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## **RESPONSE TO THE SGX-ST'S QUERIES REGARDING TO THE COMPANY'S ANNUAL REPORT DATED 16 OCTOBER 2014 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

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In response to the e-mail queries received from the Singapore Exchange Securities Trading Limited (the "SGX-ST") of 27 October 2014, the Board of Directors of the Company (the "Board") provides the information as set out below:

### **Query 1**

Paragraph 11.3 of the Code of Corporate Governance 2012 (the "Code") states that the Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company's Annual Report. As recommended in paragraph 11.3 of the Code and pursuant to Rule 710 of the Listing Manual, please make disclosures on the Board's comments on the adequacy and effectiveness of the Company's risk management systems and information technology controls or otherwise explain the reason(s) for the deviation from the following Code recommendations.

### **Company's Response**

Based on the work performed by Internal Auditors during the financial year and the statutory audit by the external auditors, the Board, with the concurrence of the Audit Committee, is of the opinion that the system of internal controls, including financial, operational, compliance and information technology controls, and risk management systems put in place by the management is adequate and effective to address financial, operational and compliance risks of the Group.

### **Query 2**

Paragraph 9.3 of the Code of Corporate Governance 2012 (the "Code") states that the Company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As we note that the Company only disclosed remuneration relating to the top four key executives, please make the disclosure as recommended in the Code or otherwise disclose and explain any deviation from the recommendation.

### **Company's Response**

The Company only regards the position of "Vice President" as key executives and during the financial year ended 30 June 2014, the Company has only top four key executives who are in the rank of Vice President which was also disclosed in pages 18 and 19 under "Key Information on Key Management Personnel" of the Annual Report 2014. Thus, the Company only disclosed remuneration relating to the top four key executives in the Annual Report 2014.

### **Query 3**

On page 107, it is stated that fees paid for non-audit services amounted to RMB 3,224,000 while the aggregate amount of fees paid for audit services amounted to RMB 1,533,000. Given that amount paid for non-audit fees are higher than amount paid for audit fees, please set out the basis as to why the Board is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the auditors.

### **Company's Response**

The non-audit fees relates mainly to reporting accountant fees incurred in relation to the proposed acquisition of the entire issued and paid-up share capital of China Everbright Water Investments Limited. When considering the additional services KPMG LLP provides to the Company, the Board is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the auditors.

### **BY ORDER OF THE BOARD**

Chen Dawei, David  
Executive Chairman  
29 October 2014