed rates		Non-interest bearing	Total
	Within 1 year	1 to 5 years	After 5 years	Within 1 year	1 to 5 years		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 30 June 2008, (restated)							
<b>Assets</b>							
Cash and bank balances	171,543	–	–	109,000	–	425	280,968
Trade and other Receivables	–	–	–	–	–	544,647	544,647
Other financial assets	–	–	–	–	–	1,836,923	1,836,923
Non-financial assets	–	–	–	–	–	786,532	786,532
Total assets	171,543	–	–	109,000	–	3,168,527	3,449,070
<b>Liabilities</b>							
Borrowings	44,380	234,270	267,750	211,504	–	–	757,904
Convertible bonds	–	–	–	436,961	–	475,663	912,624
Trade and other payables	–	–	–	–	–	144,160	144,160
Non-financial liabilities	–	–	–	–	–	50,162	50,162
Total liabilities	44,380	234,270	267,750	648,465	–	669,985	1,864,850

Sensitivity Analysis

A change of 100 basis points in interest rate for the Group's variable rates borrowings would increase/ (decrease) loss after tax by the amounts as shown below. This analysis assumes that all other variables, in particular foreign currency and tax rates, remain constant.

	Group	
	2009 RMB'000	2008 RMB'000
Floating rate instruments		
– 100 basis point increase	5,570	5,464
– 100 basis point decrease	(5,570)	(5,464)



notes to the financial statements

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FINANCIAL RISK MANAGEMENT (cont'd)

(b)

Foreign currency risk

Foreign currency risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's mainly operates in the PRC and its functional currency is in Renminbi. The Group's is exposed to foreign currency risk when transactions such as expenses and borrowings are denominated in currencies other than Renminbi. The currencies giving rise to this risk are primarily Singapore dollar (S\$), Hong Kong dollar (HK\$) and United States dollar (US\$).

The Group has not entered into any forward currency contracts or any hedging instruments to manage the foreign currency risk. This exposure is managed as far as possible by natural hedges of matching assets and liabilities.

The Group's foreign currency exposure based on the information provided to key management is as follow:

	Denominated in the following currencies		
	Singapore dollars	Hong Kong dollars	United States dollars
	RMB'000	RMB'000	RMB'000
2009			
Financial assets			
Cash and bank balances	131	988	–
Other current assets	–	438	–
	131	1,426	–
Financial liabilities			
Convertible bonds	(927,569)	–	–
Other loans	–	(244,882)	–
Trade and other payables	(132)	(26,812)	(10,268)
	(927,701)	(271,694)	(10,268)
Net financial liabilities	(927,570)	(270,268)	(10,268)
2008	RMB'000	RMB'000	RMB'000
Financial assets			
Cash and bank balances	1,005	33,894	239
Other current assets	–	220	–
	1,005	34,114	239
Financial liabilities			
Convertible bonds	(912,624)	–	–
Other loans	–	(211,504)	–
Trade and other payables	(132)	(6,296)	(10,309)
	(912,756)	(217,800)	(10,309)
Net financial liabilities	(911,751)	(183,686)	(10,070)



# notes to the financial statements

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## 36 FINANCIAL RISK MANAGEMENT (cont'd)

### (b) Foreign currency risk (cont'd)

#### Sensitivity Analysis

A change of 5% (2008: 5%) (taking into consideration both strengthening and weakening aspect) of the following currencies against RMB at the year end date would increase/(decrease) the Group's loss after income tax by the amounts as shown below. This analysis assumes that all other variables, in particular interest and tax rates, remain constant.

	Group	
	2009 RMB'000	2008 RMB'000
Group		
S\$ against RMB		
– strengthened	46,379	45,588
– weakened	(46,379)	(45,588)
HK\$ against RMB		
– strengthened	13,513	9,184
– weakened	(13,513)	(9,184)
US\$ against RMB		
– strengthened	513	503
– weakened	(513)	(503)

### (c) Credit risk

Credit risk refers to the risk that the customer or counterparty failed to discharge an obligation and resulted in a financial loss to the Group.

As the Group does not hold any collateral, the maximum exposure to credit risk is the carrying amount of the related financial assets presented on the balance sheet.

The Group's credit risk is primarily attributable to its trade and other receivables. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Trade and other receivables balances are monitored on an ongoing basis and whether the trade and other receivables are recoverable are estimated by the Group's management based on prior experience and the current economic environment.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.



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FINANCIAL RISK MANAGEMENT (cont'd)

(c)

Credit risk (cont'd)

Significant concentrations of credit risk

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's credit exposure is concentrated mainly in the PRC.

Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy companies with good payment record with the Group. Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit ratings and no history of default.

Financial assets that are past due but not impaired

There is no other class of financial assets that is past due but not impaired except for trade receivables.

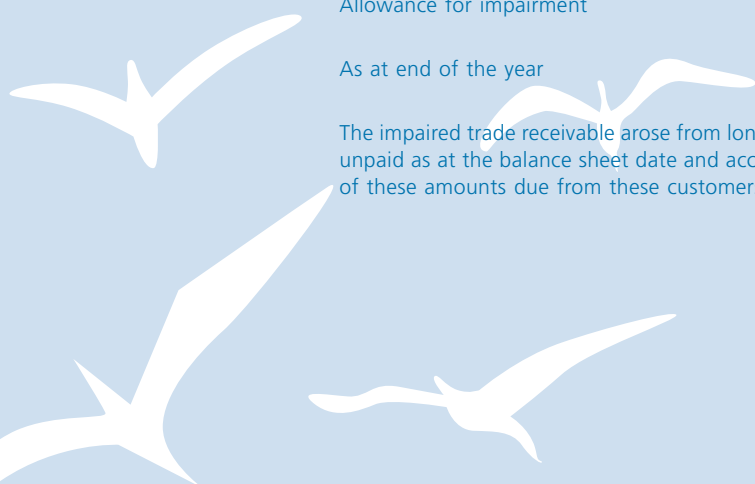
The age analysis of trade receivables past due at the balance sheet date but not impaired is as follows:

	Group	
	2009 RMB'000	2008 RMB'000
Past due within 30 days	4,030	71,123
Past due 31 to 90 days	4,030	57,067
Past due over 90 days	–	106,856
	8,060	235,046

The carrying amount of trade receivables individually determined to be impaired at the balance sheet date and the movement in the related allowance for impairment is as follows:

	Group	
	2009 RMB'000	2008 RMB'000
Gross amount	889,260	733,341
Less: Allowance for impairment	(889,260)	(545,233)
	–	188,108
As at beginning of the year	545,233	12,600
Allowance for impairment	344,027	532,633
As at end of the year	889,260	545,233

The impaired trade receivable arose from long outstanding amounts due from customers which remained unpaid as at the balance sheet date and accordingly there are significant uncertainties over the recovery of these amounts due from these customers.



notes to the financial statements

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FINANCIAL RISK MANAGEMENT (cont'd)

(d)

Liquidity risk

Liquidity risk refers to the risk that the Group will not be able to meet its financial obligations as they fall due. As stated in Note 30, the Company has defaulted on its payments to the Convertible Bondholders. The Company is currently negotiating with the Convertible Bondholders in respect of the repayment terms of the convertible bonds.

The table below analyses the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows.

	Carrying amount RMB'000	Contractual cash flows RMB'000	Cash Flows		
			Within 1 year RMB'000	2 to 5 years RMB'000	After 5 years RMB'000
Group					
2009					
Trade and other payables	114,496	114,496	114,496	–	–
Due to deconsolidated subsidiaries	69,845	69,845	69,845	–	–
Convertible bonds	927,569	927,569	927,569	–	–
Borrowings	801,902	953,958	368,731	373,241	211,986
	<u>1,913,812</u>	<u>2,065,868</u>	<u>1,480,641</u>	<u>373,241</u>	<u>211,986</u>
2008					
Trade and other payables	74,315	74,315	74,315	–	–
Due to deconsolidated subsidiaries	69,845	69,845	69,845	–	–
Convertible bonds	912,624	912,624	912,624	–	–
Borrowings	757,904	920,669	293,606	358,161	268,902
	<u>1,814,688</u>	<u>1,977,453</u>	<u>1,350,390</u>	<u>358,161</u>	<u>268,902</u>



notes to the financial statements

30 June 2009

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FINANCIAL RISK MANAGEMENT (cont'd)

(e)

Fair Values of Financial Assets and Liabilities

The fair value information presented represents the Group's best estimate of those values and may be subject to certain assumptions and limitations. The methodologies and assumptions used in the estimation of fair values depend on the terms and characteristics of the various financial instruments.

The management considers that the carrying amounts of the Group's trade and other receivables, other current assets, cash and cash equivalents, trade and other payables, due to deconsolidated subsidiaries, and other loans approximate their respective fair values due to the relatively short term maturities of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

(f)

Capital Risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, issue new shares or obtain new borrowings.

Management monitors capital with reference to gearing ratio. The Group strategies are to maintain a prudent balance between the advantage and flexibility afforded by a strong capital position and the higher return on equity that are possible with greater leverage.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including, convertible bonds, amount due to deconsolidated subsidiaries, trade and other payables, less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group	
	2009 RMB'000	2008 RMB'000
Net debt	1,845,839	1,550,031
Total equity	841,483	1,587,052
Total capital	2,687,322	3,137,083
Gearing ratio	69%	50%

The Group is in compliance with all externally imposed capital requirement for the financial year ended 30 June 2009 and 30 June 2008, except as disclosed in Note 30 to the financial statements.

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COMPARATIVES FIGURES

Comparative figures for the financial year ended 30 June 2008 have been restated to reflect the adoption of INT FRS 112 as disclosed in Note 3(b).

In addition, certain reclassifications have been made to the comparative figures to conform with current year's presentation.



# statistics of shareholders

as at 16 September 2009

Authorised share capital	:	HKD800,000,000 ordinary shares
Issued and fully paid capital	:	HKD356,529,610
Class of shares	:	Ordinary share of HKD0.40 each
Number of Shares	:	891,324,026
Voting rights	:	One vote per ordinary share

## Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	516	7.80	126,159	0.02
1,000 – 10,000	2,445	36.94	14,282,685	1.60
10,001 – 1,000,000	3,615	54.61	280,355,873	31.45
1,000,001 and above	43	0.65	596,559,309	66.93
Total:	6,619	100.00	891,324,026	100.00

On the basis of the information available to the Company, approximately 56.43% of the equity securities of the Company and held in the hands of the public. This is in compliance with Rule 723 of the Listing Manual of the SGX-ST, which required at least 10% of a listed issuer’s equity securities to be held by the public.

## Twenty Largest Shareholders

Name	No. of Shares	%
1. OCBC SECURITIES PRIVATE LTD	119,040,743	13.36
2. CITIBANK NOMINEES SINGAPORE PTE LTD	79,649,903	8.94
3. RAFFLES NOMINEES (PTE) LTD	66,643,388	7.48
4. DBS NOMINEES PTE LTD	59,260,949	6.65
5. PHILLIP SECURITIES PTE LTD	46,174,305	5.18
6. DBSN SERVICES PTE LTD	35,601,828	3.99
7. HSBC (SINGAPORE) NOMINEES PTE LTD	35,589,463	3.99
8. UOB KAY HIAN PTE LTD	25,637,815	2.88
9. KHO KIA HONG	13,000,000	1.46
10. FULLWAY GROUP LIMITED	12,271,189	1.38
11. IYER ANJALI SUBRAMANIAN	12,000,514	1.35
12. BNP PARIBAS NOMINEES SINGAPORE PTE LTD	10,000,000	1.12
13. MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	8,302,341	0.93
14. KIM ENG SECURITIES PTE. LTD.	7,271,527	0.82
15. DB NOMINEES (SINGAPORE) PTE LTD	5,465,960	0.61
16. HL BANK NOMINEES (SINGAPORE) PTE LTD	5,110,574	0.57
17. LIM & TAN SECURITIES PTE LTD	4,923,339	0.55
18. STAR CHOICE INTERNATIONAL LIMITED	4,448,862	0.50
19. TJIONG BOEN NGIAP @BUSHAR TOMI OR OEY MI LING @MERY WIDJAYA	4,100,000	0.46
20. NOMURA SINGAPORE LIMITED	3,990,000	0.45
Total:	558,482,700	62.67

	Direct Interest	%	Deemed Interest	%
Dongguan Baosheng Environmental Investment Company Ltd	0	0	265,535,333	29.79
Shah Capital Management	122,857,536	13.78	0	0

## notice of annual general meeting

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the Company will be held at Amara Singapore Hotel, Ballroom 2, Level 3, 165 Tanjong Pagar Road, Singapore 088539 on Friday 6 November 2009 at 9.00 a.m. to transact the following business:

### AS ORDINARY BUSINESS

1. To receive and consider the Directors' Report and Audited Financial Statements of the Company for the financial year ended 30 June 2009 and the Auditors' Report thereon. **(Resolution 1)**
2. To approve the payment of Directors' fees of S\$146,000/- for the financial year ended 30 June 2009. (2008: S\$146,000) **(Resolution 2)**
3. To re-appoint Messrs Moore Stephens LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 3)**

### AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions with or without modifications:

4. Authority to allot and issue shares
  - (a) "That, pursuant to Company's Bye-laws, and the listing rules of the Singapore Exchange Securities Trading Limited, approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:
    - (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;
    - (ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;
    - (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and
  - (b) (notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force,

provided always that

- (i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the total number of issued shares excluding treasury shares of the Company, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to existing shareholders of the Company does not exceed 20% of the total number of issued shares excluding treasury shares of the Company, and for the purpose of this resolution, the issued share capital shall be the Company's total number of issued shares excluding treasury shares at the time this resolution is passed, after adjusting for;
  - a) new shares arising from the conversion or exercise of convertible securities, or

# notice of annual general meeting

- b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited, and
  - c) any subsequent bonus issue, consolidation or subdivision of the Company's shares, and
- (ii) the 50% limit in (i) above may be increased to 100% for the Company to undertake pro-rata renounceable rights issue and unless revoked or varied by the Company at a general meeting, the authority shall continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.” **(Resolution 4)**

(See Explanatory Note ii)

5. Authority to allot and issue shares under the Bio-Treat Technology Limited Scrip Dividend Scheme

That authority be and is hereby given to the Directors to allot and issue from time to time such number of shares in the Company as may be required to be allotted and issued pursuant to the Bio-Treat Technology Limited Scrip Dividend Scheme. **(Resolution 5)**

(See Explanatory Note iii)

6. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

## BY ORDER OF THE BOARD

Lotus Isabella Lim Mei Hua  
Company Secretary

Date: 21 October 2009

### Notes:

- 1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy in his stead.
- 2. A proxy need not be a member of the Company.
- 3. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
- 4. The instrument appointing a proxy must be deposited at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte Ltd at 3 Church Street, #08-01 Samsung Hub, Singapore 049483 not later than 48 hours before the time appointed for the Meeting.

### Explanatory Notes:-

- i. Pursuant to the Special General Meeting of the Company held on 28 October 2005, the shareholders of the Company approved the passing of the ordinary resolution relating to the “Bio-Treat Technology Limited Scrip Dividend Scheme”. In the circular dated 11 October 2005, the Scrip Dividend Scheme provides members with the option to elect to receive shares in lieu of the cash amount of any dividend declared on their holding of shares.
- ii. The ordinary resolution 4 proposed in item 4 is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50 percent of the total number of issued shares excluding treasury shares of the Company, of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20 percent of the total number of issued shares excluding treasury shares of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.
- iii. The Ordinary Resolution 5 proposed in item 5, if passed, will empower the Directors of the Company to allot and issue shares in the Company pursuant to the terms and conditions of the Bio-Treat Technology Limited Scrip Dividend Scheme.





[www.bio-treattechnology.com](http://www.bio-treattechnology.com)