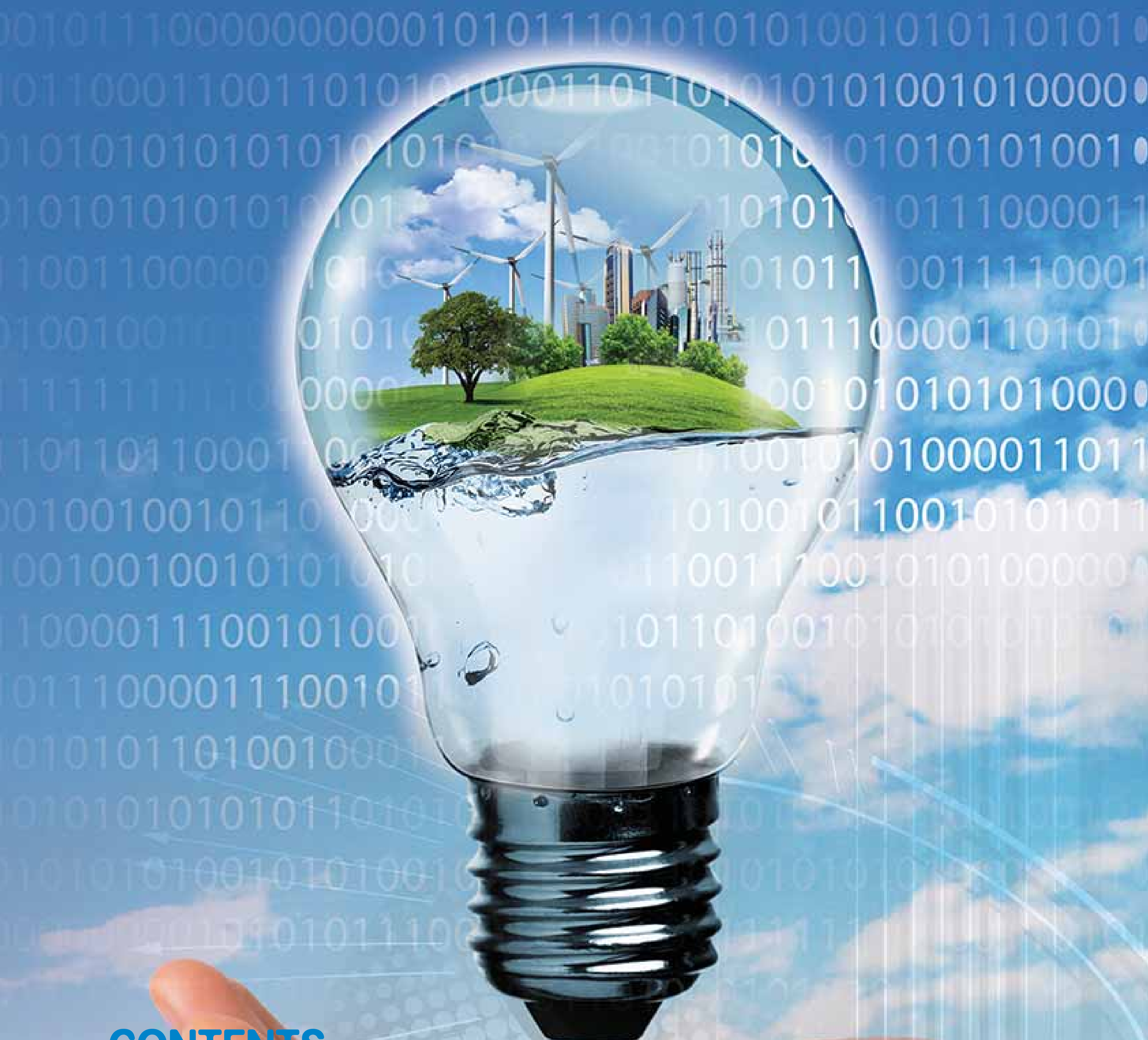
CHINA ENVIRONMENT LTD.

ANNUAL REPORT 2014

DELIVERING THE GREEN VISION



CONTENTS

CORPORATE PROFILE

China Environment Ltd. **(中国环保有限公司)** (China Environment) is a major provider of industrial waste gas treatment systems in the People's Republic of China (PRC), with its headquarters based in Longyan City, Fujian Province and a second production facility in Bengbu City, Anhui Province.

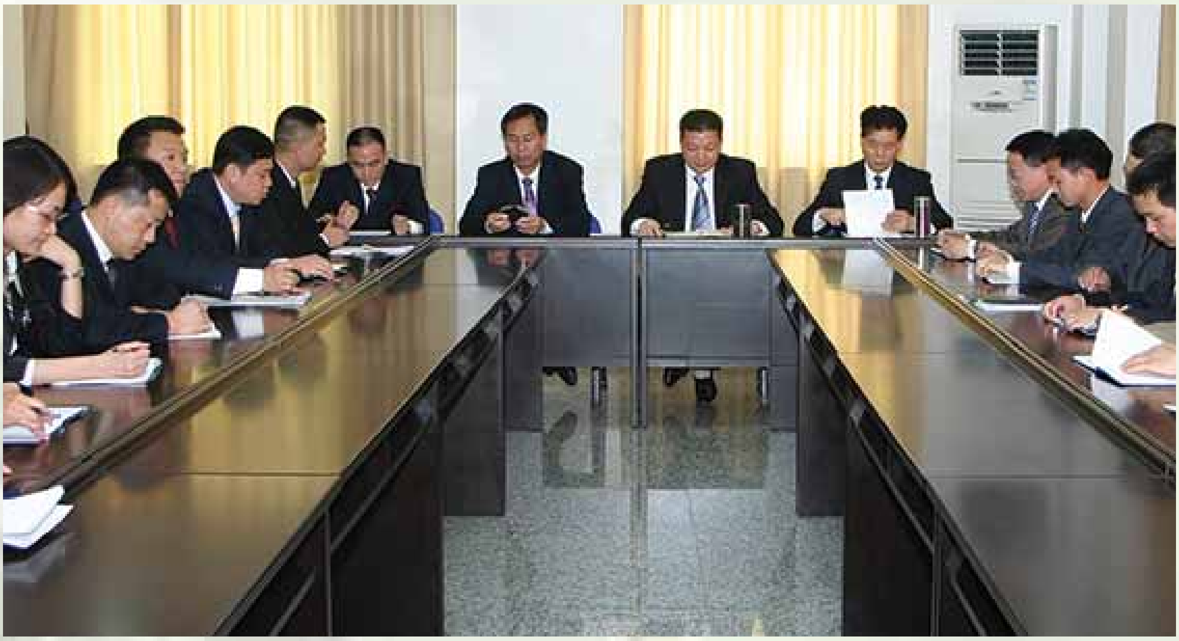
The Group engages in the design, construction as well as research and development of industrial waste gas treatment systems. Its proprietary product portfolio includes Electrostatic Precipitators (ESPs), Electrostatic Lentoid Precipitators (ESLPs), baghouses and hybrid dust collectors.

The Group strives for production excellence and adheres strictly to international quality standards. Its commitment to excellence has won it many awards and accreditations, including the ISO9001:2000 Quality Management System certification; ISO14001:2004 Environment Management System certification and OHSAS18001:1999 Occupational Health and Safety Management System authentication.

Currently, the Group is certified and included in the recommended list of approved manufacturers for supplying ESPs for 200MW, 300MW and 600MW thermal power projects. The Group's wholly-owned subsidiary – Fujian Dongyuan Environmental Protection Co., Ltd. is accredited as "High/New Technology Enterprise" It enjoys preferential income tax rate of 15% instead of standard income tax rate of 25%.

The Company was upgraded to a listing on the Singapore Exchange Securities Trading Limited (SGX-ST) Mainboard on 27 August 2009 via a reverse takeover of Gates Electronics Limited.

CORPORATE PROFILE



DRIVING INNOVATION FOR A SUSTAINABLE FUTURE

Underpinned by our key thrusts of Environmental Sustainability, Economic Profitability and Corporate Social Responsibility, the Group strives to shape a greener future and a sustainable world by improving the emission standards of air quality in the communities we operate in, in collaboration with our business partners.

We wholeheartedly embrace our mission in enhancing environmental sustainability which tops many national government agenda globally. Against the backdrop of destructive impacts of environmental degradation and increasing international legislation brought about by the concerted efforts of United Nation Framework Convention on Climate Change (UNFCC), the momentum for greater environmental protection has increased exponentially, especially in China with major governmental legislation and investments underway.

Entering into our fifth year since listing in 2009, the Group is not only well on track on its business expansion, but also in embracing innovation as our new growth strategy by investing in research and development for more proprietary technologies for industrial waste gas treatment solutions.

With innovation as our competitive edge, we are well-positioned to harness the burgeoning growth in the environmental protection industry across China and beyond, which will augment with vigorous governmental enforcement measures and the increasing adoption of environmental best practices by many multinational and state-owned enterprises.

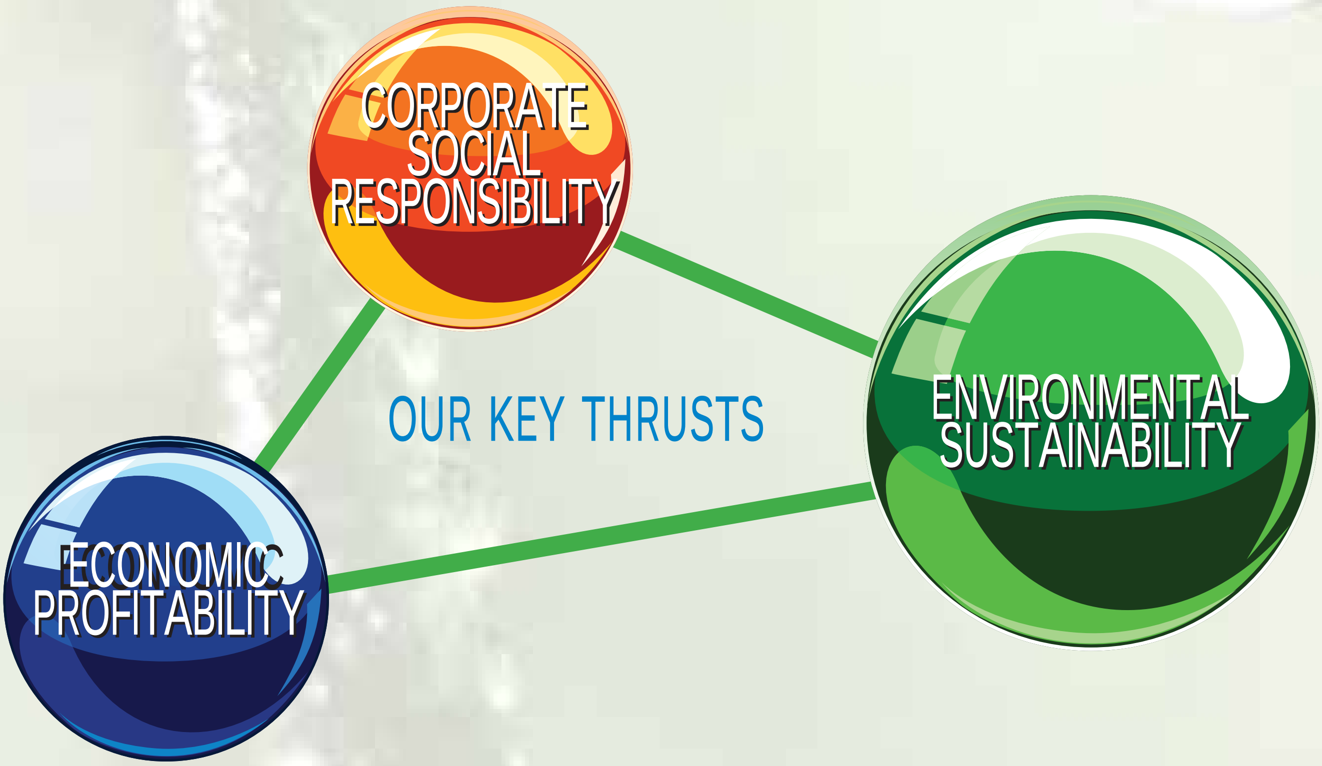
At China Environment, we pride ourselves on the success of empowering our diversified customer base

to be responsible corporate stewards for a cleaner and sustainable environment. Our clients partner us for our innovative technologies in industrial waste gas treatment solutions as well as high standards on quality and production efficiency.

The Group puts environmental management at the heart of its operations. Our production and management processes are strictly in compliance with ISO14001.

Our pursuit of business growth and track record is well aligned to our commitment of economic profitability to our shareholders. Our strategic priorities, be it expanding our product range or extending market reach are all geared towards strengthening our competitive advantages and enhancing the shareholder value.

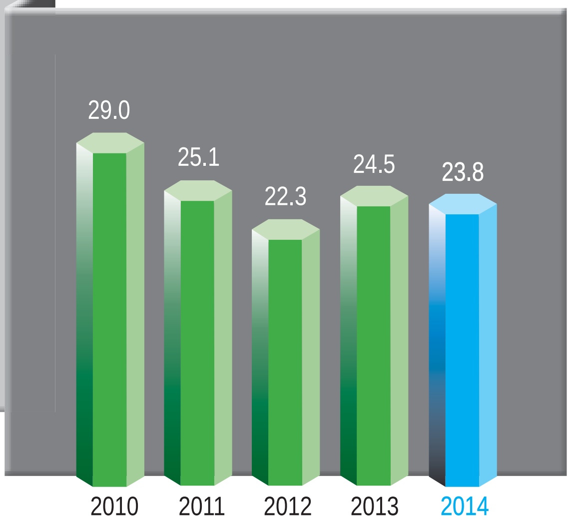
Corporate social responsibility is in the DNA of the Group's culture and is demonstrated in the commitments we have delivered to improving the environmental sustainability and social well-being of our stakeholders -- shareholders, customers, business partners, employees and communities China Environment operates in.



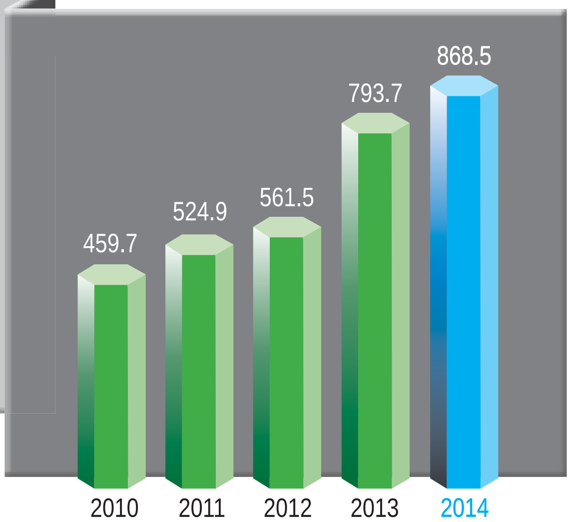
KEY FINANCIAL HIGHLIGHTS

REVENUE
(RMB)-MILLION

GROSS PROFIT MARGINS
(%)



NET ASSETS
(RMB)-MILLION



PROFIT BEFORE TAX MARGINS
(%)

PROFIT AFTER TAX
(RMB)-MILLION

TOTAL ASSETS
(RMB)-MILLION

CHAIRMAN'S MESSAGE

Dear Shareholders

2014 has been a fruitful year for China Environment Ltd. The Group has steered a firm course ahead in our mission to deliver a green vision for a sustainable world.

During the year, we have maintained our market share and delivered a respectable results for the financial year 2014 ("FY2014').

YEAR IN REVIEW

Revenue for FY2014 was RMB583.8 million, an increase of 11.4% or RMB59.7 million from RMB524.1 million achieved in financial year ended 31 December 2013 ("FY2013"). The higher revenue can be attributed to the completion of 45 dust collector projects in FY2014 as compared to 24 projects in FY2013. As at 31 December 2014, there were two ongoing projects.

In FY2014, 51.8% of revenue came from the power generation industry, 31.6% from the steel and metallurgy industry, 6.6% from the chemical industry, 1.2% from the cement industry and the remaining 8.8% from other industries.

Gross profit increased by 8.1% to RMB139.0 million in FY2014 though gross profit margin was lower at 23.8% compared with 24.5% in FY2013. Net profit after tax attributable to shareholders decreased by 6.8% to RMB69.6 million in FY2014 on higher selling and distribution expenses, administrative expenses, finance costs and taxes.

Going forward, the Group expects the demand for its products to remain robust, with increased opportunities to expand its market presence. Additionally, the Group will also be focusing on the development of new environmental technologies and products to expand its range of products and services.

BUILDING CORE STRENGTHS

Over the past two years, the Group has successfully expanded its overall production capacity by approximately 400%. With the new Anhui production facility operational in 2014, we have now approximately 103,498m^2 of gross production area catering to anticipated demand for air pollution treatment system.

In China, we have successfully strengthened our sizeable customer base, especially state-owned enterprises, public listed companies and large private enterprises. Our sales network and project experience covers most provinces across China except for Tibet and Hainan. We form strategic alliances with customers to ensure the sustainability of sales contracts.

Among some of our major clients included China Energy Engineering Group Shanxi Electric Company Electric Environmental Protection Equipment Main Factory (中国能源建设集团山西电力公司电力环保设备总厂), Anhui Shengyun Machinery Co., Ltd (安徽盛运机械股份有限公司), Dezhou Shihua Chemical Co., Ltd (德州实华化工有限公司) and Nanjing Steel United Co., Ltd (南京钢铁联合有限公司).

Geographically, we are constantly seeking to expand our global footprint and broaden our customer base in Southeast Asia via strategic partnership. We have extended our sales and project delivery to Indonesia and the Philippines.

In 2014, we are proud that China Environment Ltd was ranked 56th out of 644 companies for the Governance and Transparency Index (GTI™) of Singapore Exchange-listed companies in Singapore. Jointly launched by The Business Times (BT) and the Centre for Governance, Institutions and Organisations (formerly CGFRC), the GTI™ assesses the financial transparency of companies based on their annual announcements.

This attests to the high level of corporate governance which China Environment has vigilantly adhered to.

STRONG FINANCIAL POSITION

The Group continued to be in a strong financial position, with net assets of RMB868.5 million which translates into a net asset value per share of RMB118.1 cents.

Through a share placement completed in January 2015, we have raised S$7.5 million, of which we will use it for supporting the growth of the Group's business and operations in the People's Republic of China.

Market capitalisation was approximately S$99.3 million based on the closing share price of 13.5 Singapore cents as at 31 December 2014.

NEW TECHNOLOGY INNOVATION

In line with our strategic thrust of environmental sustainability, we have continuously strive for greater technology innovation to ensure we are keeping abreast with latest technology.

With 28 patents, the Group's outstanding technical standards and strong position in PRC's industrial waste gas treatment sector has been affirmed by the re-accreditation of our subsidiary, Fujian Dongyuan Environmental Protection Co., Ltd. (福建东源环保有限公司) as a "High/New Technology Enterprise" by the Ministry of Science and Technology of Fujian Province (福建省科学技术厅), the

CHAIRMAN'S MESSAGE

Ministry of Finance of Fujian Province (福建省财政厅), and the State and Local Taxation Bureaus of Fujian Province (福建省国家税务局及福建省地方税务局) in March 2013. This accreditation comes on the heels of the Fujian Provincial-level Enterprise Technology Centre (省级企业技术中心) status awarded to the Group in January 2013.

Moving forward, China Environment's commitment is to continually invest in research and development to strengthen our innovation edge in environmental protection technology. We strive to widen our range of innovative products to generate new growth engines and commercial benefits for the Group.

Through the research joint venture with the College of Engineering of Peking University, we are now well vested in the research and development, industrialisation and commercialisation of a new spectrum of technologies in environmental protection sector.

In 2014, we have implemented one transcritical carbon dioxide heat pump system pilot project as the new extension of our product offerings. Spearled by the Beijing Gongdao Environmental Protection Co. Ltd (a joint-venture with College of Engineering of Peking University), this transcritical carbon dioxide heat pump system is a residual heat recycling system that can help companies to save energy costs.

BUSINESS OUTLOOK

The Group remains optimistic on the environmental protection sector with the sustained governmental focus on new environmental regulations to tackle the air pollution problems over the years. We are well positioned to harness the anticipated surge in demand of our products and a potential pipeline of upgrading projects resulted from the heightened political will and determination by the Chinese government.

The rapid industrialization of the world's second-biggest economy has been accompanied by rampant pollution of its air and water supplies, prompting the World Health Organisation to warn of the rising health hazard. China now emits about twice as much carbon as the United States, the world's second-biggest greenhouse gas polluter. And without major policy changes, China is set to double its greenhouse gas emissions by 2040, according to US Energy Information Administration.

In 2014, China announced the plans to launch a 50 billion Chinese yuan environmental protection fund to incentivize local governments and Chinese companies to step up their pollution-fighting efforts. The fund would receive investment from the National Development and Reform Commission (NDRC) and the Ministry of Finance, and would attempt to beef up investment in critical sectors through low or no-interest loans.

Furthermore, environmental authorities rolled out new regulations raising the fees charged on companies that exceed their allowable emissions. The new policy encourages local authorities as well as economically developed areas to formulate stricter control standards to curb pollution. So far, 16 provinces have increased their own standard, with cities like Beijing and Tianjin having increased the excessive pollution charges by 10 folds.

With the above measures and the tightening of anti-air pollution laws and policies in China, the Group expects the demand for our products to remain strong. Nevertheless, given the tight credit environment, the Group will also focus more on cash collection and securing projects from customers with good credibility.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express my deepest appreciation to all stakeholders who have been instrumental in China Environment's success over the past years– customers, business associates, management team, staff and shareholders.

I am grateful for the loyal support of our customers and business associates through all these years. Our strategic partnership will ensure China Environment can nurture greater environmental sustainability for our clients as well as the communities we operate in.

I look forward to the unwavering commitment of our management team and staff which is pivotal to our success. We will grow from strength to strength in building our market leadership in the burgeoning environmental protection sector in China and beyond.

Last but not least, I like to thank the Board of Directors for their invaluable guidance. Together, we can drive innovation to scale new heights for China Environment and all our stakeholders for the long term sustainable future of our living planet.

Huang Min
Executive Chairman

主席致辞

尊敬的股东：

2014年是中国环保有限公司硕果累累的一年。本集团奉行其使命，在实现可持续世界的绿色愿景道路上向前大步迈进。

在本年度期间，我们保持了本集团的市场占有率，并为2014财政年度（“2014财年”）交出一份优越的成绩单。

表现回顾

2014财年的销售收入为5.838亿元人民币，比截止于2013年12月31日之财政年度（“2013财年”）的5.241亿元人民币增长了11.4%（即5,970万元人民币）。销售收入的增长是基于2014财年完成了45个项目，与之相比，2013财年完成的项目仅有24个。于2014年12月31日，仍有两个项目在进行之中。

在2014财年，51.8%的销售收入来自于火电工业，31.6%来自于钢铁冶金工业，6.6%来自于化学工业，1.2%来自于水泥工业，剩余的8.8%则源自于其他工业。

2014财年的毛利润增长8.1%，达到1.39亿元人民币，尽管毛利润率是23.8%，这仍低于2013财年的24.5%。由于该财年销售与分销费用、管理费、财务费用和税收均有增加，2014财年应归股东税后净利减少了6.8%，至6,960万元人民币。

展望未来，本集体预计市场对其产品的需求仍保持强劲，扩大市场规模的机会亦会增加。除此之外，本集团还将重点研发新型环保科术及产品，以便扩大产品与服务范围。

建立核心优势

在过去两年里，本集团成功地将总生产能力扩大了约400%。随着2014年启用位于安徽的新生产设施，我们现在拥有大约103,498平方米的总生产面积，足以供应空气污染治理系统的预期需求。

在中国，我们成功地巩固了本公司庞大的客户群，特别是国有企业、上市公司和大型民营企业。我们的销售网络和项目经验覆盖了除西藏和海南之外的中国大部份省份。我们与客户形成了策略联盟，以确保销售合同的持续性。

我们的主要客户，包括中国能源建设集团山西电力公司电力环保设备总厂、安徽盛运机械股份有限公司、德州实华化工有限公司和南京钢铁联合有限公司等。

主席致辞

在区域方面，我们正在不断寻求通过建立战略伙伴关系扩展我们在全球各地的分布范围，并扩大我们在东南亚的客户群。如今，我们已将销售和项目服务范围延伸至印度尼西亚和菲律宾。

令我们感到自豪的是于2014年，在被纳入新加坡证券交易所上市公司治理与透明度指数（GTI™）的644家上市公司里，中国环保有限公司名列第56位。GTI™是由《商业时报》和治理、机构及组织中心（原名CGFRC）联合发起的，旨在依据各公司的年报公告评估其财务透明度。这认可了中国环保治理素质与管理严谨的程度。

稳健的财务状况

本集团的财务状况继续保持稳健，净资产达8.685亿元人民币，每股资产净值为118.1分人民币。

通过2015年1月完成的一次配股，我们筹集了750万元新币。我们将这笔资金运用于本集团在中华人民共和国境内业务和运营的增长。

根据2014年12月31日13.7分新币的股票收盘价，本公司的市值约为9,930万新元。

新技术革新

在策略上，为推动环境保护的可持续性，我们不断加大投入进行更大规模的技术革新，以确保我们拥有最新的环保技术。

2013年3月，福建省科学技术厅、福建省财政厅、福建省国家税务局及福建省地方税务局将本集团旗下子公司——福建东源环保有限公司再次评为“高新技术企业”，由此确定了拥有28项专利的本集团在中国工业废气治理行业的突出卓越技术标准及强大的市场定位。除此之外，于2013年1月，本集团也获颁省级企业技术中心资格。

展望未来，中国环保承诺将继续投资研发事项，以加强我们在环保技术方面的创新优势。我们将努力扩大创新产品的范围，打造新的增长引擎，给本集团带来商业利益。

通过与北京大学工学院建立的合资企业，我们现在更有能力对环保领域的一系列新技术进行研发，并使其工业化和商业化。

在2014年里，我们执行了一个超临界二氧化碳热泵系统试点项目，作为产品供应的新延伸。由北京工道环保科技有限公司（与北京大学工程学院建立的合资企业）带领制造的超临界二氧化碳热泵系统系是一套余热回收系统，该系统能帮助企业节省能源成本。

商业前景

随着近年来政府为了解决环境污染问题不断推出新的环保法规，本集团对环保行业仍持乐观态度。鉴于中国政府正在加强治理环境的政治意志和决心，预计市场对我们的产品及潜在的改造项目的需求强劲， 我们严正以待，蓄势待发。

伴随着世界第二大经济体的快速工业化而来的，是空气及供水污染的猖獗与蔓延，从而令世界卫生组织警告：健康危害在与日俱增。目前，与世界第二大温室气体排放国家美国相比，中国的碳排放量是其排放量的两倍。根据美国能源信息管理局的预测，如果中国不进行重大政策调整，到了2040年，其温室气体的排放量预计将增加一倍。

2014年，中国宣布启动500亿元人民币的环保基金计划，以激励地方政府和中国企业做出更多的努力来防治污染。该基金得到国家发展与改革委员会（NDRC）和财政部的投资，并试图通过低息或无息贷款增加在关键领域的投资。

此外，环保当局推出新法规，对排放量超标的企业提高收费。新政策鼓励地方当局和经济发达地区制定更严格的控制标准以遏制污染。迄今为止，有16个省份均提高了本省标准，北京、天津等城市将过度污染收费增加10倍。

随着采取上述措施以及制定更为严格的空气污染防治法律和政策，我们预计中国市场对本集团产品的需求量依然强劲。然而，考虑到信贷环境紧缩，本集团还将专注于催讨回款，并与信誉良好的客户进行合作。

鸣谢

我谨代表董事会，向多年来帮助中国环保取得成功的合作伙伴们---客户、业务伙伴、管理团队、员工和股东---表示最深切的感谢。

我衷心感谢客户和业务伙伴多年来对我们的忠诚支持。我们的战略伙伴将确保中国环保能够为我们的客户和我们业务所在的社区带来更多的环境可持续效益。

管理团队和员工努力耕耘是本集团取得成功的关键，我满心期待你们坚定不移地致力于本公司的发展。随着我们在中国及其他国家和地区蓬勃发展的环保行业建立起稳固的市场领导地位，我们将日益壮大，迅速成长。

最后，本人在此感谢董事会给予的宝贵指导。只要同心协力，我们就能一起推进创新，将为中国环保再攀高峰，并为我们的地球谛造一个可持续的美好未来。

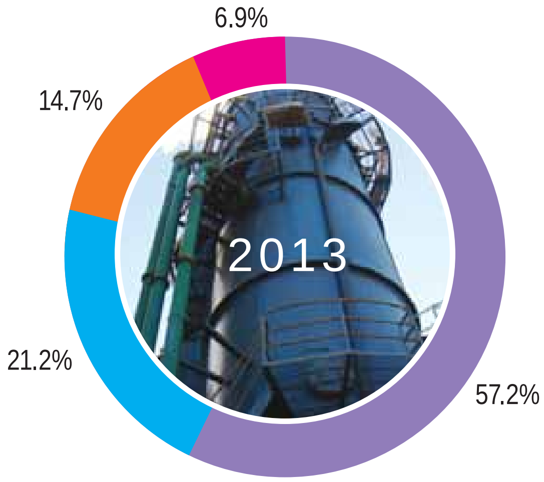
黄敏
执行主席

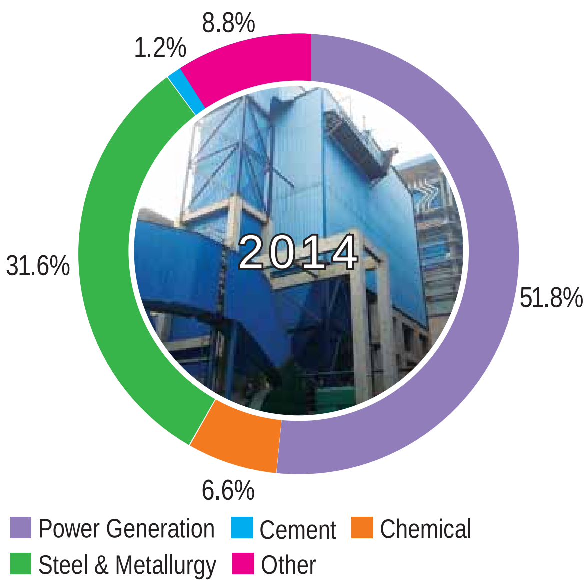
FINANCIAL AND OPERATION REVIEW

For the financial year ended 31 December 2014 ("FY2014"), the Group has strengthened its foundation and delivered a credible business performance. We have not only increased our orderbook, but also sustained our research and development investment year on year.

The Group reported an 11.4% increase in revenue to RMB583.8 million mainly due to the completion of 45 dust collector projects in FY2014 compared with 24 in FY2013, though the contract sum was lower in FY2014.

For FY2014, 51.8% of total revenue came from the power generation industry, 31.6% from the steel and metallurgy industry, 6.6% from the chemical industry, 1.2% from the cement industry and the remaining 8.8% from other industries.





Gross profit increased by 8.1% to RMB139.0 million in FY2014. However, gross profit margin was lower at 23.8% compared with 24.5% in FY2013 as cost of sales increased at a faster rate of 12.5% compared to the 11.4% increase in sales. For FY2014, cost of sales consisted mainly of direct materials such as steel plates, channel and angle steel, discharge electrode and collection electrode systems, which collectively accounted for 79.8% of total cost of sales. Another 17.4% of total cost of sales came from direct labour, processing and installation fees, 1.2% from depreciation and rental charges, 1.4% from miscellaneous expenses and the remaining 0.2% from utilities charges.

Net profit after tax attributable to shareholders decreased by 6.8% to RMB69.6 million in FY2014 as higher gross profit was offset by higher selling and distribution expenses, administrative expenses, finance costs and taxes.

Selling and distribution expenses increased by 14.2% to RMB22.6 million in FY2014 mainly due to an increase in sales commission, delivery charges and travelling expenses. Administrative expenses increased by 41.9% to RMB30.3 million in FY2014 mainly due to an increase in staff cost and directors' remuneration, depreciation and amortisation and other administrative expenses. Income tax expenses increased by 94.8% to RMB6.6 million in FY2014 due to more income tax refund in FY2013.

STRONG FINANCIAL POSITION

The Group's financial position remained strong with net assets of RMB868.5 million as at 31 December 2014, translating into a net asset value of RMB1.18 per share based on the total number of issued shares of 735.5 million. This compares with a net asset value of RMB1.08 per share as at 31 December 2013.

Total assets increased to RMB1.2 billion as at 31 December 2014 from RMB1.1 billion as at 31 December 2013. Total assets comprised non-current assets of RMB349.3 million and current assets of RMB888.4 million as at 31 December 2014 compared with non-current assets of RMB352.5 million and current assets of RMB761.5 million as at 31 December 2013. The increase in current assets was mainly attributable to the increase in trade and bill receivables to RMB660.1 million as at 31 December 2014 from RMB491.5 million as at 31 December 2013. The increase in trade and bill receivables was due to overall slower debt collection as a result of tighter government credit control in China.

Over the past three years, the Group has had no bad debt or doubtful debt provision. This is the result of

the Group's stringent policy in selecting high quality customers. Based on the trade receivables as at 31 December 2014, approximately 52% of our customers are state-owned enterprises or government-linked enterprises and approximately 20% of our customers are public listed companies. Nevertheless, the Group closely monitors the collections from the customers. As of today, the Group does not foresee the need to make any provision for doubtful debts to trade receivables.

Other receivables, deposits and prepayments amounted to RMB167.4 million as at 31 December 2014, which was RMB83.3 million higher than RMB84.1 million as at 31 December 2013. The increase was mainly due to increase in advances to suppliers and sub-contractor of approximately RMB77.4 million and advances to staff of approximately RMB4.7 million. Included in the other receivables, deposits and prepayments were advances to suppliers and sub-contractor, which amounted to RMB154.3 million as at 31 December 2014 (31 December 2013: RMB76.9 million), tender deposits for projects of RMB1.4 million (31 December 2013: RMB3.9 million), advances to employees of RMB5.8 million (31 December 2013: RMB1.1 million), and advance payments to the contractors for the construction of the plant of RMB1.2 million (31 December 2013: RMB2.1 million).

Total liabilities increased to RMB359.4 million as at 31 December 2014 from RMB320.3 million as at 31 December 2013. Total liabilities consist of a non-current liability of RMB5.0 million and current liabilities of RMB354.4 million as at 31 December 2014 and a non-current liability of RMB5.0 million and current liabilities of RMB315.3 million as at 31 December 2013.

The increase in current liabilities can be mainly attributed to an increase in trade and bill payables and RMB86.6 million due to related parties (non-trade). The Group utilised the bill payables to pay suppliers and these were secured by the bank deposits.

CASH FLOW POSITION

As at 31 December 2014, the Group had cash and cash equivalents of RMB48.3 million as compared with RMB165.3 million as at 31 December 2013. Net cash used in operating activities increased to RMB134.5 million in FY2014 compared with RMB97.9 million in FY2013 mainly due to an increase in trade and other receivables.

Through a share placement completed in January 2015, we have raised S$7.5 million, of which we will use it for supporting the growth of the Group's business and operations in the People's Republic of China.

Net cash used in investing activities decreased to RMB2.8 million mainly due to a smaller increase in construction work-in-progress.

Net cash generated from financing activities amounted to RMB55.8 million in FY2014. This was mainly contributed by the loan proceeds from the banks of RMB235.9 million, contribution by non-controlling interests of RMB10.0 million, advances from Executive Chairman's related parties of RMB86.6 million, and decrease in deposits restricted-in-use of RMB35.5 million in FY2014. The increase was partially offset by loan repayments of RMB243.9 million, repayment of amount due to a director of RMB57.5 million, and interest paid of RMB10.8 million.

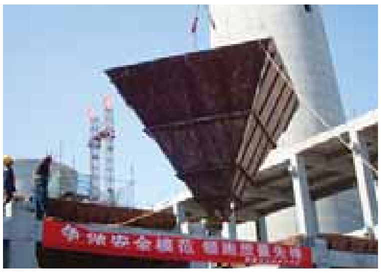
REACHING OUT TO STAKEHOLDERS

China Environment Ltd. seeks to engage all key stakeholders in open dialogue to inform them of our business decisions and developments. Stakeholders have easy access to information about the Group through platforms designed to facilitate interactions with customers, employees, investors, regulators and other stakeholders.

We also have clear, established channels of communications, such as through customer-facing units responsible for customer frontline activities and the Investor Relations department for the investment community.

Through these platforms and channels, we endeavour to gain greater insights into key issues which will enable us to improve our business and risk management processes.

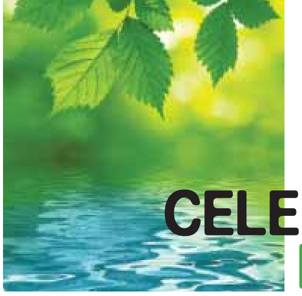
STAKEHOLDERS	COMMUNICATIONS GOALS	CHANNELS
Employees	We engage our employees with open and constant communications to create a cohesive and well-informed workforce.	• Employee union • Annual dinner for staff • International Women's Day – Sports Day
Investors	We provide timely and regular updates to the investment community, including market development, business strategy, financial performance and other shareholder issues, to allow them to make informed investment decisions.	• Annual General Meeting • Quarterly financial results updates



CORPORATE SOCIAL RESPONSIBILITY

At China Environment, we aim to contribute back to the community and advocate the best practices within the Group to achieve sustainable growth. As an active corporate citizen, the Group supports community outreach as part of our staff's development, where we highly encourage the spirit of volunteerism to support charitable causes.

In keeping with our thrust on corporate social responsibility, a cash donation of RMB50,000 was made to Bengbu City Charity Federation (蚌埠市慈善总会) in June 2014. Bengbu City Charity Federation is set up to render support to the elderly, disabled, orphans, poor and disaster victims.



CELEBRATING MANUFACTURING EXCELLENCE

CURRENT PRODUCTION FACILITY (FUJIAN)

Location:
Longyan Economic Development District, Longyan City, Fujian Province, PRC

Land area (m^2):
46,572

Gross Production Area (m^2):
13,684

NEW PRODUCTION FACILITY (ANHUI)

Location:
Bengbu Industrial Park, Huishang District, Bengbu City, Anhui Province, PRC

Land Area (m^2):
193,493

Gross Production Area (m^2):
89,814

FUTURE PRODUCTION FACILITY (FUJIAN)

Location:
Longyan Economic Development District, Longyan City, Fujian Province (Adjacent to existing leased production facility)

Land area (m^2):
16,536

Gross Production Area (m^2):
7,360

Estimated Completion Date:
2015

BOARD OF DIRECTORS

MR HUANG MIN

Executive Chairman

Mr Huang Min was appointed the Executive Chairman of the Group since 2009. He is responsible for strategic business strategy and market development of the Group.

Mr Huang has over 20 years of experience in the industrial waste gas treatment and steel trading industries. From August 2003 to July 2007, he headed the business operations of Fujian Mintai Environmental Protection Co., Ltd. (福建闽泰环保有限公司). He was formerly the General Manager of a steel trading company, Longyan Minfeng Metallic Materials Co., Ltd (龙岩市闽峰金属材料有限公司), from February 1996 to August 2003.

MR WU JIDA

Chief Executive Officer

Mr Wu Jida was appointed as the Chief Executive Officer on 16 July 2013. He now assumes responsibility for overseeing the daily operations of the Group. He is concurrently the General Manager of Fujian Dongyuan Environmental Protection Co., Ltd. (福建东源环保有限公司).

Prior to joining the Group, he was the Deputy General Manager of Fujian Mintai Environmental Protection Co., Ltd. (福建闽泰环保有限公司) from August 2003 to July 2007. From August 1998 to November 2002, he was the Finance Manager of Xiamen Tianzhongda Technology Corporation (厦门天众达科技股份有限公司), a company engaged in the manufacturing and sale of medical equipment. He was the finance manager of a subsidiary of a state-owned enterprise, Xiamen Datong Industry Corporation (厦门大同实业股份有限公司), from August 1993 to August 1998.

Mr Wu graduated from Jimei Finance School (集美财政专科学校) in July 1993 with a Diploma in Finance and Accountancy. He also holds a Master of Science from University of Greenwich.

MR ANDREW BEK

Executive Director

Mr Andrew Bek has been appointed the Executive Director of the Company since 16 July 2013. He is responsible for overseeing the corporate strategies and corporate development of the Group.

Mr Bek started his career in Arthur Andersen & Co from 1988 to 1997. He was later attached to a steel manufacturing company as the Accounts Manager from 1997 to 1998. Subsequently, he joined Ernst & Young Malaysia from 1999 to 2007. He is an Investment Director at OneEquity SG Private Limited since 2007.

He is also the Independent Director on the Board of Anchun International Holdings Ltd, a SGX Mainboard-listed company.

MR LIN SONG
Lead Independent Director

Mr Lin Song was appointed as an Independent Director of the Company on 26 August 2009. He is currently a consultant at RHTLaw Taylor Wessing LLP, a law practice in Singapore. His legal career started in Stamford Law Corporation. He subsequently joined KhattarWong in 2004 and was a partner cum co-head of the International China Practice.

Between 2002 and 2004, Mr Lin was a senior officer (China Operation) at International Enterprise Singapore where he assisted Singapore companies and multinational companies based in Singapore in venturing into the PRC market. From 1997 to 2000, he was an Assistant General Manager (Legal and Strategic Management) with King Fortune International Trade Co. Ltd, a company in Xiamen, PRC.

Mr Lin is also an Independent Director of SGX Catalist- listed Sincap Group Limited.

He graduated from Xiamen University in 1995 with a Bachelor of Law and holds a Master of Business Administration (Banking and Finance) from Nanyang Technologica l University.

MR LOH WEI PING
Independent Director

Mr Loh Wei Ping was appointed as an Independent Director of the Company on 5 June 2008. He is currently the Executive Director of Sanctuary Memorial Park Berhad, in charge of business operations, finance and accounting functions.

Prior to joining Sanctuary Memorial Park Berhad, he was the Chief Financial Officer (Asia Pacific) of Grey Group, in charge of the company's finance function across Asian markets; Vice President of Finance of Discovery Networks Asia; CFO (Asia) of Young & Rubicam/ Wunderman; East-Asia Finance Director of J. Walter Thompson Company; Senior Internal Auditor of Gillette Asia Pacific Pte Ltd; and Senior Auditor of Arthur Andersen, Singapore.

Mr Loh graduated with a Bachelor of Economics (Honours) degree from Monash University, Australia in 1992. He is a member of Certified Practising Accountant Australia (CPA Australia).

MR WU YU LIANG
Independent Director

Mr Wu Yu Liang was appointed as an Independent Director of the Company on 26 March 2012. He is currently the Managing Director of the law corporation, Messrs Wu LLC. His main areas of practice are corporate and commercial laws as well as litigation.

Mr Wu commenced his legal practice with the law firm Messrs Lee & Lee as a legal assistant in 1986. He joined Messrs Arthur Loke & Partners as a senior associate in 1989 and was made a partner in 1991. In 1993, he set up the law firm Messrs Yeo Wu & Thian with two other partners.

He is also an Independent Director of Jiutian Chemical Group Ltd, Pan Asian Holdings Limited and AusGroup Limited.

Mr Wu graduated with a Bachelor of Law with Second Class Honours (Upper Division) from the National University of Singapore in 1985. Subsequently, he was admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 1986.

SENIOR MANAGEMENT

MR HUANG MIN
Executive Chairman

Mr Huang Min was appointed the Executive Chairman of the Group since 2009. He is responsible for strategic business strategy and market development of the Group.

He has over 20 years of experience in industrial waste gas treatment and steel trading industries. From August 2003 to July 2007, he was the General Manager of Fujian Mintai Environmental Protection Co., Ltd, the predecessor of Fujian Dongyuan, before re-joining Fujian Dongyuan in August 2007. He was formerly the General Manager of a steel trading company, Longyan Minfeng Metallic Materials Co., Ltd from February 1996 to August 2003.

MR WU JIDA
Chief Executive Officer

Mr Wu Jida was appointed as the Chief Executive Officer on 16 July 2013. He now assumes responsibility for overseeing the daily operations of the Group. He is concurrently the General Manager of Fujian Dongyuan Environmental Protection Co., Ltd. (福建东源环保有限公司).

Prior to joining Fujian Dongyuan in August 2007, Mr Wu was the Deputy General Manager of Fujian Mintai Environmental Protection Co., Ltd. He was responsible for the finance function and assisted Mr Huang Min in overseeing daily operations of the company from August 2003 to July 2007.

Mr Wu holds a Diploma in Finance and Accountancy from Jimei Finance School. He also holds a Master of Science from University of Greenwich.

MR ANDREW BEK
Executive Director

Mr Andrew Bek has been appointed the Execut ive Director of the Company since 16 July 2013. He is responsible for overseeing the corporate strategies and corporate development of the Group.

Mr Bek started his career in Arthur Andersen & Co from 1988 to 1997. He was later attached to a steel manufacturing company as the Accounts Manager from 1997 to 1998. Subsequently, he joined Ernst & Young Malaysia from 1999 to 2007. He is an Investment Director at OneEquity SG Private Limited since 2007.

MR HUANG MURONG
Deputy General Manager

Mr Huang Murong assists Mr Wu Jida with the management of daily operations of Fujian Dongyuan. He is also responsible for the fabrication, installation and quality assurance of the dust collectors.

Prior joining the Group, he was self-employed in the bricks manufacturing business from January 1992 to July 2003. He was one of the founders of Fujian Mintai Environmental Protection Co., Ltd and worked as its Director (Production) from August 2003 to July 2007.

Mr Huang graduated from Dongxiao High School (东肖中学) in June 1976.

MR WU GUOXIN
President (Sales and Marketing)

Mr Wu Guoxin heads the Sales and Marketing Department. Prior to joining the Group, he was the vice president of Fujian Mintai Environmental Protection Co., Ltd from August 2003 to July 2007 where he was responsible for the production management of the company. From July 1992 to November 2002, he was a quality assurance executive with Fujian Longking Co. Ltd. (福建龙净环保股份有限公司).

Mr Wu graduated from Fujian Metallurgy Industry School (福建冶金工业学校) with a Diploma in Electrical and Mechanical Engineering in July 1993. In December 1999, he was conferred the title, Assistant Machinery Engineer, by Fujian Province Longyan City Bureau of Personnel (福建龙岩市人事局).

MR LI LIANGFANG

President (Technical and R&D Centre)

Mr Li Liangfang is in charge of the product design and new product development for the Group.

Prior to joining Fujian Dongyuan in August 2007, he was with Fujian Mintai Environmental Protection Co., Ltd from July 2005 to July 2007 where he was overall in charge of the technology development of the company. From June 1988 to July 2005, he was with Fujian Longking Co. Ltd. (福建龙净环保股份有限公司), a company engaged in the provision of industrial waste gas treatment solutions. He was promoted through the ranks and left Fujian Longking Co. Ltd as the Deputy Head of i ts research and development department.

Mr Li graduated from Xiamen Shuichan College (厦门水产学院) with a Bachelor in Machinery Manufacturing in July 1988. He was conferred the title, Mechanical Engineer, by the Fujian Bureau of Personnel in April 1996.

MR CHEN RONGMIN

Vice President (Production, Procurement and Quality Assurance)

Mr Chen Rongmin is currently responsible for the fabrication, installation and quality assurance of the dust collectors, as well as the procurement of raw materials.

Prior to joining Fujian Dongyuan in August 2007, Mr Chen was the Vice President of Fujian Mintai and was responsible for material procurement for the company. From August 1994 to January 2003, he was the person in charge of procurement in Longyan Tongyong Metallic Materials Co., Ltd. (龙岩通用金属材料有限公司), a company trading in metallic materials.

Mr Chen obtained a Diploma in Machinery from Longyan Overseas Chinese Vocational School (龙岩市华侨职业学校) in July 1994.

MR CHIAR CHOON TECK

Chief Financial Officer

Mr Chiar Choon Teck is responsible for financial accounting, corporate finance and investor relations of the Group since 1 June 2010.

Prior to joining the Group, he was an Audit Manager with Baker Tilly TFW LLP, Singapore, where he managed a portfolio of audit engagements including external audits of SGX-listed companies as well as other assignments such as Initial Public Offerings (IPOs) and due diligence. Among the other public accounting firms he had worked in included Ernst & Young LLP (Singapore) and Moore Stephens (Malaysia).

Mr Chiar graduated from Tunku Abdul Rahman College, Kuala Lumpur, Malaysia in 2000 with an Advanced Diploma in Commerce (Financial Accounting). He also completed his Association of Chartered Certified Accountants examinations in the same year. He is a Chartered Accountant of Singapore (CA Singapore), a fellow member of the Association of Chartered Certified Accountants (FCCA) and a Chartered Accountant of the Malaysian Institute of Accountants (CA Malaysia).

CORPORATE STRUCTURE

AWARDS & ACCOLADES

2014 Fujian Famous Brand Award

2014 Excellent Foreign Investment Enterprise Award

2013 Fujian Provincial-level Enterprise Technologies Centre Award

2011 – 2013 Fujian Famous Brand Award

2011 – 2013 Longyan City Reputable Brand Award

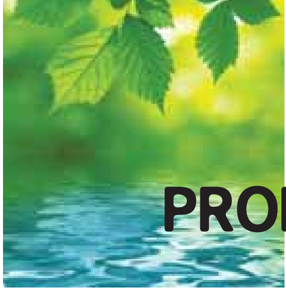
2012 Advanced Technology Enterprise Award

2010 Fujian Famous-brand Product Award

2010 Top 10 Major Industrial Enterprises in Fujian Province Award

2010 Model Enterprise for Improving China's City Development and Environment Award

2009 China Air Pollution Treatment Equipment Preferred Brand Award



PRODUCT OVERVIEW

OUR PRODUCTS & SOLUTIONS

China Environment specialises in the design and production of air pollution control and treatment systems which eliminate dust particulates, removal of sulphur dioxide and mono-nitrogen oxide from industrial waste gas treatment process. Our main products include Electrostatic Precipitators (ESP), Electrostatic Lentoid Precipitators (ESLP), bag houses, hybrid dust collectors, desulphurisation system and De-NOx system.

We are committed to invest in research and development into new and existing product range to strengthen our leading edge in the waste gas treatment technology. Our new generation of proprietary products, ESPs and ESLPs, and our latest development, the desulphurisation and De-NOx systems, will complement our existing products to provide a comprehensive industrial waste gas treatment solutions for our customers.

Together with our solid execution capabilities, strong track record, robust business model, experienced management team and extensive business networks, the Group is well-positioned to capitalise on emerging opportunities in the environmental control sector and capture a sizable share of this profitable and fast-growing market.

3-STEP PROCESSES

The industrial waste gas treatment processes involve the following steps:

Electrostatic Precipitator (ESP)

- ESPs deploy electrostatic forces to facilitate the removal of dust particles from industrial waste gases.

Electrostatic Lentoid Precipitator (ESLP)

- ESLP is an improved generation of ESP technology which are developed and successfully implemented by the Company.
- Both energy and cost-efficient, the ESLP has proven ability to achieve emissions of 15mg/m^3, which will meet the increasingly stringent emission standards in China.

Baghouse

- Baghouses are waste gas treatment system which utilises filtration to separate dust particles from waste gas.
- One of our efficient and cost-effective types of dust collectors is capable to achieve 30mg/m^3 emission standard.

Hybrid Dust Collector

- Hybrid dust collector is a dust collection system which combines different dust collector technologies, for example, a combination of baghouse and ESP technologies.

Dust Conveyor System

- The dust conveyor system transports the dust collected to a designated dust collection area.

Desulphurisation System

Desulphurisation or flue gas desulphurisation (FGD) is a technology that is used for removing sulphur dioxide from waste gas.

- The waste gas passes through a FGD plant, where it is "scrubbed" with limestone and water. The treatment process produces gypsum, a by-product which is marketable as building material.
- The desulphurisation system can be used to complement other dust collection products.

De-NOx system

De-NOx system is a technology that is used for removing mono-nitrogen oxide.

- The waste gas is mixed with ammonia (NH3) and is then passed through a selective catalytic reduction (SCR) reactor, where it undergoes a chemical process that turns NOx into nitrogen and water. Subsequently, the water and water vapour are removed and the resultant treated gas is discharged.
- The De-NOx system can also be used simultaneously with other dust collection products.

CORPORATE INFORMATION

COMPANY REGISTRATION NUMBER
200301902W

PRINCIPAL PLACE OF BUSINESS
Longyan Economic Development Zone
364028, Fujian Province
The People's Republic of China
(中华人民共和过福建省经济开发区，邮编364028)
Tel: 86-597-279 3996
Fax: 86-597-279 2868

BOARD OF DIRECTORS
Executive:

Huang Min	Executive Chairman
Wu Jida	Chief Executive Officer
Andrew Bek	Executive Director

Non-Executive and Independent

Lin Song	Lead Independent Director
Loh Wei Ping	Independent Director
Wu Yu Liang	Independent Director

AUDIT COMMITTEE
Loh Wei Ping (Chairman)
Lin Song
Wu Yu Liang

NOMINATING COMMITTEE
Wu Yu Liang (Chairman)
Lin Song
Loh Wei Ping

REMUNERATION COMMITTEE
Lin Song (Chairman)
Wu Yu Liang
Loh Wei Ping

SECRETARY
Wong Yoen Har

REGISTERED OFFICE
133 Cecil Street #18-03
Keck Seng Tower
Singapore 069535
Tel: 65-6225 9921
Fax: 65-6225 9908
Website: www.chinaenv.net

SHARE REGISTRAR
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: 65- 6536 5355
Fax: 65- 6536 1360

INDEPENDENT AUDITOR
Baker Tilly TFW LLP
600 North Beach Road
#05-01, Parkview Square
Singapore 188778

Audit Partner-In-Charge: Mr Lee Chee Sum Gilbert
Date of Appointment: Since financial year ended
31 December 2014

INTERNAL AUDITOR
Emst & Young Advisory Pte Ltd
One Raffles Quay, North Tower, Level 18
Singapore 048583

PRINCIPAL BANKERS
China Construction Bank, Longyan First Sub-branch
(中国建设银行龙岩第一支行)

Bank of China, Longyan Branch
(中国银行龙岩分行)

CITIC Bank, Longyan Branch
(中信银行龙岩分行)

RISK MANAGEMENT

The following section outlines some of the key risks that may impact the financial status and operational effectiveness of China Environment's businesses.

STRATEGIC RISKS

Competition risk

The environmental protection industry is a growth industry in PRC. The PRC government has enacted various environmental laws and regulations which provide development opportunities and room for further growth for the industry.

As a result, the China Environment Group expects intense competition from existing competitors and future new entrants. In particular, with PRC's increasingly open market, foreign environmental protection firms will also contribute to such competition when they enter the PRC market. Nevertheless, high barrier of entry may deter some of the new entrants from entering into this market.

Political and regulatory risks in PRC

The China Environment Group's results and financial condition may be impacted by changes in the political, economic and social conditions, as well as changes in policies, laws, regulations, be it in the interpretation or implementation.

In particular, the environmental protection industry requires larger amount of investment and the social benefits it brings are greater than its immediate economic benefits. Hence, its development is highly dependent on the government's policies. Therefore, even though the industry currently receives much support from the PRC government, the production and operation of the China Environment Group will be affected by any changes in the PRC government industrial policies.

As such, the Group has collaborated with the College of Engineering of Peking University (COE-PKU) to develop the latest carbon dioxide heat pump system (a system for recycling the residual heat generated from the factory) which is expected to be formally launched in FY2015 to augment the revenue from the industrial waste gas treatment segment.

OPERATIONAL RISKS

New business risk

A substantial part of the revenue of the Group is generated on a project basis. Hence, the Group has to continually and consistently secure new projects.

If the China Environment Group fails to secure new projects from customers, its revenues will decline and its business, prospects, financial condition and results of operations could be materially and adversely affected.

As such, the Group has collaborated with the College of Engineering of Peking University (COE-PKU) to develop the latest carbon dioxide heat pump system (a system for recycling the residual heat generated from the factory) which is expected to be formally launched in FY2015 to augment the revenue from the industrial waste gas treatment segment.

Dependence on customers from key industries

Sales to power generation, steel and metallurgy, cement and chemical industries accounted for over 90% of the China Environment Group's revenue for FY2014. The China Environment Group will be adversely affected if any of these industries were impacted by an economic downturn.

However, as coal is the major source of energy in China, we do not expect the downturn in any industries to impede the mandatory requirements for the factories to install industrial waste gas treatment equipment under the anti-pollution regulatory measures by the Chinese government.

Project management risk

Operational risk is the potential loss caused by a breakdown in internal processes, deficiencies in people and management, or operational failure arising from external events.

As the business of the China Environment Group is project-based, it is important that the projects are managed efficiently in terms of time, procurement of materials and allocations of resources.

The China Environment Group typically offers a 12-month warranty to its clients. Cost overruns may occur due to rectification works and delays in commissioning and handover of the projects will adversely affect the business's profitability. There may be potential liability from legal suits brought against the Group for any losses incurred by the customers due to the delays.

FINANCIAL RISKS

Foreign exchange risk

Foreign exchange risk arises from sales, purchases and borrowings that are denominated in foreign currencies.

The Group operates mainly in PRC, entities in the Group regularly transact in their respective functional currencies, predominantly RMB.

There is no major foreign exchange risk exposure as majority of the financial assets and financial liabilities are denominated in RMB. Hence, it does not have any formal hedging policy against foreign exchange fluctuations.

Interest rate risk

Apart from the bank balances, the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's borrowings are in fixed rate instruments. Other financial liabilities are non interest-bearing. As the Group has no variable-rate borrowing, the Group's income and operating cash flows are substantially independent of changes in markets interest rate.

Credit risk

The China Environment Group is subject to the credit risks of the counter-party with whom its contracts, whether they are end-customers or main contractors. In an event of default, it may have to write-off the entire amount owed and this could adversely affect its financial position.

The Group trades only with recognised and creditworthy third parties, including state-owned enterprises and subsidiaries of the public listed companies in PRC. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade debtors' balances are closely monitored on an ongoing basis.

Liquidity and cash flow risk

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

The Group's financial liabilities are all due within the next 12 months from balance sheet date and approximate the contractual undiscounted payments. The Group manages the liquidity risk by maintaining sufficient cash and banking facilities to enable them to meet the normal operating commitments.

Material price risk

China Environment Group is subject to the fluctuations in the supply and pricing of its principal raw materials.

The main raw material that the China Environment Group requires for manufacturing its products is steel. It is therefore vulnerable to fluctuations in the market prices of steel. Any significant increase in the market price of steel which cannot be passed to its customers will adversely affect our business and financial results.

We will continue to monitor the material price fluctuation and seek continuous improvements in minimising material wastage to reduce the impact of material price risk.

KEY CORPORATE MILESTONES

2003

- Fujian Mintai Environmental Protection Co., Ltd (Fujian Mintai) (福建闽泰环保有限公司) was established to undertake design and construction of Electrostatic Precipitators (ESP).

2005

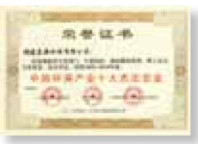
- Fujian Mintai was awarded ISO9001:2000 certification for the design and production of ESPs and the provision of related services.
- Fujian Mintai jointly named by the National Electricity Planning and Design (电力规划总院) and China Electric Power Complete Equipment Co., Ltd (中国电能成套设备有限公司) as a recommended supplier for ESPs for 200MW and 300MW thermal power projects.

2006

- Fujian Mintai was further awarded ISO 14001:2004 certification for the design and production of ESPs, the provision of related services and relevant management activities; and OHSAS 18001:1999 for the occupational health and safety management system for the design and production of ESPs, the provision of related services and relevant management activities.
- Fujian Mintai was acknowledged as a City Level Enterprise Technology Centre Of Longyan City (龙岩市级企业技术中心).

2010

- Fujian Dongyuan was jointly named by National Electricity Planning and Design Institute (电力规划总院) and China Electric Power Complete Equipment Co., Ltd (中国电能成套设备有限公司) as recommended supplier for ESPs for 600MW thermal power projects.
- Awarded the Example of Improving China's City Development and Environmental Enterprise (中国城市建设与环境提升示范业).
- Awarded the Top 10 China's Environmental Protection Excellent Enterprises (中国环保产业十大杰出企业).



- Awarded the Top 10 Major Industrial Enterprises in Fujian Province (福建省工业主要行业前十强企业).
- Awarded the Fujian Province Famousbrand Product (福建省名牌产品).
- Awarded Electromechanical Equipment Installation Engineering Specialty Qualification – Third Level (机电设备安装工程专业承级).

2011

- Fujian Dongyuan was granted the Qualification Certificate for Engineering Design for the construction, consultancy and management of environment protection projects (including waste gas treatment and waste water treatment) – (工程设计资质证书).
- Awarded the Fujian Province Famous Brand (福建省著名商标).
- Incorporation of Anhui Dongyuan Environmental Protection Co., Ltd (Anhui Dongyuan) (安徽东源环保有限公司).

2012

- Awarded the 2011 Top 10 Major Industrial Enterprises in Longyan Economic Development Industrial Zone, Fujian Province (福建龙岩经济开发区工业十強企业).
- Secured first contract to supply one-stop solution for de-dusting equipment (ESP) and desulphurisation system to a glass manufacturer in Wuhan, PRC.
- Acquired 193,493.23 square metres of land-use rights within Bengbu Industrial Park (蚌埠工业园区) in Anhui Province for building new manufacturing facilities.
- Awarded Longyan City Famous Brand (龙岩市知名商标).

2007

- Fujian Dongyuan Environmental Protection Co., Ltd (Fujian Dongyuan) (福建东源环保有限公司) took over the business of Fujian Mintai as a result of the restructuring exercise for public listing in SGX.
- Fujian Dongyuan secured its first contract for the design and construction of ESLP.
- Fujian Dongyuan was granted the Qualification Certificate for Projects for Prevention and Treatment of Environmental Pollution (环境污染防治工程专项资证书) for the construction of smoke, dust and sewerage elimination systems by the Fujian Association of Environmental Protection Industry (福建省环境保护产业协会).

2008

- Obtained ISO 9001, ISO 14001 and OHSAS 18001 for the design and production of ESPs

- Became a member of the Fujian Association of Environmental Protection Industry (福建省环境保护产业协会).
- Completed first contract for the design and construction of ESLP.
- Entered agreement with Singapore-listed Gates Electronics Limited to undertake a reverse takeover of China Dongyuan Environment Pte Ltd (China Dongyuan) and its subsidiary, Fujian Dongyuan.

.

2009

- Granted the High/New Technology Enterprises status (高新技术企业).
- Fujian Dongyuan was invited to and became a member of the China Association of Environmental Protection Industry (中国环境保护产业协会).
- Awarded China Air Pollution Administration and Implementation Knowledge Brand (中国大气污染治理设施首选知名品牌).
- Reverse takeover of Gate Electronics Limited was completed and the company is renamed China Environment Ltd.

2013

- Awarded the Fujian Provincial-level Enterprise Technology Centre status (省级企业技术中心).
- Awarded the 2012 Top 10 Major Industrial Enterprises in Longyan Economic Development Industrial Zone, Fujian Province (福建龙岩经济开区工业十強企业).
- Re-accredited as a High/New Technology Enterprise
- Completion of the production facility at Bengbu Industrial Park ((蚌埠工业园区) in Anhui Province and enhanced production capacity by 400% to better serve customers in the central and northern regions of the PRC.
- Completed 65 million new ordinary shares placement at S$0.2513 per share in September 2013.
- Establishment of a joint venture, Beijing Peking Gongdao Environmental Protection Technology Co., Ltd (JV) (北京工道环保科技有限公司) in collaboration with College of Engineering of Peking University ("COEPKU") (北京大学工学院).
- Completed 31 million new ordinary shares placement at S$0.550 per share in December 2013.

2014

- Awarded the 2013 Top 10 Major Industrial Enterprises in Longyan Economic Development Industrial Zone, Fujian Province (福建龙岩经济开发区工业十強企业).
- Establishment of a subsidiary in Xiamen, Xiamen Gongyuan Environmental Protection Technology Co., Ltd, (厦门工源环保科技有限公司) for the commercialisation of the technologies brought in by COE-PKU into the JV and execution of commercial contracts.
- Ranked 56th out of 644 companies for the Governance and Transparency Index (GTI™) of Singapore Exchange listed companies in Singapore. Jointly launched by The Business Times (BT) and the Centre for Governance, Institutions and Organisations (formerly CGFRC), the GTI™ assesses the financial transparency of companies based on their annual announcements.
- Awarded the Fujian Province Famous Brand (second time) (福建省著名商标).
- Awarded the Excellent Foreign Investment Enterprise (优秀外商投资企业)

2015

- Awarded the 2014 Top 10 Major Industrial Enterprises in Longyan Economic Development Industrial Zone, Fujian Province (福建龙岩经济开发区工业十強企业).
- Awarded the Fujian Province Famous-brand Product (second time) (福建省名牌产品).
- Fujian Dongyuan was granted the Qualification Certificate for Main Contracting (总承包资质书).
- Completed 72.5 million new ordinary shares placement at S$0.104 per share in January 2015.

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "**Board**") of China Environment Ltd. (the "**Company**") is committed to maintain a high standard of corporate governance within the Company and its subsidiaries (the "**Group**") to ensure greater transparency and to protect the interest of the Company's shareholders.

The Board of the Company endeavors to adhere to the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**"). Where there are deviations from the Code, appropriate explanations have been provided.

This report sets out the Company's corporate governance processes and structures that were in place throughout the financial year, procedures with specific reference made to the principles and guidelines of the Code. The Board and management of the Company will endeavor to uphold the high standards of corporate governance within the Company in accordance with the Code.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with management to achieve this objective and the management remains accountable to the Board.

The Board is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group.

Matters which specifically require the Board's decision or approval included the Group's financial plans and annual budget, nominations of Directors for appointment to the Board, major financing, issuance of shares, funding decision of the Group, material acquisitions and disposal of assets, the Group's quarterly, half-yearly and full year results announcements and all matters of strategic importance.

These functions are carried out either directly by the Board or through various committees under the Board ("**Board Committees**"). These committees operate within clearly defined terms of reference and functional procedures:

(a) Audit Committee;
(b) Remuneration Committee; and
(c) Nominating Committee

No separate risk committee has been established as the Audit Committee ("**AC**") has assumed the responsibility of the risk management function and oversees the overall adequacy and effectiveness of the Company's risk management systems and procedures.

All Directors exercise due diligence and independent judgement, and make decisions objectively in the best interest of the Group.

The Board meets regularly to discuss, review and approve strategic, operational and financial matters as well as to assess the performance of the management. In between Board meetings, other important matters will be subjected to the Board's approval by way of circulating resolutions in writing. The Articles of Association of the Company also provide for meetings of Directors by means of telephone conference or other methods of simultaneous communication by electronic or telegraphic means.

CORPORATE GOVERNANCE REPORT

The number of meetings held in the financial year ended 31 December 2014 ("**FY2014**") and the attendance by each member of the Board and Board Committees are as follows:

Name	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Huang Min	5	5	-	-	-	-	-	-
Wu Jida	5	5	-	-	-	-	-	-
Andrew Bek	5	5	-	-	-	-	-	-
Lin Song	5	5	4	4	1	1	1	1
Loh Wei Ping	5	5	4	4	1	1	1	1
Wu Yu Liang	5	5	4	4	1	1	1	1

To get a better understanding of the Group's business, the Company adopts a policy whereby Directors are encouraged to request for further explanations, briefings or informal discussion on the Company's operations or business with the management. Directors are also given the opportunity to visit the Group's operational facilities and meet with the management.

The Company is responsible for arranging and funding the training of Directors. During the financial year reported on, the Board and the CFO had received updates on changes on the Codes, regulation and guidelines from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") as well as the financial reporting standards.

The Company does not have a formal training programme for new Director. However, the Board ensures that all newly appointed Directors are given an orientation on the Group's business strategies, operations and organisational structure as well as the statutory and regulatory obligations of being a Director to ensure that are fully aware of their responsibilities and obligations.

The Company will provide a formal letter setting out the director's duties and obligations upon the appointment of new director.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise judgement on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board currently comprises six Directors, including three Executive Directors and three Non-Executive Directors. The three Non-Executive Directors are independent. This composition complies with the Code's requirements outlined in Guideline 2.2 whereby it is required that the independent directors should make up at least half of the Board where the Chairman is part of the management team and the Chairman is not an independent director. The Board is thus able to exercise objective judgement on corporate affairs independently. To strengthen the independence of the Board, the Board has appointed Mr Lin Song as its Lead Independent Director. Mr Lin is also the Chairman of Remuneration Committee ("**RC**") and a member of the AC and the Nominating Committee ("**NC**").

As at the date of this report, the Board comprises the following directors:

Executive Directors:	
Huang Min	Executive Chairman
Wu Jida	Executive Director and CEO
Andrew Bek	Executive
Non-Executive Directors:	
Lin Song	Lead Independent
Loh Wei Ping	Independent
Wu Yu Liang	Independent

The independence of each Director is reviewed annually by the NC. The NC adopts the definition in the Code as to what constitutes an Independent Director in its review that the Board consists of persons who, together, will provide core competencies necessary to meet the Group's objectives. Independent Directors of the Group are independent in character and judgement and there are no relationships with the Company, its related corporations, its shareholder(s) holding not less than 10% of the voting shares in the Company ("**10% shareholders**") or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Company.

There are no Independent Directors who served on the Board beyond nine (9) years from the date of his first appointment.

The Board has deliberated on the present Board size and is satisfied that the current size facilitates effective decision making and is appropriate for the nature and scope of the Group's operations. The Board's composition is reviewed annually by the NC to ensure that the Board has the appropriate mix of expertise and experience. The NC is of the view that the current Board comprises persons whose diverse skills, experience and attributes provide for an effective Board. The Board members also collectively possess the necessary core competencies for the effective functioning of the Board and an informed decision-making process. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

The Independent Directors who are Non-Executive Directors will constructively challenge and assist in the development of proposals on business strategy, and assist the Board in reviewing the performance of the management in meeting on agreed goals and objectives, and monitoring the reporting of performance. When necessary, the Non-Executive Directors will have discussions amongst themselves without the presence of the management.

Key information regarding the Directors is set out under the Board of Directors section of this Annual Report.

Chairman and Chief Executive Officer ("CEO")

Principle 3: There should be a clear division of responsibilities between leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

To enhance the corporate governance of the Company, the Board has appointed Mr Wu Jida as the CEO of the Company since 16 July 2013.

CORPORATE GOVERNANCE REPORT

Currently, the roles of the Executive Chairman and the CEO are separate and distinct, each having their own areas of responsibilities. The Company believes that a distinctive separation of responsibilities between the Executive Chairman and the CEO will ensure an appropriate balance of power, increased accountability and greater capacity for the Board to exercise independent decision-making. The positions of the Executive Chairman and CEO are held by Mr Huang Min and Mr Wu Jida respectively. Mr Huang Min and Mr Wu Jida are not related to each other.

As the Executive Chairman, Mr Huang Min is responsible to the Board for the corporate directions and development of the Group. The Executive Chairman will also conduct reviews of the Group's strategies and ensure cohesive working relationship and timeliness of information flow between the Board and Management.

As the CEO, Mr Wu Jida leads the management team and is responsible for the day-to-day operations of the Group. He also supports the Executive Chairman in creating business opportunities and driving the Group's growth and development.

All major decisions made by the Executive Chairman and CEO were reviewed by the Board. The Board believes that there are adequate safeguards and checks to ensure independent decision makings by the Board, without considerable concentration of power or influence on an individual.

For good corporate governance, the Board has appointed Mr Lin Song as the Lead Independent Director of the Company to address the concerns of the shareholders and employees in the event that interactions with the Executive Chairman, CEO or Chief Financial Officer ("CFO") cannot satisfactorily resolve their concerns or where such channel of communications is considered inappropriate.

The Board is mindful of the need to ensure that there is a succession plan. In the event that Mr Huang Min is unable to meet his obligations in any way, Mr Wu Jida, the CEO of the Company will lead the key management personnel to operate and run the Company. Likewise for Mr Wu Jida, in any way that he is unable to meet his obligations, Mr Huang Min will lead the key management personnel to operate and run the Company.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The Nominating Committee ("**NC**") currently comprises three Independent Directors. All of whom are not directly or indirectly associated with the substantial shareholders of the Company. The composition of the NC is as follows:-

Wu Yu Liang (Chairman)
Lin Song
Loh Wei Ping

The NC met once in FY2014. The NC has a set of terms of reference. The main role of the NC is to make the process of Board appointments and re-appointments of Directors more transparent as well as to assess the effectiveness of the Board as a whole and the contribution of each individual Director to the Board.

The principal functions of the NC are as follows:

(a) making recommendations to the Board on all Board appointments, including re-nominations, having regard to the Director's contribution and performance (for example, attendance, preparedness and participation) including as an Independent Director;

(b) ensuring all Directors submit themselves for re-nomination and re-election at regular intervals and at least once in every three years;

(c) determining annually whether or not a Director is independent, guided by guidelines in the Code;

(d) in respect of a Director who has multiple board representations on various companies, to decide whether or not such Director is able to and has been adequately carrying out his duties as Director of the Company, having regard to the competing time commitments that are faced when serving on multiple boards;

(e) deciding how the performance of the Board may be evaluated and propose objective performance criteria; and

(f) making succession plans for Chairman of the Board and CEO.

Every year, the NC reviews and affirms the independence of the Company's Independent Non-Executive Directors. Each independent director is required to complete a Director's independence checklist annually to confirm their independence. This checklist is based on guidelines provided in the Code and requires each director to assess whether they consider themselves independent despite not being involved in any relationship which may interfere or be reasonably perceived to interfere with the exercise of independent judgement in carrying out functions as an Independent Non-Executive Director of the Company. Among the items included in the checklist are disclosure pertaining to any employment, compensation received from the Company or any of its related corporations, relationship with Executive Directors of the Company or its related corporations, immediate family members being employed by the Company or any of its related corporations as senior executive officer whose remuneration is determined by the RC, shareholding, or partnership or directorship (including those held by immediate family members) in an organisation to which the Company or its subsidiaries received significant payments in the current or immediate past financial year. The NC will then review the checklist completed by each director to determine whether the director is independent. The NC is thus of the view that Messrs Wu Yu Liang, Lin Song and Loh Wei Ping are independent.

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that directors appointed to the Board possess the background and expertise which are critical to the Group's businesses and development, and that such composition of the Board of Directors will bring balanced and well-considered decision makings to the Group.

The Board did not fix the maximum number of listed company board representation and other principal commitments which any Director may hold as currently, none of the Directors hold more than three directorships in other listed companies. However, the Board will fix the maximum number of listed company board representation and other principal commitments of any Director when the Board deems it to be necessary.

All Directors are to submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Under the Company's existing Articles of Association, one-third of the directors for the time being shall retire from office by rotation at each annual general meeting of the Company.

The NC has reviewed and recommended the re-election of Messrs Andrew Bek and Wu Yu Liang who are retiring under Article 95(2) of the Company's Articles of Association respectively at the forthcoming Annual General Meeting ("**AGM**"). The Board has accepted the recommendations and the retiring Directors will be offering themselves for re-election at the forthcoming AGM.

Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as director.

The Company does not have any alternate Directors.

CORPORATE GOVERNANCE REPORT

The dates of initial appointment and last re-election of each Director, together with their directorships in other listed companies are set out below:

Name	Appointment	Date of Initial Appointment	Date of Last Re-election	Current Directorships in Listed Companies	Past Directorships in Listed Companies
Huang Min	Executive Chairman	26/08/2009	23/04/2014	None	None
Wu Jida	Executive Director and CEO	26/08/2009	23/04/2014	None	None
Andrew Bek	Executive Director	08/01/2008	24/04/2012	• Anchun International Holdings Ltd.	• Koh Brothers Eco Engineering Limited (formerly known as Metax Engineering Corporation Limited)
Lin Song	Non-Executive Lead Independent Director	26/08/2009	25/04/2013	• Sincap Group Limited	• Zhonghui Holdings Ltd. • Sino Grandness Food Industry Group Limited
Loh Wei Ping	Non-Executive Independent Director	05/06/2008	25/04/2013	None	None
Wu Yu Liang	Non-Executive Independent Director	26/03/2012	24/04/2012	• Jiutian Chemical Group Limited • Pan Asian Holdings Limited • AusGroup Limited	• See Hup Seng Limited

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board

The NC had adopted processes for the evaluation of the Board's performance and effectiveness as a whole, based on performance criteria set by the Board. The selected performance criteria will not change from year to year unless they are deemed necessary and the Board is able to justify the changes. The objective of the annual evaluation is to identify areas for improvement and to implement appropriate action.

The areas of assessment mainly focus on:

- the Board's conduct of meetings;
- the Board's review of corporate strategy and planning;
- risk management and internal control;
- measuring and monitoring performance;
- succession planning;
- financial reporting; and
- communication with shareholders.

Although the Board's performance evaluation does not include a benchmark index of its industry peers, the Board assesses its effectiveness holistically through the completion of a questionnaire by each individual Director which includes questions covering the above-mentioned areas of assessment. The NC collates the results of these questionnaires and formally discusses the results collectively with other Board members to address any areas for improvement.

The NC has reviewed the overall performance of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole for the financial year. It is of the view that the performance of the Board as a whole has been satisfactory. Although some of the Board members have multiple board representations, the NC is satisfied that sufficient time and attention have been given to the Group by the Directors.

Access to Information

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Directors are furnished regularly with information from management about the Group as well as the relevant background information relating to the business with management reports, budgets and financial statements tabled at Board meetings. In addition, all relevant information on material events and transactions are circulated to Directors as and when they arise. Draft announcements are circulated to the Board for review and approval before dissemination to the shareholders via SGXNET. The Directors are also provided with the contact details of the Company's key management personnel and Company Secretary to facilitate separate and independent access.

The Company Secretary attends all Board and Board Committees meetings and is responsible for ensuring that proper procedures at such meetings are followed. All Board members have separate and independent access to the Company Secretary who is responsible for ensuring that the Company complies with the applicable rules and regulations. The appointment and removal of Company Secretary are subject to the Board's approval as a whole.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfill his duties and responsibilities as a Director.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee ("**RC**") currently comprises three Independent Directors.

Lin Song (Chairman)
Loh Wei Ping
Wu Yu Liang

The RC met once in FY2014. The RC carries out its duties in accordance with a set of terms of reference.

The principal responsibilities of the RC are as follows:

(a) reviewing and recommending to the Board, in consultation with the Executive Chairman and CEO, a framework of remuneration policies to determine the specific remuneration packages and terms of employment for each of the Directors and key management personnel and the implementation of any appropriate performance-related elements to be incorporated in the remuneration framework;

(b) reviewing and approving the granting of share options to Directors and employees; and

(c) carrying out its duties in the manner that it deems expedient, subject always to any restrictions that may be imposed upon the RC by the Board from time to time.

The RC ensures that a formal and transparent procedure is in place for fixing the remuneration packages of individual Directors and key management personnel. The recommendations of the RC are submitted to the Board for endorsement. All aspects of remuneration, including, but not limited to, Directors' fees, salaries, allowances, bonuses, options and benefits-in-kinds are reviewed by the RC. Each member of the RC shall abstain from voting on any resolutions in respect of his own remuneration package.

The RC will provided with access to expert professional advice on remuneration matters, as and when necessary. The expenses of such services shall be borne by the Company.

The RC reviews the fairness and reasonableness of the termination clauses of the service agreements of Executive Directors and key management personnel to ensure that such contracts of service contain fair and reasonable termination clauses with an aim to be fair and avoid rewarding poor performance.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company, However, companies should avoid paying more than is necessary for this purpose.

The Group's remuneration policy is to ensure that the remuneration offered is competitive and sufficient to attract, retain and motivate Directors and key management personnel of the required experience and expertise.

The Company adopts a remuneration policy for Executive Directors (includes Executive Chairman and CEO) and key management personnel which comprise a fixed component and a variable component. The fixed component is in the form of a monthly base salary. The variable component is in the form of a variable bonus that is linked to the performance of the Company and the individual. The remuneration of the Executive Chairman includes profit sharing bonus while the remuneration of Executive Directors (includes CEO) and Key Management Personnel includes a variable bonus.

Executive Chairman's entitlement for profit sharing bonus is computed based on the following basis:

Audited Consolidated Profit Before Tax ("PBT")	Profit Sharing Bonus
Where PBT is below RMB100 million	Nil
Where PBT is between RMB100 million and RMB150 million	1% of the actual PBT achieved in excess of RMB100 million
Where PBT is more than RMB150 million but less than RMB200 million	RMB500,000 plus 1.5% of the actual PBT in excess of RMB150 million
Where PBT is RMB200 million and above	RMB1,250,000 plus 2% of the actual PBT in excess of RMB200 million

Executive Directors (includes Executive Chairman and CEO) do not receive Directors' fees. The performance-related component of remuneration is designed to align the interests of Executive Directors with those of the shareholders and link rewards to the Group's financial performance.

The Executive Chairman has entered into a service agreement with the Company, under which the terms of their employment are stipulated. Their initial term of employment is for a period of three (3) years from 26 August 2009 ("Initial Term"). The RC had recommended and the Board had approved the employment of the Executive Chairman to be extended for a further three (3) years from 26 August 2012 based on the same terms and conditions of the existing service agreement, save for a revision in the base/fixed salary, between the Executive Chairman and the Company, and in accordance with the listing requirements of the SGX-ST and any applicable laws upon the expiry of Initial Term.

The service agreement of the Executive Chairman may be terminated by either party to the service agreement giving to the other six (6) months' prior written notice or an amount equivalent to six (6) months' salary in lieu of such notice. Whereas, the service agreement of the Executive Directors (includes CEO) may be terminated by either party to the service agreement giving to the other three (3) months' prior written notice or an amount equivalent to three (3) months' salary in lieu of such notice.

The Independent Directors and Non-Executive Director received Directors' fees in accordance with their contributions, taking into account factors such as effort and time spent and the responsibilities of the Directors. The Directors' fees are recommended by the RC and endorsed by the Board for approval by the shareholders of the Company at annual general meetings.

There are no termination or retirement benefits that are granted to the Directors and key management personnel.

The RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company. Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

The Gates Share Option Scheme of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 12 April 2004. The RC had approved and adopted the change of name of Gates Share Option Scheme to China Environment Share Option Scheme (the "**Scheme**") on 25 September 2009. This is a long-term incentive plan to motivate Directors and employees of the Group to greater dedication, loyalty and higher standards of performance.

CORPORATE GOVERNANCE REPORT

As at the date of this report, an aggregate of 3,500,000 share options had been granted under the Scheme since the implementation on 12 April 2004. The Scheme had expired as it was not approved by shareholders at an Extraordinary General Meeting held on 8 April 2014.

Details of the Scheme are set out in the Directors' Report on page 49 and 50 and Note 28(b) to the Financial Statements.

Disclosure of Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

A breakdown of the Directors' remuneration, in percentage terms showing the level and mix of each of the Directors' remuneration for the financial year ended 31 December 2014 is as follows:

Name of Director	Base/Fixed Salary	Director's Fee	Bonus	Other benefits	Total
Below S$250,000					
Huang Min	88%	-	7%	5%	100%
Wu Jida	92%	-	7%	1%	100%
Andrew Bek	91%	-	-	9%	100%
Lin Song	-	100%	-	-	100%
Loh wei Ping	-	100%	-	-	100%
Wu Yu Liang	-	100%	-	-	100%

The annual aggregate amount of the total remuneration paid to the Directors is approximately S$705,000.

The breakdown of remuneration of the top five key management personnel (who are not Directors of the Company) in percentage terms for the financial year ended 31 December 2014 is as follows:

	Base/Fixed Salary	Bonus	Other benefits	Total
Below S$250,000				
Chiar Choon Teck	75%	18%	7%	100%
Chen Rongmin	71%	-	29%	100%
Li Liangfang	70%	-	30%	100%
Huang Murong	71%	-	29%	100%
Wu Guoxin	71%	-	29%	100%

The annual aggregate amount of the total remuneration paid to the top five key management personnel is approximately S$320,000.

To maintain confidentially the remuneration policies of the Company, the Board is of the view that it is in the best interests of the Company not to fully disclose the remuneration details including the upper limit of each individual Director and key management personnel.

No employee of the Company and its subsidiaries was an immediate family member of any Director or CEO or a controlling shareholder and whose remuneration has exceeded S$50,000 during the financial year ended 31 December 2014, except for Ms Huang Wen, the Accounts Executive of the Group, is the daughter of Mr Huang Min (Executive Chairman and Executive Director).

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is accountable to shareholders for the management of the Group. The Board will update shareholders on the operations and financial position of the Company through quarterly, half-yearly and full year results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations. Management is accountable to the Board by providing the Board with necessary financial information for the discharge of its duties.

In line with the requirements of SGX-ST, negative assurance confirmations on quarterly financial results were issued by the Directors confirming that to the best of its knowledge, nothing had come to the attention to the Board which may render the Company's financial results to be false and misleading in any material aspect.

Price sensitive information is publicly released either before the Company meets with any group of investors or analysts or simultaneously with such meetings.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board requires the management to maintain a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, and determines the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objective.

The Board has considered the present Group's size, nature and scope of the Group's operations, the Board is satisfied that the AC is able to assume the responsibility of the risk management function and oversees the overall adequacy and effectiveness of the Company's risk management systems and procedures. As such, no separate Risk Committee is established.

The AC determines the Company's levels of risk tolerance and risk policies, and oversees the management in the design and implementation of an enterprise risk management ("**ERM**") framework for the monitoring of risk management. The Management regularly reviews the risks and controls of the Group's business and operational activities to identify areas of significant business risks as well as respond appropriately to control and mitigate these risks. The AC reviews, at least annually, the adequacy and effectiveness of the Company's risk management and internal control systems, which includes, financial, operational, compliance and information technology controls. The financial risk management objectives and policies are outlined in the Financial Statements page 100 to page 104.

The CEO and CFO have provided a letter of assurance that as at the end of FY2014 (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) the Company's risk management and internal control systems in place within the Group is adequate and effective in addressing the material risks in the Group.

Based on the framework of risk management control and the internal controls established and maintained by the Group, work performed by the internal and external auditors, reviews performed by the management and various Board Committees and the aforementioned assurance provided by the CEO and CFO, the Board, with concurrence of the AC, is of the opinion that, the Group's risk management systems and internal controls that have been maintained by the management were adequate and effective to address the financial, operational, compliance risks and information technology risks of the Group in its current business environment as at 31 December 2014.

AC has assumed the responsibility of the risk committee to oversee the Company's risk management systems and policies.

The Board notes that the system of internal controls is designed to manage, rather than to eliminate, the risk of failure in achieving business objective. It can only provide reasonable but not absolute assurance against any material misstatement or loss.

Audit Committee

Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The AC currently comprises three (3) members, all of whom are Independent and Non-Executive Directors, as set out below:

Loh Wei Ping (Chairman)
Lin Song
Wu Yu Liang

The AC met four times in FY2014. The members of the AC have sufficient accounting and/or related financial management expertise or experience, as assessed by the Board in its business judgement, to discharge the AC's functions. The AC is chaired by Mr Loh Wei Ping, who is an Independent Director with more than 20 years of experience in the audit and finance industry. Another member of the AC, Mr Lin Song, who is Lead Independent Director holds a Master of Business Administration (Banking and Finance) and was awarded with CFA charterholdership in 2004.

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

The AC is authorised by the Board to investigate any matters within its terms of reference and has full access to the management and full discretion to invite any Director or executive officer to attend its meetings. The AC has reasonable resources to enable it to discharge its functions effectively.

The major functions performed by the AC include:

1) review with the external auditors the audit plan, their audit report, their management letter and the management's response;

2) review the quarterly, half-yearly and annual financial statements and statements of financial positions and income statements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards as well as compliance with any stock exchange and statutory / regulatory requirements;

3) review the internal control and procedures and ensure co-ordination between the external auditors and the management, review the assistance given by management to the auditors and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of management where necessary);

4) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;

5) consider the independence, appointment or re-appointment of the external auditors, the audit fee, and matters relating to the resignation or dismissal of the auditors;

6) review transactions falling within the scope of interested person transactions and the Listing Manual, and in particular matters pertaining to acquisitions and realisations;

7) review and assess the Group's foreign exchange and hedging policies including whether the Group has in place adequate and appropriate hedging policies and used appropriate instruments for hedging, if applicable;

8) monitor on a quarterly basis the compliance by Fujian Mintai Environmental Protection Co., Ltd. of its undertaking that it and its subsidiaries have not carried on any business that is directly or indirectly in competition with the business of the Group.

9) review the adequacy and structure of the finance function on an on-going basis and take appropriate remedial actions as may be necessary;

10) conduct annual internal control audits to review the Group's internal controls and procedures. Prior to the decommissioning of such annual internal control audits, the Board is required to report to the AC on the basis for the decision to decommission the internal control audit. Such audits may be reinitiated by the AC;

11) undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;

12) review the adequacy and effectiveness of the Company's risk management and internal control system (including financial, operational, compliance and information technology controls) and to report to the Board annually; and

13) generally undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

CORPORATE GOVERNANCE REPORT

The AC will meet at least four times a year to review the announcement of the quarterly, half-yearly and full year financial results before being approved by the Board for release to the SGX-ST.

The AC also meets and has discussions with the external auditors without the presence of the Company's management annually. The AC is also briefed by the external auditors of changes to accounting standards and issues which have a direct impact on financial statements during the presentation of the audit planning memorandum and the audit report to the AC.

The AC reviewed the non-audit services provided by the external auditors and noted that the amount of S$1,500 being the provision of tax services was paid to the external auditors during the financial year. Having examined the nature and amount of such services, the AC is of the opinion that the provision of such services would not affect the independence of the external auditors.

The aggregate amount of fees paid or payable to the auditors for audit and non-audit services for financial year ended 31 December 2014 are set as follows:

	Group S$
Audit fees	140,000
Non-audit fees	1,500
Total	141,500

In the AC's opinion, Baker Tilly TFW LLP is suitable for re-appointment and it has accordingly recommended to the Board that Baker Tilly TFW LLP be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

The Company is in compliance with Rule 712 and Rule 715 of the Listing Manual of SGX-ST whereby the Company appoints a suitable auditing firm to meet its audit obligations in respect of its own accounts and for its subsidiaries.

No former partner or director of the Company's existing auditing firm is a member of the AC.

Whistle-Blowing Policy

The Company has put in place a whistle-blowing policy by which staff may raise concerns about fraudulent activities, malpractices or improprieties within the Group, without fear of reprisal.

To ensure independent investigation of such matters and for appropriate follow-up action, all whistle-blowing reports will be sent to the Chairman of the AC or other independent directors. Details of the whistle-blowing policy have been made available to all employees.

Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independently of the activities it audits.

The AC approves the appointment of the internal auditor. The Company has outsourced the internal audit function to a qualified accounting firm, Ernst & Young Advisory Pte. Ltd. (the "**IA**"), to strengthen the internal audit function and promotes sound risk management, including financial, operational and compliance controls and good corporate governance. The IA had conducted an annual review of the effectiveness of the Group's internal controls in FY2014.

The IA is expected to meet or exceed the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The AC is satisfied that the IA is staffed by qualified and experienced personnel.

The IA has unrestricted direct access to all the Company's documents, records, properties and personnel, and reports directly to the AC on audit matters. The IA plan their audit schedules in consultation with the management and its plans are submitted to the AC for approval. The results of the internal audit will be presented to and reviewed by the AC and the Board.

The AC reviews the scope and the results of the internal audit and ensures that the internal audit function is adequately resourced. Following the review of the IA's internal audit plan and their evaluation of the system of internal controls, the AC is satisfied that the internal audit is adequately resourced and has appropriate standing within the Group. The AC will also oversee and monitor the implementation of improvements required on internal control weaknesses identified. The AC will review annually the adequacy and effectiveness of the internal audit function.

The annual conduct of audits by the IA assesses the effectiveness of the Group's internal control procedures and provides reasonable assurance to the AC and the management that the Group's risk management, controls and governance processes are adequate and effective.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholders Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

All shareholders are treated fairly and equitably to facilitate their ownership rights. In line with the continuing disclosure obligations of the Company pursuant to SGX-ST Listing Manual and the Companies Act, Chapter 50 of Singapore, the Board's policy is that all shareholders should be informed in a comprehensive manner and on a timely basis of all material developments that impact the Group.

Shareholders can vote in person or appoint not more than two (2) proxies to attend and vote on their behalf at general meetings of shareholders. The Company's Articles of Association presently does not permit a shareholder, including a corporation which provides nominee or custodial services, to appoint more than two proxies.

The Company will review its Articles of Association from time to time such that any amendments to the Articles of Association are in line with the applicable requirements or rules and regulations governing the continuing obligations.

Communication With Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company is committed to communicate regularly and proactively with shareholders. Besides the release of the quarterly, half-yearly and full year financial results, the Company ensures timely and adequate disclosures of material information required by the SGX-ST Listing Manual to be made known to the shareholders through announcement via the SGXNET on a timely basis.

The Company does not practice selective disclosure and price sensitive information is publicly released on an immediate basis where required, under the SGX-ST Listing Manual. In addition, all shareholders will receive the annual report of the Company and notice of AGM by post and through notices published on the newspapers within the mandatory period. Shareholders of the Company can also access information about the Company, including the latest annual report at the Company's and SGX-ST's websites.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirement, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. The Company is not paying dividends for FY2014 in order to preserve its cash holdings for the working capital requirements of the Group.

The Company maintains a corporate website (www.chinaenv.net). The Company's business developments and operations, financial reports, announcements, news releases and other information are posted on its corporate website. Both current information and archives of previously released information including presentation slides and announcements can be found under the "Investor Relations" section of the corporate website. All shareholders are invited to write to the Company at the email address: ir@ce-dy.com.

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Notices of general meetings are dispatched to shareholders, together with the annual report or circulars, within the time notice period prescribed by the regulations.

At general meetings, shareholders have the opportunity to communicate their views on various matters affecting the Company to the Directors or management. The Chairmen of the Audit, Remuneration and Nominating Committees are in attendance at the Company's AGM to address shareholders' questions relating to the work of these Committees. The Company's external auditors are also invited to attend the AGM and are available to assist the Directors in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of their independent auditor's report.

The Articles of Association of the Company allow members of the Company to appoint up to two (2) proxies to attend and vote on their behalf in the event that they are unable to attend the meeting.

For greater transparency and fairness in the voting process, voting for all resolutions passed at shareholders' meetings were conducted by poll since 2012.

The voting results of the general meetings, including the total numbers of votes cast for or against each resolution, are released via SGXNET on the same day. The Company Secretary prepares minutes of general meetings, which incorporates substantial comments or queries, if any, from shareholders and responses from the Board, management and auditors.

DEALINGS IN SECURITIES

The Company has adopted an internal compliance code to provide guidance to all Directors and officers of the Company and its subsidiaries with regard to dealings in the Company's securities in compliance with the Rule 1207(19) of the Listing Manual of the SGX-ST. This has been made known to directors, officers, executives and any other persons as determined by the management that may possess unpublished material price-sensitive information of the Group.

Directors and officers of the Group are prohibited from dealings in the Company's shares while in possession of such unpublished material price-sensitive information of the Group, and during the period commencing from at least one month before the announcement of the Company's full year results or two weeks for quarterly results and ending on the day after the announcement.

All directors and management staff of the Group are also advised not to deal in the Company's securities on short-term considerations and should be mindful of the law on insider trading.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and the transactions are carried out on an arm's length basis and will not be prejudicial to the interests of the Company, the Group and its minority shareholders.

The Company has also taken the following steps to ensure that the Company complies with Chapter 9 of SGX-ST Listing Manual on interested person transactions:

- The Board meets quarterly to review whether the Company will be entering into any interested person transaction. If the Company is intending to enter into an interested person transaction, the Board will ensure that the Company complies with the requisite rules under Chapter 9;
- The AC also meets once every three months to review if the Company will be entering into an interested person transaction, and if so, the AC ensures that the relevant rules under Chapter 9 are complied with.

The interested person transactions for the financial year ended 31 December 2014 are as follow:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000.00 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual) RMB'000	Description of the transaction entered into with the interested person during the financial year under review	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than $100,000.00) RMB'000
Fujian Mintai Environmental Protection Co., Ltd.	639	Rental for land and building	Nil

Note:

Mr Huang Min and his spouse, Madam Chen Fenhua, are the controlling shareholders of Fujian Mintai Environmental Protection Co., Ltd.

MATERIAL CONTRACTS

The Company had on 12 December 2014, entered into a subscription agreement (the "**Subscription Agreement**") with GlobalWin International Consultants Limited (the "**Subscriber**"), pursuant to which the Company has agreed to allot and issue 72,500,000 new ordinary shares in the capital of the Company (the "**Placement Shares**") to the Subscriber, and the Subscriber has agreed to subscribe for the Placement Shares, at the issue price of S$0.104 per Placement Share (the "**Issue Price**"), for an aggregate amount of S$7,540,000. The Issue Price represents a discount of approximately 9.09% (i.e. not more than 10.0% discount) to the volume weighted average price of S$0.1144 for trades done on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 10 December 2014, being the last full market day prior to the signing of the Subscription Agreement.

The Company has further entered into a warrant deed (the "**Deed**") with the Subscriber dated 12 December 2014, pursuant to which the Company has agreed to allot and issue 72,500,000 unlisted warrants to the Subscriber at no consideration (the "**Warrants**"), granting the right to the Subscriber to subscribe for one new Share for each Warrant (i.e. total of 72,500,000 Shares, the "**Warrant Shares**"), at the issue price of S$0.104 per Warrant Share (the "**Warrant Price**"), for an aggregate amount of S$7,540,000. The Warrant Price represents a discount of approximately 9.09% (i.e. not more than 10.0% discount) to the prevailing market price (i.e. the volume weighted average price) of the underlying Shares of S$0.1144 on 10 December 2014. The Warrants may only be exercised in whole by the Subscriber at any time, but in any event no later than the date falling 18 months from the issue date (the "**Exercise Expiry Date**"), by giving written notice to the Company.

As at the date of this report, the Subscriber holds 8.97% of the share capital of the Company and is a substantial shareholder of the Company. If the Subscriber exercises the Warrants, its shareholding in the Company will exceed 15.0% and it will then become a controlling shareholder of the Company (assuming no further Shares are issued prior thereto). This will not result in a change of control of the Company, as the Executive Chairman of the Company, Mr. Huang Min, will continue to hold a shareholding interest of 17.23% (direct and deemed) in the enlarged share capital of the Company (as adjusted for the Placement Shares and Warrant Shares, asuming no further Shares are issued prior thereto).

Save as disclosed in this report and financial statements, there were no material contracts entered into by the Company or its subsidiaries involving the interest of any Directors or controlling shareholders subsisting at the end of the financial year ended 31 December 2014.

USE OF PROCEEDS

The Company refers to the net proceeds raised in September 2013 from the placement of 65 million ordinary shares in the share capital of the Company at an issue price of S$0.2513 per ordinary share.

As at the date of this report, the Group has utilised net proceeds from the placement of approximately S$15.9 million as follows:-

		Amount Allocated S$'000	Amount Utilised S$'000	Balance S$'000
1)	Support the growth of the Group's business and operations in the PRC, including funding of strategic investments, joint ventures, acquisitions and/or strategic alliances as and when such opportunities arise and are deemed appropriate by the Board	500	(500)	-
2)	Acquire fixed assets for the production purpose	600	(600)	-
3)	General working capital for the purposes:	14,840	(14,840)	-
	a) Purchase of raw materials		(13,312)	
	b) Staff cost, directors' fee and administrative expenses		(1,089)	
	c) Audit, tax and other professional expenses		(304)	
	d) Other operating expenses		(135)	
	Total	**15,940**	**(15,940)**	**-**

The above utilisation of the net proceeds is consistent with the intended use of proceeds disclosed in the Offer Information Statement dated 22 August 2013 and the announcement for change in the use of the Net Proceeds dated 13 November 2014.

The Company also refers to the net proceeds raised in January 2015 from the placement of 72.5 million ordinary shares in the share capital of the Company at an issue price of S$0.104 per ordinary share.

As at the date of this report, the Group has utilised net proceeds from the placement of approximately S$7.48 million as follows:-

	Amount Allocated S$'000	Amount Utilised S$'000	Balance S$'000
General working capital for the purposes:	7,478	(1,490)	5,988
a) Purchase of raw materials		(495)	
b) Staff cost, directors' fee and administrative expenses		(471)	
c) Audit, tax and other professional expenses		(33)	
d) Other operating expenses		(491)	
Total	**7,478**	**(1,490)**	**5,988**

The above utilisation of the net proceeds is consistent with the intended use of proceeds disclosed in the announcement dated 12 December 2014.

The Company will continue to make further announcement via SGXNET as and when the remaining proceeds are materially disbursed.

DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2014.

1. Directors

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

Huang Min	(Executive Chairman)
Wu Jida	(Executive Director and CEO)
Andrew Bek	(Executive Director)
Lin Song	(Lead Independent Director)
Loh Wei Ping	(Independent Director)
Wu Yu Liang	(Independent Director)

2. Arrangement to enable directors to acquire benefits

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the share options as disclosed under paragraph 5 of this report.

3. Directors' interest in shares or debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares and debentures of the Company and related companies as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act Cap. 50 except as follows:

	Number of ordinary shares					
	Shareholdings registered in their own names			Shareholdings in which a director is deemed to have an interest		
	At 1.1.2014	At 31.12.2014	At 21.1.2015	At 1.1.2014	At 31.12.2014	At 21.1.2015
Name of director and company in which interest is held						
The Company						
Huang Min	–	1,820,000	1,820,000	180,728,000	182,499,000*	147,499,000**
Wu Jida	–	–	–	5,000,000	5,000,000#	5,000,000#
Andrew Bek	19,687,000	19,687,000	19,687,000	–	–	–

3. **Directors' interest in shares or debentures** (cont'd)

* Mr Huang Min is deemed to have an interest in 182,499,000 China Environment Ltd.'s shares held by virtue of his shareholdings of:

(i) 1,771,000 shares held by Prosper Big International Limited which is wholly-owned by him; and
(ii) Prosper Big International Limited's deemed interest of 180,728,000 shares which are held through several nominees banks via the client trust accounts.

** Mr Huang Min is deemed to have an interest in 147,499,000 China Environment Ltd.'s shares held by virtue of his shareholdings of:

(i) 2,771,000 shares held by Prosper Big International Limited which is wholly-owned by him; and
(ii) Prosper Big International Limited's deemed interest of 144,728,000 shares which are held through several nominees banks via the client trust accounts.

Mr Wu Jida is deemed to have an interest in 5,000,000 China Environment Ltd's shares by virtue of his shareholdings in Good Billion Group Limited.

By virtue of Section 7(4) of the Companies Act Cap. 50, Huang Min is deemed to have interests in all the wholly-owned subsidiaries of the Company.

4. **Directors' contractual benefits**

Since the end of previous financial year, no director has received or become entitled to receive a benefit other than disclosed in the consolidated financial statements and this report by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest except that certain directors have received remuneration from the subsidiary in their capacity as directors and/or executives of those related corporations.

5. **Share options**

The Gates Share Option Scheme of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 12 April 2004. The Remuneration Committee had approved and adopted the change of name of Gates Share Option Scheme to "China Environment Share Option Scheme" (the "Scheme") on 25 September 2009. This is a long-term incentive plan to motivate Directors and employees of the Group to greater dedication, loyalty and higher standards of performance. The Scheme is administered by the Company's Remuneration Committee, comprising three Directors, Lin Song (Chairman of Remuneration Committee), Loh Wei Ping and Wu Yu Liang.

Other information regarding the Scheme is set out below:

- The subscription price for each share in respect of which a market price option is exercised shall be a price equal to the average of the last dealt prices for a share for the five consecutive market days immediately preceding the offering date of the option.

5. **Share options** (cont'd)

- The subscription price for each share in respect of which an incentive option is exercised can be set at a discount to the market price not exceeding 20% of the market price.

- The options can be exercised 1 year after the grant for market price options and 2 years for discounted options.

- The options granted will expire after 5 years for participants not holding a salaried office or employment in the Group and participants holding salaried office or employment in an associated company; and 10 years for the employees of the Company and its subsidiaries.

Share options outstanding at the end of the financial year and details of the options granted under the Scheme on the unissued shares of the Company are as follows:

Date of grant option	Exercise price per share S$	Aggregate options outstanding at 1.1.2014	Options granted	Aggregate options outstanding at 31.12.2014	Exercise period
11 November 2013	0.59	3,500,000	–	3,500,000	12 November 2014 to 11 November 2024

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries whether granted before or during the financial year.

The Scheme had expired as it was not approved by shareholders at an Extraordinary General Meeting held on 8 April 2014. Therefore, no option to take up unissued shares of the Company or its subsidiaries was granted during the financial year.

6. **Warrants**

The Company has entered into a warrant deed with the subscriber dated 12 December 2014, pursuant to which the Company has agreed to allot and issue 72,500,000 unlisted warrants to the subscriber at no consideration (the "Warrants"), granting the right to the subscriber to subscribe for one new share for each Warrant (i.e. total of 72,500,000 shares, the "Warrant Shares"), at the issue price of S$0.104 per Warrant Share. The Warrants may only be exercised in whole by the subscriber at any time, but in any event no later than the date falling 18 months from the issue date of the Warrants. The 72,500,000 Warrants have been allotted to the subscriber on 7 January 2015.

7. **Audit Committee**

The Audit Committee during the year and at the date of this report are:

Loh Wei Ping (Chairman)
Lin Song
Wu Yu Liang

7. Audit Committee (cont'd)

The Audit Committee carried out its functions in accordance with the Singapore Companies Act, Cap. 50, and the Listing Manual. The nature and extent of the functions performed by the Audit Committee are described in the Annual Report under "Corporate Governance Report".

The Audit Committee is satisfied with the independence and objectivity of the independent auditor and has recommended to the Board of Directors that the auditor, Baker Tilly TFW LLP, be nominated for re-appointment as auditor of the Company of the forthcoming Annual General Meeting.

8. Independent auditor

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Huang Min
Director

Wu Jida
Director

1 April 2015

STATEMENT BY DIRECTORS

In the opinion of the directors:

(i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 55 to 108 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards; and

(ii) at the date of this statement, 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 directors

Huang Min Director	Wu Jida Director

1 April 2015

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHINA ENVIRONMENT LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of China Environment Ltd. (the "Company") and its subsidiaries (the "Group") as set out on pages 55 to 108, which comprise the statements of financial position of the Group and the Company as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

Report on the Financial Statements (cont'd)

Emphasis of Matter

We draw attention to Note 18 to the financial statements. As at 31 December 2014, there was an amount of RMB127,382,000 due from a sub-contractor. Subsequent to the financial year end, the Group has received repayment of approximately RMB82,182,000 and as at date of this report, RMB45,200,000 remained outstanding. The advances to the sub-contractor is unsecured, non-interest bearing and repayable on demand. Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

1 April 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 RMB'000	2013 RMB'000
Revenue	3	583,762	524,080
Cost of sales		(444,741)	(395,448)
Gross profit		139,021	128,632
Other income	4	4,192	3,248
Selling and distribution expenses		(22,550)	(19,751)
Administrative expenses		(30,297)	(21,348)
Finance costs	5	(14,359)	(12,728)
Profit before tax	6	76,007	78,053
Tax expense	8	(6,583)	(3,379)
Profit for the year		69,424	74,674
Other comprehensive loss for the year, net of tax			
Item that are or may be reclassified subsequently to profit or loss:			
Currency translation differences arising on consolidation		(1,750)	(2,878)
Total comprehensive income for the year		67,674	71,796
Profit attributable to:			
Equity holders of the Company		69,560	74,674
Non-controlling interests		(136)	–
Profit for the year		69,424	74,674
Total comprehensive income attributable to:			
Equity holders of the Company		67,810	71,796
Non-controlling interests		(136)	–
Total comprehensive income for the year		67,674	71,796
Earnings per share for profit attributable to equity holders of the Company (RMB cents per share)			
- Basic and diluted	9	9.5	11.3

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
Non-current assets					
Property, plant and equipment	10	**294,028**	296,390	**86**	–
Land use rights	11	**52,849**	4,492	**–**	–
Prepayment for land use rights	12	**–**	49,150	**–**	–
Investment in subsidiaries	13	**–**	–	**673,467**	698,668
Investment in associated company	14	**2,450**	2,450	**–**	–
Total non-current assets		**349,327**	352,482	**673,553**	698,668
Current assets					
Inventories	15	**12,449**	20,516	**–**	–
Projects work-in-progress	16	**106**	–	**–**	–
Trade and bill receivables	17	**660,133**	491,520	**27**	135
Other receivables, deposits and prepayments	18	**167,434**	84,148	**135**	171
Loans receivable from subsidiaries	19	**–**	–	**41,627**	95,233
Dividend receivable from a subsidiary		**–**	–	**20,927**	21,710
Cash and cash equivalents	20	**48,306**	165,343	**230**	12,703
Total current assets		**888,428**	761,527	**62,946**	129,952
Total assets		**1,237,755**	1,114,009	**736,499**	828,620
Non-current liability					
Deferred tax liability	21	**5,030**	5,030	**–**	–
Current liabilities					
Trade and bill payables	22	**52,501**	28,994	**–**	–
Other payables and accruals	23	**44,855**	46,855	**2,787**	2,322
Amount due to a director (non-trade)	24	**325**	57,821	**325**	57,821
Short-term borrowings	25	**169,904**	177,928	**–**	–
Amounts due to subsidiaries (non- trade)	26	**–**	–	**2,927**	2,885
Amounts due to related parties (non-trade)	27	**86,597**	–	**–**	–
Tax payable		**210**	3,679	**–**	–
Total current liabilities		**354,392**	315,277	**6,039**	63,028
Total liabilities		**359,422**	320,307	**6,039**	63,028
Net assets		**878,333**	793,702	**730,460**	765,592

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

Statements Of Financial Position (cont'd)

		Group		Company	
		2014	2013	**2014**	2013
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Capital and reserves					
Share capital	28(a)	**352,241**	352,241	**773,549**	773,549
Other reserves	29	**91,352**	78,081	**–**	–
Share option reserve	28(b)	**8,128**	1,171	**8,128**	1,171
Currency translation reserve		**1,943**	3,693	**(19,142)**	7,783
Revenue reserve/(accumulated losses)		**414,805**	358,516	**(32,075)**	(16,911)
Equity attributable to equity holders of the Company		**868,469**	793,702	**730,460**	765,592
Non-controlling interests		**9,864**	–	**–**	–
Total equity		**878,333**	793,702	**730,460**	765,592
Total liabilities and equity		**1,237,755**	1,114,009	**736,499**	828,620

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

		Attributable to equity holders of the Company							
	Note	Share capital RMB'000	Other reserves RMB'000	Share option reserve RMB'000	Currency translation reserve RMB'000	Revenue reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2013		193,052	65,503	–	6,571	296,356	561,482	–	561,482
Profit for the year		–	–	–	–	74,674	74,674	–	74,674
Other comprehensive loss for the year, net of tax									
- Currency translation differences arising on consolidation		–	–	–	(2,878)	–	(2,878)	–	(2,878)
Total comprehensive (loss)/income for the year		–	–	–	(2,878)	74,674	71,796	–	71,796
Refund of unclaimed cash distribution		–	–	–	–	64	64	–	64
Proceeds from new shares placement	28(a)	162,243	–	–	–	–	162,243	–	162,243
Share issuance expenses	28(a)	(3,054)	–	–	–	–	(3,054)	–	(3,054)
Grant of equity-settled share option to employees	28(b)	–	–	1,171	–	–	1,171	–	1,171
Transfer to other reserves		–	12,578	–	–	(12,578)	–	–	–
Balance at 31 December 2013		352,241	78,081	1,171	3,693	358,516	793,702	–	793,702

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

Consolidated Statement Of Changes In Equity (cont'd)

	Note	Share capital RMB'000	Other reserves RMB'000	Share option reserve RMB'000	Currency translation reserve RMB'000	Revenue reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to equity holders of the Company							
Balance at 1 January 2014		352,241	78,081	1,171	3,693	358,516	793,702	–	793,702
Profit for the year		–	–	–	–	69,560	69,560	(136)	69,424
Other comprehensive loss for the year, net of tax									
- Currency translation differences arising on consolidation		–	–	–	(1,750)	–	(1,750)	–	(1,750)
Total comprehensive (loss)/income for the year		–	–	–	(1,750)	69,560	67,810	(136)	67,674
Grant of equity-settled share option to employees	28(b)	–	–	6,957	–	–	6,957	–	6,957
Transfer to other reserves		–	13,271	–	–	(13,271)	–	–	–
Transaction with equity holders of the Group recognised directly in equity									
Contributions by non-controlling interests		–	–	–	–	–	–	10,000	10,000
Balance at 31 December 2014		**352,241**	**91,352**	**8,128**	**1,943**	**414,805**	**868,469**	**9,864**	**878,333**

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Share capital RMB'000	Share option reserve RMB'000	Currency translation reserve RMB'000	Revenue reserve/ (Accumulated losses) RMB'000	Total equity RMB'000
Balance at 1 January 2013		614,360	–	51,777	(10,583)	655,554
Loss for the year		–	–	–	(6,392)	(6,392)
Other comprehensive loss for the year, net of tax						
- Currency translation differences		–	–	(43,994)	–	(43,994)
Total comprehensive loss for the year		–	–	(43,994)	(6,392)	(50,386)
Refund of unclaimed cash distribution		–	–	–	64	64
Proceeds from new shares placement	28(a)	162,243	–	–	–	162,243
Share issuance expenses	28(a)	(3,054)	–	–	–	(3,054)
Grant of equity-settled share option to employees	28(b)	–	1,171	–	–	1,171
Balance at 31 December 2013		773,549	1,171	7,783	(16,911)	765,592
Loss for the year		–	–	–	(15,164)	(15,164)
Other comprehensive loss for the year, net of tax						
- Currency translation differences		–	–	(26,925)	–	(26,925)
Total comprehensive loss for the year		–	–	(26,925)	(15,164)	(42,089)
Grant of equity-settled share option to employees	28(b)	–	6,957	–	–	6,957
Balance at 31 December 2014		**773,549**	**8,128**	**(19,142)**	**(32,075)**	**730,460**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	2014 RMB'000	2013 RMB'000
Cash flows from operating activities		
Profit before tax	76,007	78,053
Adjustments for:		
Depreciation of property, plant and equipment	5,146	967
Amortisation of land use rights	793	96
Interest expense	10,838	9,291
Interest income	(2,198)	(2,348)
Property, plant and equipment written off	–	118
Share option expense	6,957	1,171
Operating cash flow before movements in working capital	97,543	87,348
Inventories	8,067	(2,938)
Project work-in-progress	(106)	–
Trade and other receivables	(251,899)	(183,683)
Trade and other payables	21,507	3,253
Currency translation adjustment	(1,732)	(1,983)
Cash used in operations	(126,620)	(98,003)
Interest received	2,198	2,348
Income tax paid	(17,932)	(12,372)
Income tax refund	7,880	10,119
Net cash used in operating activities	(134,474)	(97,908)
Cash flows from investing activities		
Purchases of property, plant and equipment	(651)	(330)
Increase in construction work-in-progress	(2,136)	(26,540)
Investment in associated company	–	(2,450)
Net cash used in investing activities	(2,787)	(29,320)
Cash flows from financing activities		
Decrease/(increase) in deposits restricted-in-use	35,528	(30,628)
Proceeds from borrowings	235,872	271,928
Repayments of borrowings	(243,896)	(257,990)
Contributions by non-controlling interests	10,000	–
Interest paid	(10,838)	(9,291)
Net proceeds from new shares placement	–	159,189
Refund of unclaimed cash distribution	–	64
Advance from related parties	86,597	–
(Repayment to)/advances from a director (non-trade)	(57,496)	57,821
Net cash generated from financing activities	55,767	191,093
Net (decrease)/increase in cash and cash equivalents	(81,494)	63,865
Cash and cash equivalents at beginning of financial year	90,315	27,345
Effect of exchange rate changes on cash and cash equivalents	(15)	(895)
Cash and cash equivalents at end of financial year (Note 20)	8,806	90,315

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

1. CORPORATE INFORMATION

China Environment Ltd. (the “Company”) (Co. Reg. No. 200301902W) was incorporated in Singapore under the Singapore Companies Act, Cap. 50. The registered office of the Company is at 133 Cecil Street, #18-03 Keck Seng Tower, Singapore 069535 and the principal place of business of the Group is located at Longyan Economic Development Zone, 364028, Fujian Province, the People’s Republic of China (“PRC”). The Company is listed on the mainboard of the Singapore Exchange Limited.

The principal activity of the Company is that of an investment holding company. The principal activities of its subsidiaries are described in Note 13.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company, are presented in Chinese Renminbi (“RMB”) (rounded to the nearest thousand except when otherwise stated), and have been prepared in accordance with the provisions of Singapore Companies Act and Singapore Financial Reporting Standards (“FRS”). The 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 the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a high degree of judgment in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustments within the next financial year are disclosed in Note 2(z) to the financial statements.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, and short-term borrowings approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

In the current financial year, the Group has adopted all the new and revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the current financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new/revised FRS and INT FRS did not have any material effect on financial results or position of the Group and the Company except as disclosed below:

FRS 112 Disclosures of Interests in Other Entities

The Group adopted FRS 112 on 1 January 2014. The amendment is applicable for annual periods beginning on or after 1 January 2014. It sets out the required disclosures for entities reporting under the new FRS 110 *Consolidated Financial Statements* and FRS 111 *Joint Arrangements*, and replaces the disclosure requirements previously found in FRS 27 (revised 2011) *Separate Financial Statements* and FRS 28 (revised 2011) *Investments in Associates and Joint Ventures*.

The Group has incorporated the additional required disclosures of FRS 112 into the financial statements.

FRS 110 Consolidated Financial Statements

As a result of FRS 110 *Consolidated Financial Statements*, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. FRS 110 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial year ended 31 December 2014 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company except as disclosed below:

FRS 115 Revenue from Contracts with Customers

FRS 115 replaces FRS 18 'Revenue', FRS 11 'Construction contracts' and other revenue related interpretations. It applies to all contracts with customers, except for leases, financial instruments and insurance contracts. FRS 115 provides a single, principle-based model to be applied to all contracts with customers. It provides guidance on whether revenue should be recognised at a point in time or over time, replacing the previous distinction between goods and services. The standard introduces new guidance on specific circumstances where cost should be capitalised and new requirements for disclosure of revenue in the financial statements. The standard is effective for annual periods beginning on or after 1 January 2017. The Group will reassess its contracts with customers in accordance with FRS 115.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

FRS 109 Financial Instruments

FRS 109 includes guidance on the classification and measurement of financial assets and financial liabilities and de-recognition of financial instruments. FRS 109, when effective will replace FRS 39 Financial Instruments: Recognition and Measurement. This standard is effective for annual periods beginning on or after 1 January 2018. The Group will review the requirements of FRS 109 and re-assess the classification and measurement of its financial assets and financial liabilities in accordance with this standard.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the end of the report period. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy for goodwill. In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain from bargain purchase in profit or loss on the date of acquisition.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Basis of consolidation (cont'd)

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (ie transactions with owners in their capacity as owners) and therefore, no gain or loss is recognised in profit or loss.

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill, non-controlling interest and other components of equity related to the subsidiary are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific FRS.

Any retained equity interest in the previous subsidiary is remeasured at fair value at the date that control is lost. The difference between the carrying amount of the retained interest at the date control is lost, and its fair value is recognised in profit or loss.

Consolidation of the subsidiary companies in PRC are based on the subsidiary companies' financial statements prepared in accordance with FRS. Profits reflected in the financial statements prepared in accordance with FRS may differ from those reflected in the PRC statutory financial statements of the subsidiary companies, prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the PRC subsidiary companies are based on the amounts stated in the PRC statutory financial statements.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Associated companies

An associated company is an entity over which the Group has significant influence but not control or joint control, over the financial and operating policies of the entity. Significant influence is presumed to exist generally when the Group holds 20% or more but not exceeding 50% of the voting power of another entity.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting, less impairment losses, if any.

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Subsequent to initial recognition, the Group's share of its associated companies' post-acquisition profits or losses is recognised in the profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from associated companies are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associated company recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately as income in the Group's profit or loss.

Where a group entity transacts with an associated company of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associated company.

Upon loss of significant influence over the associated company, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the associated company upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

If the Group's ownership interest in an associated company is reduced, but the Group continues to apply the equity method, the Group shall reclassify to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, net of goods and service tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transactions will flow to the entity, and the amount of revenue and related costs can be reliably measured.

Revenue from construction contracts

Revenue from construction contracts is recognised in accordance with Note 2(p).

Rendering of services

Revenue from rendering of services is recognised when the services are rendered.

Interest income

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

Rental income

Rental income from operating leases are recognised on a straight-line basis over the lease term.

(f) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statements of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

(g) Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in the profit or loss using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Employee benefits

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

Such state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Share-based compensation

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options granted on the date of the grant. This cost is recognised in profit or loss, with a corresponding increase in the share option reserve, over the vesting period. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At the end of each reporting period, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account if new ordinary shares are issued, or credited to the "treasury shares" account if treasury shares are re-issued to the employees. Upon expiry of the options, the balance in the share option reserve is transferred to retained earnings.

(i) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable or recoverable in respect of previous years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Income taxes (cont'd)

Deferred income tax is provided using the liability method, on all temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated company, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the end of the reporting period.

Deferred income tax is measured based on the tax consequence that will follow the manner in which the Group expects, at the end of the reporting period to recover or settle the carrying amounts of its assets and liabilities.

Deferred tax are charged or credited to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

(j) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing an asset to its working condition and location for intended use less any trade discounts and rebates.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the assets when it is probable that future economic benefits will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised in profit or loss, during the financial year when it is incurred.

Properties in the course of construction for production and administrative purpose are carried at cost, less any recognised impairment loss until construction or development is complete. Cost includes professional fees and, for qualifying assets, in accordance with the Group's accounting policies. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. No depreciation is provided for property under construction until the construction is completed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

Depreciation is charged so as to write off the cost of all property, plant and equipment, less any estimated residual value over their estimated useful lives, using the straight-line method as follows:

	No. of years
Leasehold buildings	40
Motor vehicles	5
Office equipment	1 - 5
Machinery	10
Renovation	3

Depreciation of asset commences only when the asset is ready for its intended use.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of the reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

(k) Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to profit or loss on a straight-line basis over the lease term.

The amortisation period and amortisation method of land use rights are reviewed at least at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

(l) Impairment of non-financial assets excluding goodwill

At the end of each reporting period, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Impairment of non-financial assets excluding goodwill (cont'd)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is recognised in other comprehensive income up to the amount of any previous revaluation.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(m) Research and development costs

Research and development costs are expensed as incurred, except for development costs which relate to the design and testing of new or improved materials, products or processes which are recognised as an asset to the extent that it is expected that such assets will generate future economic benefits.

Deferred development costs are amortised from the date of commercial production of the product or from the date the process is put into use. Such costs are currently being amortised on a straight-line basis over the period of expected sales from the related project.

The amortisation period and amortisation method of intangible assets are reviewed at least at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

(n) Financial assets

Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those maturing more than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables include trade and other receivables (excluding prepayments and advance payments to suppliers) and cash and cash equivalents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Financial assets (cont'd)

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is also transferred to profit or loss.

Initial measurement

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

Subsequent measurement

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

Impairment

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account, and the amount of the loss is recognised in profit or loss. The allowance amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

If in subsequent periods, the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversed date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

(p) Projects work-in-progress

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 end of the reporting period ("percentage-of-completion method"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The stage of completion is measured by reference to the completion of physical proportion of the contract work. Costs incurred during the financial year in connection with future activity on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as projects work-in-progress on the statements of financial position 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. Variation in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

At the end of the reporting period, the cumulative costs incurred plus recognised profits (less recognised losses) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed the progress billings, the balance is presented as due from customers on construction contracts within "trade and bill receivables". Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within "trade and bill payables".

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

(q) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and excludes pledged deposits.

(r) Financial liabilities

Financial liabilities include trade and other payables and short-term borrowings. Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Financial liabilities (cont'd)

Financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

(s) Provisions for other liabilities

Provisions are recognised when the Group has a present legal obligation or constructive obligation as a result of a past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

(t) Foreign currencies

Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which that entity operates (the "functional currency"). The functional currency of the Company is Singapore dollar. The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in RMB, which is the functional currency of the principal entity in the People's Republic of China, and the presentation currency for the consolidated financial statements.

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign operations and borrowings and other currency instruments qualifying as net investment hedges for foreign operations, which are recognised in other comprehensive income and accumulated in the currency translation reserve within equity in the consolidated financial statements. The currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) Foreign currencies (cont'd)

Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing rates at the end of the reporting period;
(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the date of the transactions); and
(iii) All resulting exchange differences are recognised in the currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

(u) Operating leases

When a group entity is the lessee:

Leases where a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period expires, 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.

When a group entity is the lessor:

Leases where the Group entity retains substantially all the risks and rewards incidental to ownership of the asset are classified as operating leases. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(v) Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

(w) Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs. Financial guarantees are classified as financial liabilities.

Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the expected amount payable to the holder. Financial guarantees contracts are amortised in profit or loss over the period of the guarantee.

(x) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

(y) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statements of financial position of the Group.

(z) Critical accounting judgment and key source of estimation uncertainty

Estimates and assumptions concerning the future are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are amended on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(z) Critical accounting judgment and key source of estimation uncertainty (cont'd)

Key sources of estimation uncertainty (cont'd)

Property, plant and equipment

Management estimates the useful lives of the Group's property, plant and equipment to be within 1 to 40 years. The estimates for the useful lives and related depreciation charges for its property, plant and equipment is based on commercial and production factors which could change significantly as a result of level of usage, technical innovation and competitor actions in response to severe market conditions. Changes in those commercial and production factors could impact the economic useful lives and the residual values of these assets and therefore future depreciation charges could be revised.

The carrying amount of the Group's property, plant and equipment at the end of the reporting period are RMB294,028,000 (2013: RMB296,390,000).

Trade and other receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's trade and other receivables at the end of the reporting period are disclosed in Note 17 and Note 18 respectively to the financial statements. If the present value of estimated future cash flows differ from management's estimates, the Group's allowance for impairment for trade and other receivables and the trade and other receivables balance at the end of the reporting period will be affected accordingly.

Projects work-in-progress

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. Income is recognised based on management's estimate of contribution margin expected to be achieved on the construction contracts and past experience with similar contracts. The stage of completion is assessed by reference to the completion of physical proportion of the contract work. The carrying amounts of assets and liabilities arising from construction contracts at the end of the reporting period are disclosed in Note 16.

Income taxes

Significant judgment is involved in determining the capital allowance and deductibility of certain expenses during the estimation of the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provisions in the period in which such determination is made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(z) Critical accounting judgment and key source of estimation uncertainty (cont'd)

Key sources of estimation uncertainty (cont'd)

Income taxes (cont'd)

The carrying amount of the Group's income tax liability at the end of the reporting period are approximately RMB210,000 (2013: RMB3,679,000).

Information about other assumptions and estimation uncertainties regarding tax expense and liability that have a significant risk of resulting in a material adjustment within the next financial year are included in Note 8.

Critical judgments in applying accounting policies

Impairment of financial assets

The Group follows the guidance of FRS 36 - Impairments of Assets and FRS 39 - Financial Instruments Recognition and Measurement in determining when financial asset is other than temporarily impaired. This determination requires significant judgment by the Group which evaluates, among other factors, the duration and extent to which the fair value of the financial asset is less than its cost, and the financial health of and near-term business outlook for the financial asset, including factors such as industry and sector performances, changes in technology and operational and financing cash flows.

The carrying amount of the Group's and Company's financial assets at the end of the reporting period are disclosed in Note 33(a).

Deferred tax liability arising from undistributed profits

The Group's determination as to whether to recognise deferred tax for withholding taxes that would be payable on unremitted earnings of PRC subsidiary that are subject to withholding taxes according to the relevant tax jurisdictions is subject to judgment on the timing of the payment of the dividend. The Group assessed that a maximum of 30% of the subsidiary's distributable profits will be declared as dividends in the foreseeable future and deferred tax expense was recognised in profit or loss.

The carrying amount of the Group's deferred tax liability at the end of the reporting period are approximately RMB5,030,000 (2013: RMB5,030,000).

3. REVENUE

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

4. OTHER INCOME

	Group	
	2014	2013
	RMB'000	RMB'000
Repairing service income	**316**	12
Disposal of scrap materials	**303**	120
Government grants received	**932**	768
Bank interest income	**2,198**	2,348
Rental income	**391**	–
Others	**52**	–
	4,192	3,248

5. FINANCE COSTS

	Group	
	2014	2013
	RMB'000	RMB'000
Bank charges	**3,257**	3,257
Interest expense	**10,838**	9,291
Guarantor fees	**264**	180
	14,359	12,728

6. PROFIT BEFORE TAX

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

	Group	
	2014	2013
	RMB'000	RMB'000
Amortisation of land use rights (Note 11)	**793**	96
Audit fees payable/paid to auditors of the Company	**679**	619
Changes in inventories and projects work-in-progress	**7,961**	(2,938)
Commission	**13,660**	12,263
Delivery charges	**4,599**	3,799
Depreciation of property, plant and equipment (Note 10)	**5,146**	967
Fees for non-audit services payable/paid to auditors of the Company	**7**	27
Foreign exchange gains	**(2,733)**	(3,516)
Personnel expenses (Note 7)	**34,680**	23,854
Property, plant and equipment written off	**–**	118
Purchases of inventories and construction materials	**346,960**	330,706
Rental on land and buildings	**1,479**	1,246
Research expenses	**4,651**	9,901
Processing fees and installation fees	**77,009**	58,677

7. PERSONNEL EXPENSES

	Group	
	2014	2013
	RMB'000	RMB'000
Directors of the Company		
- Directors' fees	776	1,005
- Salaries and bonuses	2,526	1,998
- Defined contribution benefits	118	93
- Share-based payments (Employee Share Option Scheme) [Note 28(b)]	5,963	1,004
Other director of subsidiaries		
- Salaries and bonuses	248	271
- Defined contribution benefits	106	73
Key management personnel (non-directors)		
- Salaries and bonuses	1,256	1,386
- Defined contribution benefits	211	285
- Share-based payments (Employee Share Option Scheme) [Note 28(b)]	994	167
Other personnel		
- Salaries, wages and bonuses	19,495	15,689
- Defined contribution benefits	2,485	507
Other personnel related expenses	502	1,376
	34,680	23,854

8. TAX EXPENSE

Tax expense attributable to profits is made up of:

	Group	
	2014 **RMB'000**	2013 RMB'000
Current income tax - PRC	**14,462**	12,650
Tax credit received for prior years' taxation - PRC	**(5,856)**	(10,119)
(Over)/under provision of tax in prior year	**(2,023)**	848
	6,583	3,379

The income tax expense on the results of the financial year varies from the amount of income tax determined by applying the applicable income tax rate to profit before tax due to the following factors:

	Group	
	2014 **RMB'000**	2013 RMB'000
Profit before tax	**76,007**	78,053
Tax calculated at domestic statutory tax rate	**10,707**	11,439
Expenses not deductible for tax purposes	**3,899**	1,822
Non-taxable items	**(144)**	(611)
(Over)/under provision of tax in prior year	**(2,023)**	848
Tax credit received for prior year's taxation due to approval of "high-tech enterprise" status of a PRC subsidiary	**(5,856)**	(10,119)
	6,583	3,379

The domestic statutory tax rates for Singapore and PRC entities are 17% (2013: 17%) and ranging from 15% to 25% (2013: 15% to 25%) respectively for the financial year ended 31 December 2014.

A subsidiary in PRC was granted "high-tech enterprise" status in July 2009. In March 2013, the PRC subsidiary was re-accredited the "high-tech enterprise" status and this was subject to renewal in every 3 years. Subject to the local tax authority's approval, the subsidiary may be entitled to a concessionary tax rate of 15% for financial year 2015 instead of its current tax rate of 25%.

During the financial year, the subsidiary received income tax refund of RMB5,856,000 (2013: RMB10,119,000) in relation to year 2012 (2013: tax refund in relation to year 2011).

8. TAX EXPENSE (cont'd)

The Group has unutilised tax losses of approximately RMB4,186,000 (2013: RMB4,273,000) available for offsetting against future taxable income of the Group. The utilisation of the tax losses is subject to the agreement of the relevant tax authorities and compliance with required provisions of the tax legislation of the respective countries in which the companies in the Group operates.

No deferred tax asset has been recognised as it is not probable that future taxable profits will be sufficient to allow the related tax benefits to be realised.

9. EARNINGS PER SHARE

The following reflects the profit attributable to the equity holders of the Company used in the basic and diluted earnings per share computation:

	2014	2013
Profit attributable to the shareholders (RMB'000)	**69,424**	74,674
Weighted average number of ordinary shares at the end of the year	**735,520,646**	662,997,358
Basic and diluted earnings per share (RMB cents/share)	**9.5**	11.3

Basic and diluted earnings per share amounts are calculated by dividing profit for the financial year attributable to equity holders of the Company by the number of ordinary shares in issue during the financial year.

Diluted earnings per share is same as basic earnings per share as there were no potential dilutive ordinary shares for the financial years ended 31 December 2014 and 31 December 2013.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Machinery RMB'000	Renovation RMB'000	Construction work-in-progress RMB'000	Total RMB'000
Group							
Cost							
At 1 January 2013	–	714	1,120	7,034	57	265,139	274,064
Additions	–	–	330	–	–	26,540	26,870
Write off	–	–	(17)	(206)	–	–	(223)
Currency alignment	–	–	(7)	–	(4)	–	(11)
At 31 December 2013	–	714	1,426	6,828	53	291,679	300,700
Additions	–	365	260	–	26	2,136	2,787
Reclassification	263,904	–	–	–	–	(263,904)	–
Write off	–	–	(31)	–	–	–	(31)
Currency alignment	–	–	(6)	–	(2)	–	(8)
At 31 December 2014	**263,904**	**1,079**	**1,649**	**6,828**	**77**	**29,911**	**303,448**
Accumulated depreciation							
At 1 January 2013	–	459	700	2,241	57	–	3,457
Depreciation charges	–	133	175	659	–	–	967
Write off	–	–	(12)	(93)	–	–	(105)
Currency alignment	–	–	(5)	–	(4)	–	(9)
At 31 December 2013	–	592	858	2,807	53	–	4,310
Depreciation charges (Note 6)	4,178	101	214	649	4	–	5,146
Write off	–	–	(31)	–	–	–	(31)
Currency alignment	–	–	(3)	–	(2)	–	(5)
At 31 December 2014	**4,178**	**693**	**1,038**	**3,456**	**55**	**–**	**9,420**
Net carrying value							
At 31 December 2013	–	122	568	4,021	–	291,679	296,390
At 31 December 2014	**259,726**	**386**	**611**	**3,372**	**22**	**29,911**	**294,028**

10. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Office equipment RMB'000	Renovation RMB'000	Total RMB'000
Company			
Cost			
At 1 January 2013	87	57	144
Currency alignment	(6)	(4)	(10)
At 31 December 2013	81	53	134
Additions	80	26	106
Write off	(31)	–	(31)
Currency alignment	(6)	(2)	(8)
At 31 December 2014	**124**	**77**	**201**
Accumulated depreciation			
At 1 January 2013	87	57	144
Currency alignment	(6)	(4)	(10)
At 31 December 2013	81	53	134
Depreciation charges	13	4	17
Write off	(31)	–	(31)
Currency alignment	(3)	(2)	(5)
At 31 December 2014	**60**	**55**	**115**
Net carrying value			
At 31 December 2013	–	–	–
At 31 December 2014	**64**	**22**	**86**

Construction work-in-progress comprised of cost incurred for construction of office building, steel fabrication plant, electronic control assembly plant and warehouse on the land of 16,536 square meters in Fujian Province and 193,493 square meters in Anhui Province (Note 11).

Short-term borrowings are secured on leasehold buildings of the Group with a net carrying value of RMB259,726,000 (Note 25).

11. LAND USE RIGHTS

	Group	
	2014 **RMB'000**	2013 RMB'000
Cost		
At 1 January	**4,780**	4,780
Reclassified from prepayment land use rights (Note 12)	**49,150**	–
At 31 December	**53,930**	4,780
Accumulated amortisation		
At 1 January	**288**	192
Amortisation for the year (Note 6)	**793**	96
At 31 December	**1,081**	288
Net carrying value	**52,849**	4,492
Amount to be amortised:		
- Not later than one financial year	**1,142**	96
- Later than one year but not later than five financial years	**4,567**	384
- Later than five financial years	**47,140**	4,012

Location	Lease period	Land area
Longyan Economic Development District, Fujian Province, PRC	Commencing from January 2011 to November 2060	16,536 square meters
Bengbu Industrial Park, Huishang District, Bengbu City Anhui Province, PRC	Commencing from April 2014 to February 2061	193,493 square meters

Short-term borrowings are secured on land use rights of the Group with a net carrying value of RMB52,849,000 (Note 25).

12. PREPAYMENT FOR LAND USE RIGHTS

The amount of RMB49,150,000 recognised during the financial year ended 31 December 2013 comprised of prepayment for land use rights for purchase of a piece of land of 193,493 square meters located at Anhui Province, PRC in 2013. The cost of the land use rights had been fully paid in 2013.

During the current financial year, the PRC subsidiary obtained the land use rights certificate. Accordingly, the prepayment has been capitalised and reclassified as land use rights (Note 11).

13. INVESTMENT IN SUBSIDIARIES

	Company	
	2014	2013
	RMB'000	RMB'000
Unquoted equity shares, at cost	**699,460**	699,460
Impairment on investment	**(8,593)**	(8,593)
Currency alignment	**(17,400)**	7,801
	673,467	698,668

(a) Details of subsidiaries held by the Company:

Name of subsidiary	Principal activities	Country of incorporation	Equity holding	
			2014	2013
			%	%
Held by the Company				
China Dongyuan Environment Pte. Ltd. (1)	Investment holding company	Singapore	**100**	100
Gates Engineering Pte. Ltd. (1)	Inactive	Singapore	**100**	100
Xiamen Gongyuan Environmental Protection Technology Co., Ltd. (2)	Providing environmental protection products and services	PRC	**80**	–
Held by subsidiaries				
Fujian Dongyuan Environmental Protection Co., Ltd. (2)	Waste gas treatment solutions provider - Design and construct waste gas treatment systems	PRC	**100**	100
Anhui Dongyuan Environmental Protection Co., Ltd. (2)	Waste gas treatment solutions provider – Design and construct waste gas treatment systems	PRC	**100**	100

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

On 27 January 2014, the Company incorporated a new subsidiary in PRC, namely Xiamen Gongyuan Environmental Protection Technology Co., Ltd. The Company holds 80% of the entire equity interest in the subsidiary and the remaining 20% equity interest in the subsidiary are held by the associated company, Beijing Gongdao Environmental Protection Technology Co., Ltd. and another two individual third parties in the proportion of 1%, 7% and 12% respectively.

The effect of the incorporation of this subsidiary has no significant impact to the Group's profit and net assets during the financial year.

13. INVESTMENT IN SUBSIDIARIES (cont'd)

(b) Significant restrictions

Cash and cash equivalents of RMB47,902,000 (2013: RMB152,525,000) are held in the People's Republic of China and are subject to PRC foreign exchange control regulations. These regulations place restrictions on the amount of currency being exported from the country, other than through dividends and repayment of overseas loans.

14. INVESTMENT IN ASSOCIATED COMPANY

	Company	
	2014	2013
	RMB'000	RMB'000
Unquoted equity investment		
Balance at beginning of the financial year	**2,450**	–
Acquisition during the financial year	**–**	2,450
Balance at end of the financial year	**2,450**	2,450

Details of the associated company are as follows:

Name and country of incorporation	Principal activities	Percentage of equity held by the Group 2014 %	2013 %
Beijing Gongdao Environmental Protection Technology Co., Ltd (PRC) [1]	Research and development, industrialisation and commercialisation of industrial waste gas treatment technology and other environmental protection technologies	**49**	49

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

The associated company was inactive during the financial year.

15. INVENTORIES

	Group	
	2014	2013
	RMB'000	RMB'000
Raw materials, at cost	**12,449**	20,516

The cost of inventories recognised as an expense and included in cost of sales amounted to RMB354,921,000 (2013: RMB327,768,000).

16. PROJECTS WORK-IN-PROGRESS

	Group	
	2014	2013
	RMB'000	RMB'000
Projects work-in-progress	**106**	–
Aggregate costs incurred recognised to date on uncompleted projects work-in-progress	**14,221**	121,551
Attributable profits recognised to date on uncompleted projects work-in-progress	**6,137**	34,896
	20,358	156,447
Progress billing	**(4,325)**	(38,674)
	16,033	117,773
Presented as:		
Due from customers on construction contracts (Note 17)	**16,033**	117,773

17. TRADE AND BILL RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables *				
- Billed	**495,984**	323,757	**27**	135
- Unbilled	**144,721**	49,870	**–**	–
- Due from customers on construction contracts (Note 16)	**16,033**	117,773	**–**	–
	656,738	491,400	**27**	135
Bill receivables	**3,395**	120	**–**	–
	660,133	491,520	**27**	135
*Retention monies included in trade receivables	**82,413**	45,167	**–**	–

Trade receivables are non-interest bearing. Generally, the customers are required to pay immediately once the progress of the projects meets the payment terms stated in the sales contract. However, customers generally retain 5% to 10% of the project sum as retention monies which are held for a warranty period of up to 12 months.

The bill receivables have an average maturity date of 6 (2013: 6) months.

18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances to a sub-contractor *	**127,382**	43,069	**–**	–
Advance payments to suppliers	**26,959**	33,879	**–**	–
Other receivables	**12,906**	7,027	**–**	–
Deposits	**174**	124	**122**	122
Prepayments	**13**	49	**13**	49
	167,434	84,148	**135**	171

* As at 31 December 2014, there was an amount of RMB127,382,000 due from a sub-contractor. Subsequent to the financial year end, the Group has received repayment of approximately RMB82,182,000 and as at date of this report, RMB45,200,000 remained outstanding. The RMB45,200,000 is supported by sales contracts and sub-contracting contracts. The advances to the sub-contractor is unsecured, non-interest bearing and repayable on demand.

19. LOANS RECEIVABLE FROM SUBSIDIARIES – COMPANY

The loans receivable are unsecured, non-interest bearing and repayable on demand.

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash in hand and at banks *	**48,306**	165,343	**230**	12,703
Less: bank balances pledged	**(39,500)**	(75,028)	**–**	–
	8,806	90,315	**230**	12,703

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

	Group	
	2014	2013
	RMB'000	RMB'000
Issuance of bill payables (Note 22)	**39,500**	10,000
Short-term bank borrowings	–	62,428
Performance guarantee for sales contract	–	2,600
	39,500	75,028

The bank balances pledged earned interest at effective rate of 3.5% (2013: 3.5%) per annum.

The Group's and the Company's cash and cash equivalents that are not denominated in the functional currencies of the respective entities within the Group are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Singapore dollar	**–**	54,137	**–**	–
United States dollar	**45**	42,976	**16**	16

21. DEFERRED TAX LIABILITY – GROUP

Deferred tax liability arose from the PRC subsidiaries' distributable earnings generated from 1 January 2008 which will be subjected to tax at 5% (2013: 5%) when the PRC subsidiaries declares and remits dividend to its foreign investor. The directors expect that no more than 30% of the PRC subsidiaries' earnings each year will be distributed to the Company in the foreseeable future and accordingly the deferred tax liability is provided on this amount.

Deferred tax liability has not been recognised on the PRC subsidiaries' earnings totalling RMB335,977,000 (2013: RMB283,337,000) as the Company is able to control the timing of the reversal of this temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

22. TRADE AND BILL PAYABLES

	Group	
	2014	2013
	RMB'000	RMB'000
Trade payables - third parties	**5,195**	3,743
Value-added tax payables	**4,806**	5,251
Bill payables	**42,500**	20,000
	52,501	28,994

Trade payables are non-interest bearing and are normally settled up to 60 days' terms.

Bill payables have an average maturity date of 6 months (2013: 6 months). Certain bill payables are secured by bank balances pledged to financial institutions as disclosed in Note 20.

23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accruals for construction costs	**5,104**	12,357	**–**	–
Accruals for sub-contractor processing costs	**2,626**	8,610	**–**	–
Accruals for sales commission	**9,893**	4,200	**–**	–
Advance receipts from customers	**1,230**	800	**–**	–
Accruals for staff social welfare contributions	**7,375**	5,734	**54**	–
Salary payables	**1,522**	370	**844**	–
Other tax payables	**292**	848	**–**	–
Other payables	**16,813**	13,936	**1,889**	2,322
	44,855	46,855	**2,787**	2,322

24. AMOUNT DUE TO A DIRECTOR (NON-TRADE) - GROUP AND COMPANY

The amount is unsecured, non-interest bearing and repayable on demand.

25. SHORT-TERM BORROWINGS

	Group	
	2014 RMB'000	2013 RMB'000
Bank borrowings		
- secured	**75,000**	82,825
- unsecured	**94,904**	95,103
	169,904	177,928

For financial year ended 31 December 2014

Secured borrowings

Short-term borrowings of RMB70.0 million were secured by land use rights (Note 11) and leasehold buildings (Note 10) from a PRC subsidiary and guaranteed by one of the Company's director, director's spouse and a PRC subsidiary. Remaining RMB5.0 million short-term borrowings were secured by land use rights of a PRC subsidiary (Note 11).

Unsecured borrowings

Short-term borrowings of RMB94.9 million were not secured by the Company's assets. These borrowings were guaranteed or secured by:

a) Bank borrowings of RMB30.0 million guaranteed by one of the Company's director and secured by the land use rights and leasehold buildings of a related party;

b) Bank borrowings of RMB9.9 million guaranteed by one of the Company's director and a PRC subsidiary;

c) Bank borrowings of RMB50.0 million guaranteed by one of the Company's director and his spouse; and

d) Bank borrowings of RMB5.0 million guaranteed by a credit guarantee company.

For financial year ended 31 December 2013

Secured borrowings

Short-term borrowings of RMB60.1 million were secured by bank deposits of RMB62.4 million. Remaining RMB22.7 million short-term borrowings were secured by prepaid land use rights of a PRC subsidiary and guaranteed by a third party.

25. SHORT-TERM BORROWINGS (cont'd)

Unsecured borrowings

Short-term borrowings of RMB45.1 million were not secured by the Company's assets. These borrowings were guaranteed or secured by:

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

b) Bank borrowings of RMB10.1 million guaranteed by one of the Company's director and the subsidiary of the Company; and

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

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

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

	Group	
	2014 **RMB'000**	2013 RMB'000
United States dollar	**–**	60,125
Hong Kong dollar	**9,904**	10,103

These bank borrowings are repayable within the next twelve months and bear fixed interest rates ranging from 5.50% to 8.40% (2013: 1.57% to 7.00%) per annum.

26. AMOUNTS DUE TO SUBSIDIARIES (NON-TRADE)

The amounts are unsecured, non-interest bearing and repayable on demand.

The amounts that are not denominated in the functional currency of the Company are as follows:

	Company	
	2014 **RMB'000**	2013 RMB'000
Chinese Renminbi	**2,320**	2,168

27. AMOUNTS DUE TO RELATED PARTIES (NON-TRADE)

The amounts are unsecured, non-interest bearing and repayable on demand.

The amounts that are not denominated in the functional currency of the respective entities within the Group are as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Singapore dollar	**23,397**	–

28. SHARE CAPITAL

(a) Share capital

	2014		2013	
	Number of issued shares	**Issued share capital RMB'000**	Number of issued shares	Issued share capital RMB'000
Group				
At 1 January	**735,520,646**	**352,241**	639,520,646	193,052
Issue of new shares pursuant to share placement	**–**	**–**	96,000,000	162,243
Share issuance expenses	**–**	**–**	–	(3,054)
At 31 December	**735,520,646**	**352,241**	735,520,646	352,241
Company				
At 1 January	**735,520,646**	**773,549**	639,520,646	614,360
Issue of new shares pursuant to share placement	**–**	**–**	96,000,000	162,243
Share issuance expenses	**–**	**–**	–	(3,054)
At 31 December	**735,520,646**	**773,549**	735,520,646	773,549

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

28. SHARE CAPITAL (cont'd)

(b) Share options

	Group and Company	
	2014	2013
	RMB'000	RMB'000
At 1 January		
Share-based payments (Note 7)	**1,171**	–
	6,957	1,171
At 31 December	**8,128**	1,171

The Gates Share Option Scheme of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 12 April 2004. The Remuneration Committee had approved and adopted the change of name of Gates Share Option Scheme to "China Environment Share Option Scheme" (the "Scheme") on 25 September 2009. This is a long-term incentive plan to motivate Directors and employees of the Group to greater dedication, loyalty and higher standards of performance. The Scheme is administered by the Company's Remuneration Committee, comprising three Directors, Lin Song (Chairman of Remuneration Committee), Loh Wei Ping and Wu Yu Liang.

Other information regarding the Scheme is set out below:

- The subscription price for each share in respect of which a market price option is exercised shall be a price equal to the average of the last dealt prices for a share for the five consecutive market days immediately preceding the offering date of the option.

- The subscription price for each share in respect of which an incentive option is exercised can be set at a discount to the market price not exceeding 20% of the market price.

- The options can be exercised 1 year after the grant for market price options and 2 years for discounted options.

- The options granted will expire after 5 years for participants not holding a salaried office or employment in the Group and participants holding salaried office or employment in an associated company; and 10 years for the employees of the Company and its subsidiaries.

28. SHARE CAPITAL (cont'd)

(b) ***Share options*** (cont'd)

The Scheme had expired as it was not approved by shareholders at an Extraordinary General Meeting held on 8 April 2014.

Share options outstanding at the end of the financial year and details of the options granted under the Scheme on the unissued shares of the Company are as follows:

Date of grant option	Exercise price per share S$	Aggregate options outstanding at 1.1.2014	Options granted	Aggregate options outstanding at 31.12.2014	Exercise period
11 November 2013	0.59	3,500,000	–	3,500,000	12 November 2014 to 11 November 2024

The fair value of the Company's share options as at the date of grant is computed using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

The inputs to the model used are shown below:

Date of grant	11 November 2013
Share price	S$0.62
Exercise price	S$0.59
Expected volatility	78.63%
Expected option life	10 years
Expected dividend yield	0
Risk-free interest rate	2.27%

The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The expected option life used is based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. No other features of the option were incorporated into the measurement of fair value.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

29. OTHER RESERVES

	Group	
	2014	2013
	RMB'000	RMB'000
General reserve fund	**60,901**	52,054
Enterprise expansion reserve fund	**30,451**	26,027
	91,352	78,081

Pursuant to the relevant laws and regulations in the PRC, the PRC subsidiaries which are wholly-owned foreign enterprises are required to provide the following other reserves which are appropriated from distributable profits:

General reserve fund (statutory)

The PRC subsidiaries are required to transfer no less than 10% of its net profit to the general reserve fund each year until the reserve reaches 50% of its registered capital. The transfer to this fund must be made before the payment of dividends to shareholders. In the event that the PRC subsidiaries incur accumulated losses, the transfer of this fund can only be made after the PRC subsidiaries' accumulated losses are fully set off against current year net profit.

The general reserve fund can only be used to set off against accumulated losses or to increase the registered capital of the PRC subsidiaries, subject to approval from the PRC authorities.

Enterprise expansion reserve fund (non-statutory)

The enterprise expansion reserve fund can be used either to offset accumulated losses or be capitalised as equity. The enterprise expansion reserve fund can be used to increase capital upon approval of the relevant authorities.

All the above reserves mentioned above are not available for dividend appropriation to the shareholders.

30. RELATED PARTIES TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties, who are not members of the Group during the financial year on terms agreed by the parties concerned:

	Group	
	2014	2013
	RMB'000	RMB'000
Group's operating expenses paid on behalf by a director	**62,520**	36,940
Repayment to a director	**62,520**	36,940
Advances from a director	**325**	57,820
Repayment of advances from a director	**57,821**	–
Advances from related parties	**108,397**	–
Repayment to related parties	**21,800**	23,100
Rental expenses charged by a related party	**639**	639

Related parties comprise mainly companies which are controlled by certain directors of the Company and their close family members.

31. COMMITMENTS

(a) Capital commitments

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

	Group	
	2014	2013
	RMB'000	RMB'000
Commitments in respect of construction work-in-progress	**31,368**	53,915

(b) Lease commitments – when the Group is a lessee

The operating lease payments include rental from lease of land and buildings from a related party. The remaining non-cancellable lease term at 31 December 2014 for land and buildings is between 12 to 19 (2013: 12 to 31) months.

31. COMMITMENTS (cont'd)

(b) Lease commitments – when the Group is a lessee (cont'd)

Commitments in relation to non-cancellable operating leases contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:

	Group	
	2014 **RMB'000**	2013 RMB'000
Not later than one financial year	**1,342**	1,164
Later than one financial year but not later than five financial years	**1,218**	2,171
	2,560	3,335

(c) Operating lease commitments – where the Group is a lessor

The Group leases out certain factory space to non-related parties.

The future minimum lease receivables under non-cancellable operating leases contracted for at the end of the reporting period but not recognised as receivables, are as follows:

	Group	
	2014 **RMB'000**	2013 RMB'000
Not later than one financial year	**336**	–
Later than one financial year but not later than five financial years	**26**	–
	362	–

32. CONTINGENT LIABILITY

A subsidiary of the Company had received an amount of US$765,450 from a credit insurer for a debt owing by one of its major customers who was under liquidation during the financial year ended 30 June 2009. Under the terms of the credit insurance, the insurer is entitled to seek reimbursement of this insured amount from the subsidiary in the event that the debt is not subsequently admitted by the liquidator. At this stage, the management is of the opinion that such debt will be accepted by the liquidator.

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Financial instruments at their carrying amounts at the reporting date are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Loans and receivables	**848,901**	707,083	**62,933**	129,903
Financial liabilities				
Financial liabilities at amortised cost	**352,885**	310,704	**5,993**	62,956

(b) Financial risk management

The Group's overall risk management policy is to ensure adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign currency, liquidity and credit risks. The Group's overall risk management is determined and carried out by the Board of Directors. The policies for managing each of these risks are summarised as follows:

Foreign currency risk

The Group has currency exposures arising from transactions, assets and liabilities that are denominated in currencies other than the respective functional currencies of entities in the Group. The foreign currencies in which the Group's currency risk arises are mainly United States dollar ("USD"), Singapore dollar ("SGD") and Hong Kong dollar ("HKD").

33. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

***Foreign currency risk** (cont'd)*

At the end of the reporting period, the Group and Company have the following financial assets and financial liabilities denominated in foreign currencies based on information provided to key management:

	2014			2013		
Denominated in:	**SGD RMB'000**	**USD RMB'000**	**HKD RMB'000**	SGD RMB'000	USD RMB'000	HKD RMB'000
Group						
Cash and cash equivalents	**–**	**45**	**–**	54,137	42,976	–
Other payables and accruals	**–**	**–**	**(308)**	–	–	(319)
Amount due to related parties	**(23,397)**	**–**	**–**	–	–	–
Short-term borrowings	**–**	**–**	**(9,904)**	–	(60,125)	(10,103)
Net financial assets/(financial liabilities) denominated in foreign currencies	**(23,397)**	**45**	**(10,212)**	54,137	(17,149)	(10,422)
Company						
Cash and cash equivalents	**–**	**16**	**–**	–	16	–
Other payables and accruals	**–**	**–**	**(308)**	–	–	(319)
Net financial assets/(financial liabilities) denominated in foreign currencies	**–**	**16**	**(308)**	–	16	(319)

33. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

***Foreign currency risk** (cont'd)*

The following table demonstrates the sensitivity to a reasonably possible change in the SGD, USD, and HKD exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant, of the Group's profit after tax:

		Group Increase/(decrease) in profit after tax	
		2014	2013
		RMB'000	RMB'000
SGD/RMB	– strengthened 5% (2013: 5%)	(994)	2,301
	– weakened 5% (2013: 5%)	994	(2,301)
USD/RMB	– strengthened 5% (2013: 5%)	2	(729)
	– weakened 5% (2013: 5%)	(2)	729
HKD/RMB	– strengthened 5% (2013: 5%)	(434)	(443)
	– weakened 5% (2013: 5%)	434	443

Company

A 5% fluctuation in the USD and HKD exchange rate against RMB, with all other variables held constant, will not have a significant impact on the Company's profit for the current and previous financial years.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flow of the Group's financial instruments will fluctuate because of changes in market interest rate.

Apart from bank balances, the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's borrowings are in fixed-rate instruments. Other financial liabilities are non interest-bearing. As the Group has no variable-rate borrowings, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

33. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets, including cash and cash equivalents, the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue and profit growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties, including state-owned enterprises and subsidiaries of the public listed companies in PRC. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, debtors' balances are monitored on an ongoing basis.

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position for respective years.

Trade receivables due from third parties in the PRC amounted to RMB656,711,000 (2013: RMB491,265,000) of the Group's trade receivables. The Group's trade receivables comprise 2 debtors (2013: 3 debtors) that represented approximately 29% (2013: 36%) of the Group's trade receivables.

Financial assets that are neither past due nor impaired

Cash and bank balances that are neither past due nor impaired are mainly deposits with banks with high credit-ratings counterparties. Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

Trade receivables that are not past due amounted to RMB297,170,000 (2013: RMB235,530,000).

Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables. The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2014 **RMB'000**	2013 RMB'000
Past due less than 30 days	**21,399**	47,116
Past due 30 days to 60 days	**19,022**	50,731
Past due 61 days to 90 days	**13,155**	67,081
Past due more than 90 days	**305,992**	90,942
	359,568	255,870

33. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

Liquidity and cash flow risk

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

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

	2014 RMB'000			2013 RMB'000		
	1 year or less	**1 to 5 years**	**Total**	1 year or less	1 to 5 years	Total
Group						
Trade and other payables	**96,059**	–	**96,059**	74,955	–	74,955
Amount due to a director	**325**	–	**325**	57,821	–	57,821
Amount due to related parties	**86,597**	–	**86,597**	–	–	–
Short-term borrowings	**173,405**	–	**173,405**	180,029	–	180,029
Company						
Other payables and accruals	**2,741**	–	**2,741**	2,250	–	2,250
Amount due to a director	**325**	–	**325**	57,821	–	57,821
Amount due to subsidiaries	**2,927**	–	**2,927**	2,885	–	2,885

(c) Fair values of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of the financial assets and financial liabilities recorded in the financial statements of the Group and the Company approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The Group and Company has no other financial instruments.

34. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

(i) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

(ii) To support the Group's stability and growth; and

(iii) To provide capital for the purpose of strengthening the Group's risk management capability.

Capital comprises share capital, revenue reserve and other reserves included in equity.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

As disclosed in Note 29, the Group's subsidiaries in the PRC are required to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the subsidiaries for the financial years ended 31 December 2014 and 2013.

35. SEGMENT INFORMATION

The Group is organised into business units based on its products for management purposes. The reportable segment is construction contracts.

Construction contracts segment includes designing, assembling, installing, testing and commissioning of various equipments relating to industrial waste gas treatment and management systems.

Management monitors the operating results of its business units separately for making decisions about allocation of resources and assessment of performances of such segment.

35. SEGMENT INFORMATION (cont'd)

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

	Construction contracts	
	2014 **RMB'000**	2013 RMB'000
Segment revenue	**583,762**	524,080
Segment profits	**85,435**	84,917
Depreciation and amortisation	**5,939**	1,063
Segment assets	**1,189,449**	948,666
Unallocated assets	**48,306**	165,343
Total assets	**1,237,755**	1,114,009
Segment liabilities	**97,356**	75,849
Unallocated liabilities	**262,066**	244,458
Total liabilities	**359,422**	320,307

Segment results

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

35. SEGMENT INFORMATION (cont'd)

Segment results (cont'd)

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

	Group	
	2014	2013
	RMB'000	RMB'000
Segment profits	**85,435**	84,917
Interest income	**2,198**	2,348
Foreign exchange gains	**2,733**	3,516
Finance costs	**(14,359)**	(12,728)
Profit before tax	**76,007**	78,053

Segment assets

The amounts provided to the management with respect to total assets are measured in a manner consistent with that of the financial statements. Management monitors the assets attributable to each segment for the purposes of monitoring segment performance and for allocating resources between segments. All assets are allocated to reportable segments other than cash and cash equivalents which are classified as unallocated assets.

Segment liabilities

The amounts provided to management with respect to total liabilities are measured in a manner consistent with that of the financial statements. All liabilities are allocated to the reportable segments based on the operations of the segments other than deferred tax liability, tax payable, short-term borrowings, amount due to a director and amount due to related parties. These liabilities are classified as unallocated liabilities.

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Sales to external customers		Non-current assets	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC	**583,762**	524,080	**349,241**	352,482
Singapore	**–**	–	**86**	–
	583,762	524,080	**349,327**	352,482

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

35. SEGMENT INFORMATION (cont'd)

Information about major customers

Revenue of approximately RMB290,781,000 (2013: RMB231,380,000) are derived from 2 (2013: 3) major external customers who individually contributed 10 percent or more of the Group's revenue, and are attributable to the construction contracts segment tabled below:

	Group	
	2014	2013
	RMB'000	RMB'000
Customer 1	**154,796**	76,652
Customer 2	**135,985**	101,416
Customer 3	**–**	53,312
	290,781	231,380

36. SUBSEQUENT EVENT

On 7 January 2015, the Company announced the completion of the placement of 72,500,000 warrants and 72,500,000 new ordinary shares of S$0.104 each ("Placement"). Following completion of the Placement, the total number of issue ordinary shares of the Company increased from 735,520,646 shares to 808,020,646 shares. The new shares rank pari passu in all respects with existing ordinary shares of the Company.

The 72,500,000 unlisted warrants were allotted to the subscriber. These warrants granting the right to the subscriber to subscribe for one new share for each warrant (i.e. total 72,500,000 shares) (the "Warrant Shares") at the issue price of S$0.104 per Warrant Share, for an aggregate amount of S$7,540,000. The warrants may only be exercised in whole by the subscriber at any time, but in any event no later than the date falling 18 months from the issue date of the warrants.

37. AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors dated 1 April 2015.

SHAREHOLDERS' INFORMATION

AS AT 16 MARCH 2015

Number of Equity Securities	:	808,020,646
Number of Treasury Shares	:	Nil
Class of Equity Securities	:	Ordinary Shares
Voting Rights	:	One vote per share

STATISTICS OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 - 99	2	0.13	109	0.00
100 - 1,000	54	3.57	33,786	0.00
1,001 - 10,000	328	21.68	2,352,701	0.29
10,001 - 1,000,000	1,068	70.59	112,558,170	13.93
1,000,001 and above	61	4.03	693,075,880	85.78
TOTAL	**1,513**	**100.00**	**808,020,646**	**100.00**

SUBSTANTIAL SHAREHOLDERS (As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Huang Min (1)	2,620,000	0.32	147,499,000	18.25
Ma Ong Kee (2)	–	–	118,262,100	14.64
Prosper Big International Limited (3)	2,771,000	0.34	144,728,000	17.91
Dharma Rustam Winata (4)	1,000,000	0.12	72,500,000	8.97
GlobalWin International Consultants Limited (5)	–	–	72,500,000	8.97

Notes:-

(1) Mr Huang Min has deemed interest in the:
- i) 2,771,000 shares held by Prosper Big International Limited which is wholly-owned by him; and
- ii) Prosper Big International Limited's deemed interest in 144,728,000 shares which are held through several nominees banks via clients trust accounts.

(2) Mr Ma Ong Kee has deemed interest in the 115,907,100 shares held through OCBC Securities Private Limited and 2,355,000 shares held by Strategic Capital Holdings Ltd through DBSN Services Pte Ltd.

(3) Prosper Big International Limited has deemed interest shares in the 144,728,000 shares which are held through several nominees banks via client trust accounts. Prosper Big International Limited is wholly owned by Mr Huang Min.

(4) Mr Dharma Rustam Winata has deemed interest in the 72,500,000 shares held through DBS Nominees Pte Ltd by GlobalWin International Consultants Limited which is wholly owned by him.

(5) GlobalWin International Consultants Limited has deemed interest in the 72,500,000 shares which are held through DBS Nominees Pte Ltd. via GlobalWin International Consultants Limited which is wholly-owned by Mr Dharma Rustam Winata.

SHAREHOLDERS' INFORMATION

AS AT 16 MARCH 2015

TWENTY LARGEST SHAREHOLDERS

NO.	NAME OF SHAREHOLDERS	NUMBER OF SHARES	%
1	OCBC SECURITIES PRIVATE LIMITED	139,990,200	17.33
2	RAFFLES NOMINEES (PTE) LIMITED	124,980,400	15.47
3	DBS NOMINEES (PRIVATE) LIMITED	88,976,100	11.01
4	BANK OF SINGAPORE NOMINEES PTE. LTD.	79,220,600	9.80
5	CITIBANK NOMINEES SINGAPORE PTE LTD	57,216,300	7.08
6	PHILLIP SECURITIES PTE LTD	28,854,100	3.57
7	ANDREW BEK	19,687,000	2.44
8	UOB KAY HIAN PRIVATE LIMITED	13,938,000	1.72
9	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	10,315,000	1.28
10	MAYBANK KIM ENG SECURITIES PTE. LTD.	7,701,009	0.95
11	GOH SEOK TOR	6,541,000	0.81
12	RHB SECURITIES SINGAPORE PTE. LTD.	6,426,000	0.80
13	CIMB SECURITIES (SINGAPORE) PTE. LTD.	5,205,621	0.64
14	GOOD BILLION GROUP LIMITED	5,000,000	0.62
15	ROYAL BANK OF CANADA	4,458,900	0.55
16	OH CHEE LOK	4,339,000	0.54
17	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	3,712,800	0.46
18	LIN XIAOLI	3,500,000	0.43
19	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,211,200	0.40
20	LIM FOONG LIAT MICHAEL	3,200,000	0.40
	TOTAL	**616,473,230**	**76.30**

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

54.63% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

CHINA ENVIRONMENT LTD. *(Company Registration No. 200301902W) (Incorporated in Singapore with limited liability)*

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CHINA ENVIRONMENT LTD. ("the Company") will be held at Suntec Singapore, International Convention & Exhibition Centre, Level 3 Room 309, 1 Raffles Boulevard Suntec City, Singapore 039591 on Tuesday, 28 April 2015 at 9.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements for the financial year ended 31 December 2014 together with the Independent Auditor's Report thereon.
(Resolution 1)

2. To re-elect the following Directors of the Company retiring pursuant to Article 95(2) of the Articles of Association of the Company:

   Mr Andrew Bek **(Resolution 2)**
   Mr Wu Yu Liang **(Resolution 3)**

   Mr Wu Yu Liang will, upon re-election as Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee will be considered independent.

3. To approve the payment of Directors' Fees of S$160,000 for the financial year from 1 January 2015 to 31 December 2015 to be paid quarterly in arrears (FY2014: S$160,000).
(Resolution 4)

4. To re-appoint Messrs Baker Tilly TFW LLP as the Independent Auditor of the Company and to authorise the Directors of the Company to fix their remuneration.
(Resolution 5)

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

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to issue shares**

   That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

6. **Authority to issue shares** (cont'd)

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (i)]

(Resolution 6)

7. **Renewal of the Share Buy-Back Mandate**

That for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market Share Buy-Backs or off-market Share Buy-Backs on an equal access scheme) of up to ten per centum (10%) of the total issued ordinary share capital of the Company (excluding treasury shares) (as ascertained as at the date of the Annual General Meeting of the Company at which the proposed renewal of the Share Buy-Back Mandate is approved), at the price of up to but not exceeding the Maximum Price as defined in paragraph 2.3.4 of Appendix to the Notice of Annual General Meeting dated 13 April 2015 (the "Appendix"), and this Share Buy-Back Mandate shall continue in force until (a) the date on which the next Annual General Meeting of the Company is held or is required by law to be held; (b) the date on which the Share Buy-Backs are carried out to the full extent mandated; or (c) the date on which the authority contained in the Share Buy-Back Mandate is revoked or varied by the Company in general meeting. [See Explanatory Note (ii)]

(Resolution 7)

By Order of the Board

Wong Yoen Har
Secretary
Singapore, 13 April 2015

Explanatory Notes:

(i) The Ordinary Resolution 6 in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

NOTICE OF ANNUAL GENERAL MEETING

CHINA ENVIRONMENT LTD. *(Company Registration No. 200301902W) (Incorporated in Singapore with limited liability)*

(ii) The Ordinary Resolution 7 proposed in item 7 above is to renew the Share Buy-Back Mandate and to permit the Company to purchase or acquire shares at the Maximum Price as defined in the Appendix. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Buy-Back Mandate on the audited consolidated financial statements of the Group for the financial year ended 31 December 2014 are set out in greater detail in paragraph 2 of the Appendix.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 133 Cecil Street #18-03, Keck Seng Tower, Singapore 069535 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:
By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

IMPORTANT:

1. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Annual General Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

CHINA ENVIRONMENT LTD.
Company Registration No. 200301902W
(Incorporated In The Republic of Singapore)

PROXY FORM
(Please see notes overleaf before completing this Form)

I/We, ______________________________

of ______________________________

being a member/members of China Environment Ltd. (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above , the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Suntec Singapore, International Convention & Exhibition Centre, Level 3 Room 309, 1 Raffles Boulevard Suntec City, Singapore 039591 on Tuesday, 28 April 2015 at 9.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Financial Statements for the financial year ended 31 December 2014		
2	Re-election of Mr Andrew Bek as a Director		
3	Re-election of Mr Wu Yu Liang as a Director		
4	Approval of Directors' Fees amounting to S$160,000 for the financial year from 1 January 2015 to 31 December 2015 to be paid quarterly in arrears		
5	Re-appointment of Messrs Baker Tilly TFW LLP as Independent Auditor		
6	Authority to issue shares		
7	Renewal of the Share Buy-Back Mandate		

Dated this ______________ day of ________________ 2015

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

**Delete where inapplicable*

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 133 Cecil Street #18-03, Keck Seng Tower, Singapore 069535 not less than forty-eight (48) hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2015.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

SINGAPORE

China Environment Ltd.
Company Registration No: 200301902W
133 Cecil Street #18-03
Keck Seng Tower
Singapore 069535
Tel: (65) 6225 9921
Fax: (65) 6225 9908
Website: www.chinaenv.net

CHINA

Fujian Dongyuan Environmental Protection Co., Ltd.
Longyan Economic Development Zone
Fujian Province, 364028
The People's Republic of China
Tel: (86 597) 279 3996
Fax: (86 597) 279 2868
Website: www.ce-dy.com