



China Essence Group Ltd.
嵩天集团有限公司

(Incorporated in the Cayman Islands)
(Registration No. CT-152302)

China Essence Group Limited

The Board of Directors (the “**Board**”) of China Essence Group Ltd (the “**Company**”) wishes to refer shareholders to the Announcements by the Company dated 5 July 2017 and 25 April 2018 regarding the delisting notification (“**Notification**”) from SGX-ST.

1. The Company, registered in the Cayman Island, was listed in the SGX-ST on 13 February 2006. It is an investment holding company with investments in 5 potato starch production subsidiary companies.
2. The Company was placed onto the Financial Watchlist on 3rd June 2014 and had until 3 June 2016 to meet the watch-list exit criteria. To exit the Financial Watch-list, the Company must show an audited pre-tax profit in a year during the Watch-list period and achieve an average daily market capital of at least S\$40 million over the last 6 months. However, the Company was not able to meet the Watch-list exit criteria and was not able to provide financial statements due to
 - (a) Discovery of unauthorised transactions by the Executive Chairman and CEO, Zhao Libin (“**Zhao**”) in disposing the Company’s subsidiaries sometime in April 2015, and the Board was not able to locate his whereabouts or communicate with him to obtain full details of the transactions, and to obtain full information on the state of affairs of the Company;
 - (b) The Company’s joint auditors, BDO (HK) Limited and BDO LLP (Singapore), resigned on 23 July 2015 as the Company was not able to settle outstanding audit fees due to these auditors;
 - (c) Moore Stephens CPA Limited, the proposed replacement auditor had withdrawn its letter of engagement following its discovery of the unauthorised transactions by Zhao; and
 - (d) Yap Kong Wai (“**Yap**”), the Chief Financial Officer, resigned on 9 September 2015 following non-payment of long overdue salaries owed to him by the Company.
3. Because of extremely adverse conditions in the years 2012 and 2013, the Company incurred heavy operating losses. The severe winter in 2012 and the heavy floods of 2013 adversely affected the yield of the potato raw materials. At the same time, the Company was burdened by heavy debts, namely, a convertible bond with Morgan Stanley of HK\$200 million and an unsecured loan from DBS Bank of US\$38.5 million. The Company was unable to pay the interests to the Bond-holders and DBS Bank when due.



4. In May 2015, the Company proceeded on a Reverse Take-over (RTO) exercise with an interested party from Hong Kong. Shortly after, on 26 June 2015, the Chairman of the Audit Committee, Independent Director Lai Hock Meng (“**Lai**”) tendered his resignation. Then on 23 July 2015, the joint external auditors BDO (HK) Limited and BDO LLP (Singapore) resigned as the Company was not able to pay their outstanding fees.
5. Because of the resignation of the joint external auditors, the Company was not able to hold its AGM by end of July 2015. The SGX-ST approved the Company’s application for extension to hold its AGM by the end of October 2015 as the Company needed time to appoint a replacement external auditor to complete the audit for the financial year.
6. In order to speed up the RTO process, a new Board was constituted to take over the old Board. On 3 August 2015, the following Directors stepped down from the old Board:
 1. Zhao Libin (“**Zhao**”), Executive Chairman and CEO
 2. Li Jiquan (“**Li**”), Executive Director
 3. Shen JianWei (“**Shen**”), Independent Director
 4. Leung Yik Man, Lawrence (“**Leung**”), Non-Executive Director and former CFO,(collectively, the “**Former Directors**”).
Zhao, Li and Shen are from the PRC, and Leung from Hong Kong.
7. On the same day, 3 August 2015, the following Directors were appointed to replace the outgoing Directors:
 1. Chow Stephen Yoebon (“**Chow**”), Executive Director
 2. Lee Sai On (“**Lee**”), Executive Director
 3. Chin Kwan Lam, Raymond (“**Chin**”), Independent Director
 4. Eric Ho Soo Jeow (“**EHo**”), Independent Director
 5. Er Kwong Wah (“**Er**”), Independent Director

Except for EHo and Er who are from Singapore, the other 3 members are from Hong Kong. Yap, a Malaysian and residing in Shanghai continued to liaise directly with Zhao on all Company matters after the changes at the board level.
8. The incoming Board’s immediate task was to appoint an external auditor to replace BDO (HK) and BDO LLP (Singapore) that had resigned. Moore Stephens CPA was approached to take on the appointment. For client acceptance procedures, Moore Stephens CPA performed a preliminary company search on the Group’s subsidiaries in the PRC and found that the shareholding of at least two of the subsidiaries had been changed to certain individuals in April 2015. Moore Stephens notified the Board on the evening of Friday 4th September 2015, and the Company immediately released an Announcement on Monday 7th September 2015, and trading was suspended with effect from the same day.



9. The new Directors who were appointed on 3 August 2015 had no prior knowledge of the transactions. The transactions were neither authorised by the former Board nor submitted to the former Board for approval. The transactions were also not reported in the 1Q FY2015 Results Announcement as Zhao, the former Executive Chairman and CEO who admitted to Yap that he himself effected the transactions and did not disclose the matter to the Board.
10. Through Yap who communicated with Zhao, the Board was informed that as a result of long-standing debts to the farmers by the subsidiaries, the farmers had almost run riot at the factory. The local Government had to step in to quench the riot by settling the debts on behalf of the subsidiaries. In return, the two subsidiaries had to transfer the shares to the local Government as held in trust.
11. Following the 7th September 2015 Announcement of the discovery of unauthorised transactions by Zhao, the Board was not able to reach Zhao either directly or through Yap. The Board wanted full details of the transactions and reasons for Zhao not reporting these transactions as required under relevant sections of the SGX Listing Rules, as well as informing shareholders through proper timely announcement on incidences at the subsidiary premises. Thereafter, numerous attempts to reach Zhao with the help of former Directors were unsuccessful. Further the Company was insolvent and did not have any funds to engage professionals, such as lawyers and private investigators, to trace and locate Zhao in the PRC.
12. As the search for Zhao proved unsuccessful, all 3 new Directors from Hong Kong (Chow, Chin and Lee) resigned from the Board. So did Yap. The Board was left with only the 2 Independent Directors (EHo and Er) from Singapore by the end of September 2015.
13. The Company was not able to hold the AGM by end of October 2015, as a consequence to the findings in paragraph 8 above.
14. The remaining 2 Singapore Independent Directors had made every attempt to contact Zhao and former Management through various channels but to no avail. The Independent Directors, despite seeking the assistance of the Former Directors and Yap was not able to contact the former management for information on the state of affairs of the Company.
15. In the interest of the shareholders, 3 new Directors were invited to join the Board on the 8 December 2015. They are James Yip Mun Foong (“**Yip**”), Edward Tan Chee How (“**Tan**”) and Ho Soo Hui (“**Ho**”). To facilitate communications with potential white knights, Eric Ho (“**EHo**”) agreed to perform the duties of an Executive Director.



16. Having failed to locate or reach Zhao, the Company filed a police report on the offences committed by Zhao.
17. As of date of this Announcement, the Company is unable to locate Zhao or obtain more information on the unauthorised transactions.
18. Since December 2015, the current Board had explored with several parties on rescue plans to save the company that is already insolvent and burdened with massive debts. The parties are investment companies that intend to acquire potential targets in the rescue plan. The parties include (1) Huatian Investment Holdings limited and Hollywood International Hotel Holdings Limited from the PRC, (2) Populus, an investment fund to acquire a coal mine in the PRC; (3) a potential White Knight from Hong Kong that lost interest eventually; and (4) another investment company located in Singapore that did not pursue the project further after taking into account the heavy debts the Company owed to Morgan Stanley and DBS Bank. The several attempts to rescue the Company were not successful.
19. On 5 July 2017, the Company received a delisting notification from the SGX-ST. The Board released an Announcement informing shareholders that SGX-ST has rejected the Company's application for a 24-month extension to apply for its removal from the Watch-list, as despite the Company's best efforts, the Company's attempted rescue plan had failed to materialise. In the Notification, the SGX-ST had informed the Company, inter alia, that pursuant to Listing Rule 1306, the issuer or its controlling shareholder(s) to provide a reasonable exit offer to shareholders of the Company. The SGX-ST further informed it will grant the Company an extension of time for the Company or its controlling shareholder(s) to make a reasonable exit offer to shareholders.
20. On 25 April 2018, the Company released an Announcement informing shareholders that the controlling shareholder, Zhao, could not be found and that an exit offer from him will not be possible. Further the Company was already insolvent since May 2015, without any asset, and thus is unable to make any reasonable exit offer to shareholders.
21. The shares will be delisted from the Official List of the SGX-ST on 14 February 2020, 9.00 a.m.
22. Shareholders can contact Eric Ho at 85224822 for any enquiries if necessary.

By Order of the Board

Ho Soo Jeow Eric
Executive Director
17 January 2020