



C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

(Incorporated in Bermuda on 24 September 2004)
(Company Registration Number: 35842)

ANNUAL REPORT 2016

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CORPORATE PROFILE

Headquartered in Hong Kong and listed on the SGX Mainboard since April 2005, C&G Environmental Protection Holdings Limited (“C&G” or “the Group”), is one of the leading Waste-to-Energy (“WTE”) investors and operators.

Specialising in the investment, construction, operation and maintenance of WTE plants, C&G is led by professional industry veterans with a wealth of experience in WTE technology management, infrastructure development and are well-respected and connected with industry players.

The Group invests in, constructs, operates and maintains waste incineration power plants for the treatment of Municipal Solid Waste (“MSW”) under the Build-Operate-Transfer (“BOT”) investments schemes. Under the BOT scheme, recurring revenue from the Group’s WTE business comprises mainly of Power Generation and Waste Handling Fee. The Group is committed to the preservation of its environment and the improvement of quality of living through the latest waste treatment technology.

In December 2014, the Group completed the disposal of its WTE business and assets in China to Grandblue Environment Company Limited (“Grandblue”), unlocking value for its shareholders. Grandblue is a publicly-listed company in Shanghai, the PRC, and is also one of the leading environmental business companies in China. Grandblue operates WTE plants as well as tap water supply, waste water treatment plants and piped gas businesses.

The Group’s interest in Southeast Asia includes a WTE plant in Bangkok, Thailand, which is completed construction by 2016. When operational, the Bangkok plant will have a daily waste treatment capacity of 500 tonnes.

In December 2016, the Group completed the disposal of C&G Environmental Protection (Thailand) Company Limited (“C&G Thailand”) and C&G Environmental Protection International Limited (“C&G International”). After the completion of the disposal subsidiaries, the Group will cease to have any operating business and will be a cash company under Rule 1018 of the Listing Manual (“Rule 1018”). The Group intends to maintain its listing status on the SGX-ST as a cash company following the completion of the abovementioned transactions to seek a suitable new business to be injected. The Group is a cash company under Rule 1018 of the Singapore Exchange Securities Trading Limited (“SGX-ST Listing Manual”).

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present C&G Environmental Protection Holdings Limited's ("C&G" or the "Group") annual report for the financial year ended 31 December 2016 ("FY2016").

During the year under review, C&G underwent a major change on the corporate front, through the disposals of its remaining businesses, namely, C&G Environmental Protection (Thailand) Company Limited ("C&G Thailand") and all group companies under C&G Environmental Protection International Limited ("C&G International").

Following the completion of the disposals, C&G has become a cash company.

PERFORMANCE REVIEW

The Group registered a net loss of HK\$651.9 million as at 31 December 2016 as compared to a net loss of HK\$138.6 million for the financial year ended 31 December 2015 ("FY2015"). However, other receivables increased significantly from HK\$39.5 million as at 31 December 2015 to HK\$882.5 million as at 31 December 2016, largely attributable to the outstanding consideration from Ahead Auto Limited ("Ahead Auto") and New Sky Energy (Thailand) Company Limited ("New Sky").

Bank and cash balances declined from HK\$13.4 million in FY2015 to HK\$62,000 in FY2016, while equity attributable to owners of the Company declined from HK\$1,529.7 million to HK\$832.7 million as at 31 December 2016.

A NEW APPROACH

Over the years, the Group has diversified into the asset-light business and other areas of environmental protection in Asia. Notably, in FY2016, the Group completed the construction of its Bangkok Nong Khaem Municipal Solid Waste Incineration Power Plant, which is managed by C&G Thailand. The plant has a concessionary term of 20 years and is able to process 500 tonnes of municipal solid waste per day.

However, with the passing of Mr Lin Yan, former Executive Chairman and Group Chief Executive Officer, the Directors held the view that the disposal of C&G Thailand was in the best interests of the Group. The late Mr Lin Yan was instrumental in the Group's venture into the Waste-To-Energy ("WTE") business in Thailand and the construction of its WTE plant in Thailand. His expertise, experience and connections were the driving forces behind C&G Thailand's business. As the previous management team subsequently resigned, and the Group was unable to find a suitable management team with the requisite expertise, experience and connections to operate the WTE business of C&G Thailand, C&G decided on the disposal of C&G Thailand.

CHAIRMAN'S STATEMENT

We have successfully completed the disposal of C&G Thailand to New Sky Energy (Thailand) Company Limited (“New Sky”), a company incorporated in Thailand for an aggregate sum of RMB500 million, on 28 December 2016.

Similarly, C&G also successfully completed the disposal of all group companies under C&G International to Ahead Auto Limited (“Ahead Auto”) on 30 December 2016 for an aggregate sum of HK\$600 million. C&G International holds equity interests in Grandblue Environment Company (11.88%) and the rest of the group companies – C&G Environmental Protection (Hong Kong) Company Limited, C&G Green Energy (Hong Kong) Company Limited, C&G Green Energy (Shenzhen) Company Limited and C&G Industrial Services (Hong Kong) Company Limited.

With our completion of the disposals on 30 December 2016, the Group ceased to have any operating business and is a cash company under Rule 1018 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST Listing Manual”). However, we intend to maintain our listing status on the SGX-ST as a cash company, with the aim of injecting a new suitable business.

OUTLOOK

Looking ahead, the Group is considering various options following the move towards becoming a cash company. While the Group actively pursues the acquisition of a new business, C&G is unable to provide assurance that this will be achieved within the timeframes prescribed in Rule 1018 (2) of the Listing Manual, and may face the risk of delisting. However, C&G will strive its best to acquire a new business and endeavors to keep shareholders updated in a timely manner and disclose any new information when available or once a definitive decision has been made.

PROPOSED DIVIDENDS

With the disposal of all businesses, the Group proposed a special dividend of approximately HK\$777.7 million in the Special General Meeting on 2 December 2016. This amounted to HK\$0.7954 (equivalent to S\$0.143) per Share.

Subsequent to year end, we are pleased to have declared a first interim special dividend of S\$0.04 per ordinary share for the financial year ending 2017, following the respective completions of C&G Thailand on 28 December 2016 and C&G International on 30 December 2016. On 20 March 2017, we declared the second interim special dividend of S\$0.103 per ordinary share.

CHAIRMAN'S STATEMENT

WORDS OF APPRECIATION

Indeed, 2016 was a year of significant change for C&G. On behalf of the Group, I would like to extend our heartfelt gratitude to our valued shareholders for their continued trust and support over the years. I would like to thank our Board members, and all our business partners who have played an integral role in supporting our business thus far. Last but not least, I would also like to express appreciation to the management team and staff for their dedication and valuable contribution to the Group. It has been a privilege to work with such a dynamic and capable team, and I look forward to working hard together as we seek acquisition opportunities.

Yours sincerely,

Mr. Lam Chik Tsan

Executive Chairman and Group Chief Executive Officer

31 March 2017

FINANCIAL HIGHLIGHTS

	FY2016 (HK\$'000)	FY2015 (HK\$'000)	Changes
Revenue and Profitability			
Equipment sales	—	—	N.M.
Construction services	—	—	N.M.
Total	—	—	N.M.
Loss for the year attributable to owners of the Company			
– From continuing operations	(4,324)	(17,505)	-75.3%
– From discontinued operations	(647,561)	(121,046)	435.0%
Total	(651,885)	(138,551)	370.5%
Financial Position			
Total assets	882,549	1,901,170	-53.6%
Total liabilities	49,839	371,483	-86.6%
Net assets	832,710	1,529,687	-45.6%
Per share (HK\$ cents)			
Basic loss per share			
– Continuing operations	(0.44)	(1.79)	-75.4%
– Discontinued operations	(66.23)	(12.38)	435.0%
Total	(66.67)	(14.17)	370.5%
Net assets per share	85.17	156.45	-45.6%
Key financial ratios			
Current ratio (%)	1,770.8	120.6	
Gearing ratio (%)	5.6	19.5	

REVIEW OF OPERATIONS

OPERATIONAL OVERVIEW

FY2016 marked a significant milestone for C&G Environmental Protection Holdings Limited (“C&G” or the “Group”), following the Group’s disposal of its principal operating subsidiary, C&G Thailand, as well as all of its group companies.

C&G Thailand was acquired by New Sky, a company recently incorporated in Thailand, for an aggregate sum of RMB500 million.

Subsequent to year end, we were informed that New Sky was unable to pay the balance aggregate payment of RMB320.1 million as of 19 January 2017 as both New Sky and its parent, New Sky (China) Environmental & Tech Co. Ltd. (“New Sky China”), have yet to receive the requisite regulatory approval for the cross-border remittance of the sum from China. The buyer has sought an extension of the deadline for payment to 31 March 2017 and we have agreed to this request. Finally, the balance aggregate payment was settled on 20 March 2017.

Similarly, C&G also successfully completed the disposal of all group companies under C&G International to Ahead Auto for an aggregate sum of HK\$600 million. C&G International holds equity interests in Grandblue Environment Company (11.88%), C&G Environmental Protection (Hong Kong) Company Limited, C&G Green Energy (Hong Kong) Company Limited, C&G Green Energy (Shenzhen) Company Limited and C&G Industrial Services (Hong Kong) Company Limited.

Subsequent to year end, Ahead Auto has requested on 19 January 2017 that the remaining sum of HK\$344.71 million be paid within 15 business days after the buyer of C&G Thailand, New Sky, has paid the balance aggregate payment. We have agreed to Ahead Auto’s request to extend the payment deadline as this would give us sufficient time to perform the requisite remittances and to do the necessary handover. The remaining balance was received on 20 March 2017.

Following the disposals, C&G became a cash company.

REVIEW OF OPERATIONS

FINANCIAL REVIEW

As at 31 December 2016, revenue and gross profit stood at nil, as the Company is a cash company under Rule 1018 of the SGX-ST Listing Manual. Other income stood at nil, a decline from HK\$33,000 in the preceding year. This was mainly due to a decrease in interest income. Administrative expenses declined by 75.3%, from HK\$17.5 million as at 31 December 2015 to HK\$4.3 million as at 31 December 2016, mainly with repayment of insurance and bank charge for bank loans pertaining to WTE construction projects.

As a result of the above, coupled with loss from discontinuing operations, the Group ended FY2016 with a net loss of HK\$651.9 million, as compared to a net loss of HK\$138.6 million a year ago. Similarly, total comprehensive loss for the year attributable to the owners of the Company widened from HK\$216.0 million as at 31 December 2015 to HK\$697.0 million as at 31 December 2016.

BALANCE SHEET

The Group's non-current assets declined from HK\$1.6 billion to nil as at 31 December 2016. Inventories, which comprise of machinery and equipment also decreased from HK\$16.0 million to nil as at 31 December 2016.

Current assets, on the other hand, increased from HK\$254.7 million to HK\$882.5 million mainly due to the surge in other receivables, which increased from HK\$39.5 million as at 31 December 2015 to HK\$882.5 million as at 31 December 2016. The increase was due to the outstanding considerations from both Ahead Auto and New Sky.

Total borrowings declined from HK\$159.7 million to nil as at 31 December 2016. Current liabilities declined from HK\$211.2 million as at 31 December 2015 to HK\$49.8 million as at 31 December 2016. Notably, trade payables declined from HK\$52.0 million to nil over the same period. Similarly, accruals and other payables decreased from HK\$158.9 million to HK\$49.8 million as at 31 December 2016. This was mainly due to a significant decline in accruals and other payments due to others, which fell 98.0%, from HK\$30.7 million to HK\$623,000 as at 31 December 2016.

As at 31 December 2016, the Group's bank and cash balances was HK\$62,000, as compared to HK\$13.4 million a year ago. Shareholders' equity was approximately HK\$832.7 million as at 31 December 2016, compared to HK\$1,529.7 million as at 31 December 2015.

BOARD OF DIRECTORS

Lam Chik Tsan, 42

Executive Chairman and Group Chief Executive Officer

Graduated from Shishi Hanjiang Secondary School in 1990

Member of National Committee of the Chinese People's Political Consultative Conference

Date of first appointment as director: 25 September 2015

Date of last re-election as director: N/A

Length of service: 1 years 3 months

(as at 31 December 2016)

Present directorship in other listed companies

Nil

Present principal commitments (other than directorships in other listed companies)

Executive Director of C&G Holdings (Hong Kong) Limited

Executive Director of C&G Trading (Hong Kong) Limited

Executive Director of Toptex Investment (Hong Kong) Limited

Executive Director of Kaibo Technology Environments Limited

Executive Director of Xiamen C&G Group Company Limited

Directorships in other listed companies held over the preceding three years

Nil

Background

Mr. Lam Chik Tsan is the founder of C&G Environmental Protection Holdings Limited (Formerly known as CG Technologies Holdings Limited). Prior to founding our Group, Mr. Lam worked in Shishi Hanjing Liandai Hualian Knitting Factory as an apprentice from August 1990 to August 1991. From August 1991 to December 1996, Mr. Lam held various position in Shishi Hanjian Knitting Co., Ltd., a company owned by his father, rising through the ranks from technician to marketing manager and subsequently assistant general manager.

In January 1997, Mr. Lam founded Xiamen Xianggu Xingangcheng Import Export Co., Ltd where he was the director in charge of the company's yarn and chemical fibre import and export business. In October 1998, Mr. Lam found Xiamen C&G Group Co. Ltd., an investment holding company. In 2000, Mr. Lam founded the Group by establishing Longyan Chemical Fiber.

Mr. Lam has rich management experience and strong business network. Mr. Lam is currently a member of National Committee of the Chinese People's Political Consultative Conference.

BOARD OF DIRECTORS

Tam Sau Fung, 38

Executive Director and Group Deputy Chief Executive Officer

Graduated from Hong Kong Polytechnic University in 2001

Member of the Hong Kong Institute of Certified Public Accountants

Date of first appointment as director: 22 May 2015

Date of last re-election as director: N/A

Length of service: 1 years 7 months

(as at 31 December 2016)

Served on the following Board Committees

- Audit Committee – Member
- Nominating Committee – Member
- Remuneration Committee – Member

Present directorship in other listed companies

Nil

Present principal commitments (other than directorships in other listed companies)

Nil

Directorships in other listed companies held over the preceding three years

Nil

Background

Tam Sau Fung joined the Group in August 2010 as the Group Financial Controller. In May 2015, Ms Tam was appointed as the Executive Director and Group Deputy Chief Executive Officer to monitor the Group's management and accounting function.

Prior to joining the Group, she was the Financial Controller of China New Town Development Company Limited, a company dually listed on the main board of The Stock Exchange Securities Trading Limited and The Stock Exchange of Hong Kong Limited from 2008 to 2010.

Ms. Tam also worked as an auditor from international accounting firm, PricewaterhouseCoopers, in Hong Kong for seven years.

BOARD OF DIRECTORS

Alfred Cheong Keng Chuan, 48

Lead Independent Director

Bachelor's degree in Commerce (with majors in Accounting and Economics), Deakin University, Australia

Practising member of the Institute of Singapore Chartered Accountants

Certified Practising Member of the Australian Society of Certified Practising Accountants

Date of first appointment as director: 2 November 2004

Date of last re-election as director: 29 April 2014

Length of service: 12 years 2 months

(as at 31 December 2016)

Served on the following Board Committees

- Audit Committee – Chairman
- Nominating Committee – Chairman
- Remuneration Committee – Member

Present directorships in other listed companies

Debao Property Development Limited

China Hongxing Sports Limited

Jubilee Industries Holdings Limited

China Flexible Packaging Holdings Limited

Present principal commitments (other than directorships in other listed companies)

Executive Director of Crowe Horwath First Trust LLP

Directorships in other listed companies held over the preceding more than three years

Sinotel Technologies Ltd

Background and experience

Alfred Cheong is currently an Executive Director of Crowe Horwath First Trust LLP, a local firm of certified public accountants. He has over 20 years of experience in the audit and financial consulting services industry, including serving six years at Arthur Andersen from 1996 to 2001 and two years at Protiviti Pte Ltd from 2003 to 2005. Mr. Cheong also has extensive experience in commercial financial management having held the post of regional financial manager at Linklaters Allen & Gledhill Pte Ltd, an international legal firm from 2001 to 2002 and as the financial controller of Aztech Systems Ltd., a publicly-listed company in Singapore from June 2002 to October 2002.

BOARD OF DIRECTORS

Ng Li Yong, 45

Bachelor of Law, University of Kent, United Kingdom

Postgraduate Diploma in Singapore Law, National University of Singapore

Member of Law Society of Singapore and Singapore Academy of Law

Date of first appointment as director: 13 May 2013

Date of last re-election as director: 29 April 2014

Length of service: 3 years and 8 months

(as at 31 December 2016)

Served on the following Board Committees:

- Audit Committee – Member
- Nominating Committee – Member
- Remuneration Committee – Chairman

Present Directorships in other listed companies

WE Holdings Ltd.

Present Principal Commitments (other than directorships in other listed companies)

Director of WNLEX LLC, Advocates & Solicitors

Directorships in other listed companies held over the preceding three years

Nil

Background and experience

Ng Li Yong is a lawyer with more than 10 years of experience and is currently a director of WNLEX LLC, a full service law practice. His area of practice includes corporate, commercial and intellectual property.

SENIOR MANAGEMENT

Mr. Yim Ka Chi

Group Financial Controller

Yim Ka Chi, the Group Financial Controller, joined our Group in June 2015 and is responsible for our Group's financial management and accounting functions. Prior to joining our Group, Mr. Yim was the General Manager of Property Management and Finance Manager of C&D International Investment Group Limited, a state-owned group of companies under supervision of Xiamen Municipality People's Republic of China and listed on main board of The Stock Exchange of Hong Kong Limited, from 2013 to 2015. From 2008 to 2012, he was the Financial Controller of Liwayway China Group. Mr. Yim has over 20 years' experience in financial and accounting in various Hong Kong listed companies.

Mr. Yim holds a Higher Diploma in Accounting from Hong Kong Shue Yan University and is a Fellow Member of the Hong Kong Institute of Certified Public Accountants since 2006.

RISK MANAGEMENT REVIEW

Risk Management Framework

C&G formalised the risk management framework for the Group's organisation, business and strategic planning. The Group integrated a risk management reporting system into our daily operations to cultivate a vigilant culture in the containment of risks and to establish a comprehensive risk reporting and evaluation mechanism.

It is our understanding that risk is inherent in every business and investment activity, and can slow down the efficiency of a corporation, erode the profit and even destroy the foundation of continuity and sustainable growth of a business. Therefore, C&G is always mindful of proper risk management as a crucial element in delivering values to our stakeholders. After years of development, the Board of Directors has established a set of strategic risk objectives.

C&G places significant emphasis on risk management for the processes of financing, operation, strategy and compliance to ensure long-term, steady growth is achieved for the business. To facilitate the process of risk management, we adopted the Committee of Sponsoring Organisations of the Treadway Commission Enterprise Risk Management Integrated framework ("COSO ERM Integrated framework") by formalising the Risk Management Team amongst management, report to and oversight by the Board, identifying risk owners on the corporate and operational levels within the Group, creating awareness among risk owners, and conducting risk assessment exercises. Once the risk events have been identified and ranked, implementation of risk mitigation strategies will be imposed on those ranked at the "top-tier risk" category. After the execution of risk mitigation strategies, internal assessment on the effectiveness of risk mitigation implementation will be conducted as a mechanism to reevaluate the effectiveness of the existing risk mitigation strategies, as well as to recommend additional steps to assess, mitigate, and report on the impact of residual risks on an ongoing basis.

The Group believes that by implementing an effective risk management system, C&G can reduce the down side of the business and bring about tangible and quantifiable benefits, such as higher earnings and lower capital volatility, improved credit ratings, the satisfying of regulatory compliance, and higher shareholder value.

RISK MANAGEMENT REVIEW

Risk Management Structure and Process

C&G's risk management framework comprises two key elements: risk management structure and risk management process.

Risk Management Structure

- Facilitate risk identification whilst providing assurance to the Board;
- Assign clear roles and responsibilities to different risk owners throughout the risk management process; and
- Facilitate proper implementation of guidelines and reporting tools.

Two layers of roles and responsibilities are listed below:

Oversight, Risk Reporting and Communication

Risk Management Team and Senior Management

- Oversee top-tier risks and supervise risk management process as part of good corporate governance
- Communicate and assess the Group's risk profile and top-tier risks by corporate and operational levels.
- Identify top-tier risks considered material at the Group level.
- Monitor the progress of on-going mitigation plan and review the risk reporting process.

RISK MANAGEMENT REVIEW

Risk and Control Ownership

Business Units, Support Functions, and Individuals

- Ensure the risk management processes and mitigation plans follow good practices and guidelines established by the Group.
- Executives to meet regularly to review the risk profiles and risk management activities.
- Risk owners and managers responsible to report risk events and status of mitigation plan on regular basis.

Risk Management Process

- Embedded in C&G's strategy development, business planning, investment decisions, resource allocation and day-to-day operations.
- Involves establishing the context; identifying risks; assessing their consequences and likelihood; evaluating risk level, control gaps and priorities; and developing control and mitigation plans.
- A continuous process with periodic monitoring and review in place. An interactive process with cross functional communication and consultation.

Six key elements of each of the risk management components are listed out below:

Establish Context and risk objectives

- In accordance with the Group's business strategy, a set of strategic risk objectives on the corporate and operational levels has been established by the management, which will be reviewed on an annual basis.

Risk Event Identification

- Every quarter, our business and functional units are required to submit their top-tier risks identified through their risk management process to the Risk Management Team in a prescribed reporting format. Risks identified will be categorized under corporate or operational levels.

RISK MANAGEMENT REVIEW

Risk Assessment

- The Risk Management Team is responsible for conducting risk assessments with risk owners and managers using different assessment methodologies i.e. surveys, one-on-one interviews, scenario analysis.
- Top-tier risks will be identified based on the levels of likelihood and impact on particular risk events.
- Following review by the Risk Management Team, the Risk Assessment Report, with a summary of the top-tier risk findings, will be circulated to the Board of Directors.

Risk Response and Reporting

- Risk owners and managers are responsible for responding to the top-tier risks identified via the risk assessment.

They come up with a mitigation plan on a particular risk item and submit it to the Risk Management team for evaluation on a timely basis.

- Risk owners and managers are responsible for reporting any risk events on a regular basis.
- The Risk Management Team, through aggregation, filtering and prioritising processes, compiles an Internal Risk Management Report for discussion at the Risk Management Meeting. The Board reviews and examines the top-tier risks, and ensures the appropriate controls and mitigation measures are in place or in progress. Emerging risks that may have a material impact on the Group are monitored and discussed at the meeting.

RISK MANAGEMENT REVIEW

Mitigation Plans and Risk Control	<ul style="list-style-type: none">• Based on the proposed mitigation plan, risk owners and managers are responsible for reporting on the status of the mitigation plan on regular basis.• Ensure the risk management processes and mitigation plans follow good practices and guidelines established by the Group.
Ongoing Risk Monitoring	<ul style="list-style-type: none">• Risk owners and managers are responsible for the continual monitoring of existing risk profiles and identifying emerging risk events on a regular basis.• The Risk Management Team is responsible for the supervision and facilitation of the ongoing risk monitoring process.• Executives to meet regularly to review the risk profiles and risk management activities.

The Group's risk management framework has categorised its risks into the following main risk types:

Operational Risks

Operational risk reflects the effectiveness of our business, the integrity of internal control systems and processes and externalities that affect day-to-day operations. Operational risk management is integrated into day-to-day business operations and projects across all business units to facilitate early risk detection for proactive risk prevention and mitigation management. Formalised guidelines, procedures, internal training and tools are used to provide guidance in the assessment, mitigation and monitoring of risks.

Health, safety and environmental risks are key areas that are subject to close monitoring and oversight by dedicated risk owners and the Risk Management Team.

RISK MANAGEMENT REVIEW

Investment and Portfolio Risks

Balancing risk and return across asset types and geographic regions are primary considerations to achieve sustainable profitability and portfolio growth. Risk analyses on macro and project specific risks encompassed rigorous due diligence, feasibility studies and sensitivity analysis on key investment assumptions and variables. Each investment proposal is objectively evaluated to fit the Group's investment strategy and objective. Potential business synergies including collaboration risks assessments are identified early to ensure business partnership objectives and visions are well-aligned and collaboration partners are like-minded and compatible.

Financial Risks

Financial risk management relates to the Group's ability to meet financial obligations and mitigate credit risks, liquidity risks, currency risks and interest rate risks. The Group's policies and financial authority limits are reviewed periodically to incorporate changes in the operating and control environment.

The Group has established policies, guidelines and control procedures to manage and report exposure to such risks. The Group's financial risk management is discussed in detail on page 121 to 126 in Note 33 to the Financial Statements.

Policy and Regulatory Risks

During the current financial year, the Group has disposed all business. However, we regularly participate in discussions and consultations with the respective regulatory authorities to propose changes and provide feedback on regulatory reforms.

CORPORATE INFORMATION

Board of Directors

Mr. Lam Chik Tsan

(Executive Chairman and Group Chief Executive Officer)

Ms. Tam Sau Fung

(Executive Director and Group Deputy Chief Executive Officer)

Mr. Alfred Cheong Keng Chuan

(Lead Independent Director)

Mr. Ng Li Yong

(Independent Director)

Company Secretary

Mr. Lee Wei Hsiung, ACIS

Assistant Company Secretary

Codan Services Limited

Registered Office

Clarendon House

2 Church Street, Hamilton HM 11

Bermuda

Registration Number: 35842

Head Office and Principal Place of Business

Office F 23/F

MG Tower

133 Hoi Bun Road

Kwun Tong

Kowloon

Hong Kong

<http://www.cg-ep.com/>

Singapore Share Transfer Agent

Tricor Barbinder Share Registration Services

(a division of Tricor Singapore Pte. Ltd.)

80 Robinson Road, #02-00

Singapore 068898

CORPORATE INFORMATION

Bermuda Share Registrar

Codan Services Limited
Clarendon House
2 Church Street, Hamilton HM 11
Bermuda

Principal Bankers

Bank of China (Hong Kong) Limited

Independent Auditors

Mazars LLP
Public Accountants and Chartered Accountants
135 Cecil Street
#10-01 MYP Plaza
Singapore 069536
Partner-in-charge:
Mr. Tan Chee Tyan
With effect from financial year ended
31 December 2014

Investor Relations

Mr. Yim Ka Chi
Group Financial Controller
Office F 23/F
MG Tower
133 Hoi Bun Road
Kwun Tong
Kowloon
Hong Kong
T: (852) 2219 8555

CORPORATE GOVERNANCE REPORT

C&G Environmental Protection Holdings Limited (the “Company”) is committed to high standards of corporate governance so as to ensure greater transparency and protection of shareholders’ interests. This report outlines the corporate governance practices of the Company in relation to the Code of Corporate Governance 2012 (Code).

A. BOARD MATTERS

Principle 1: Board’s Conduct of its Affairs

The Board has the responsibility for the overall management of the Group. It establishes the corporate strategies of the Group, sets direction and goals for the executive management. It supervises the executive management and monitors performance of these goals to enhance shareholders’ value. The Board is responsible for the overall corporate governance of the Group.

The Board has identified a number of areas for which the Board has direct responsibility for decision-making. Interested Persons Transactions and the Group’s internal control procedures are also reviewed by the Board. Major investments and funding decisions are approved by the Board.

The Board also meets to consider the following corporate matters:

- Approval of quarterly and year end result announcements;
- Approval of the Annual Reports and Accounts;
- Convening of Shareholder’s Meetings;
- Approval of Corporate Strategies; and
- Material Acquisitions and disposal of assets.

To facilitate effective management, certain functions of the Board have been delegated to various Board Committees, namely Audit, Nominating and Remuneration Committees. These committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also constantly reviewed by the Board.

CORPORATE GOVERNANCE REPORT

The Board conducts regular scheduled meetings on a quarterly basis and as when necessary to address any specific significant matters that may arise. To ensure meetings are held regularly with maximum director participation, the Company's Bye-laws allow for the telephone and video-conferencing meetings.

Below is the attendance of the Directors at meetings of the Board and its committees in 2016:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings held	4	4	1	1
No. of meetings attended				
Lam Chik Tsan	4	NA	NA	NA
Tam Sau Fung	4	4	1	1
Alfred Cheong Keng Chuan	4	4	1	1
Ng Li Yong	4	4	1	1

NA Not a member

Directors are provided with continuing education in areas such as changes in financial reporting standards, corporate governance, as well as receive regular updates on relevant new laws and regulations, and evolving commercial risks and business conditions from the Company's relevant advisors. New directors, upon appointment, will be provided with a formal letter setting out the Directors' duties and responsibilities. They will undergo a comprehensive orientation programme including management presentations on the businesses, strategic plans and objectives of the Company and its Group. Directors also have the opportunity to visit the Group's operational facilities and meet with the Management to gain a better understanding of the Group's business operation.

Principle 2: Board Composition and Balance

The Board of Directors comprises 4 directors, two of whom are independent directors. The Directors of the Company as at the date of this statement are:

- (i) Mr Lam Chik Tsan (Executive Chairman and Group Chief Executive Officer)
- (ii) Ms Tam Sau Fung (Executive Director and Group Deputy Chief Executive Officer)
- (iii) Mr Alfred Cheong Keng Chuan (Non-Executive and Lead Independent Director)

(iv) Mr Ng Li Yong (Non-Executive and Independent Director)

The Board examines its size to satisfy that it is an appropriate size for effective decision making, taking into account the nature and scope of the Company's operations. As a team, the Board collectively provides core competencies in the areas of legal, accounting, finance, business and management experience.

Key information regarding the Directors is given in "Board of Directors" on page 9 to 12.

There is no alternate director on the Board.

Principle 3: Chairman and Chief Executive Officer

Mr Lam Chik Tsan is the Executive Chairman and Group Chief Executive Officer. Although the roles of the chairman and chief executive officer are not separated, the Audit Committee ("AC"), Remuneration Committee ("RC") and Nominating Committee ("NC") are chaired by independent directors. His performance and remuneration are reviewed periodically by the NC and RC. In addition, Mr Alfred Cheong Keng Chuan has been appointed as the Lead Independent Director of the Company and is available to shareholders should they have concerns which cannot be resolved through the normal channel of the Chairman or for which such contact is inappropriate. As such, the Board believes that there are adequate safeguards and checks in place to ensure that the process of decision-making by the Board is independent and based on collective decision-making without Mr Lam Chik Tsan being able to exercise considerable concentration of power or influence.

As the Executive Chairman and Group Chief Executive Officer, Mr Lam Chik Tsan has full responsibilities over the business directions and operational decisions of the Group and is also responsible for the effective workings of the Board, ensuring the integrity and effectiveness of its governance process.

Principle 4: Board Membership

Nominating Committee

The Nominating Committee (“NC”) comprises three members, majority of whom, including the Chairman, are independent. The members of the NC are:

- Mr Alfred Cheong Keng Chuan (Chairman)
Non-Executive and Lead Independent Director
- Mr Ng Li Yong
Non-Executive and Independent Director
- Ms Tam Sau Fung
Executive Director and Group Deputy Chief Executive Officer

The NC’s principal functions are as follows:

- (a) recommend to the Board on all board appointments and re-appointments;
- (b) determine independence of the Directors annually, and as and when circumstances require;
- (c) determine whether or not a Director is able to and has been adequately carrying out his duties as Director of the Company;
- (d) evaluate the performance and effectiveness of the Board as a whole;
- (e) review of training and professional development programs for the Board; and
- (f) review of Board succession plans.

The NC reviews the independence of each director annually. Each independent director is required to complete a Director’s Independence Form annually to confirm his independence based on the guidelines as set out in the Code. The directors must also confirm whether they consider themselves independent despite not having any relationship identified in the Code. The NC and the Board consider Mr Alfred Cheong Keng Chuan and Mr Ng Li Yong to be Independent Directors.

CORPORATE GOVERNANCE REPORT

The NC noted that under the Code, the independence of a director who has served more than nine years since the date of first appointment should be subject to rigorous review, and that Mr Alfred Cheong Keng Chuan (who was first appointed to the Board on 2 November 2004) has been with the Company for over nine years. The Board concurred with the NC that Mr Alfred Cheong Keng Chuan had retained strong independent-mindedness in the Board and Committee functions, notwithstanding his long tenure of service, and that Mr Alfred Cheong Keng Chuan had been exercising independent judgement in the best interests of the Company in the discharge of his director's duties and should be deemed independent.

With respect to the appointment of any new Director to the Board, candidates are identified through various sources and the NC reviews the expertise and experience of the candidates, interviews the short-listed candidates and recommends the most suitable candidate(s) to the Board for approval.

The Bye-laws of the Company require that any director appointed by the Board shall retire at the next annual general meeting of the Company. Accordingly, the Directors submit themselves for re-nomination and re-election at regular intervals of at least once every 3 years.

Mr Alfred Cheong Keng Chuan and Mr Ng Li Yong are retiring as Directors at the forthcoming annual general meeting of the Company pursuant to the Bye-laws of the Company. The NC and the Board had nominated them for re-election as Directors.

At present, the Board does not intend to set a maximum number of listed company board representations a Director may hold as it is of the view that the effectiveness of a Director should be evaluated by a qualitative assessment of his contributions to the Company's affairs taking into account his other commitments including his directorships in other listed companies. The NC considers that the multiple board representations held presently by some Directors do not impede their respective performance in carrying out their duties to the Company.

Details of the Directors' academic and professional qualifications and directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments are set out on pages 9 to 12 of this Annual Report.

Information regarding the Directors' shareholdings in the Company and related corporations is set out on page 37 of this Annual Report.

Principle 5: Board Performance

The NC uses objective and appropriate quantitative and qualitative criteria to assess the performance of individual directors, and the Board as a whole. Assessment parameters include the attendance records of the directors at Board or Committee meetings, the level of participation at such meetings, the quality of Board processes and the business performance of the Group. The performance of a Director is taken into account in the review of his re-election.

The NC is of the opinion that the Board is able to exercise objective judgement on corporate affairs independently and no individual or small group of individuals dominates the Board's decision making process.

Principle 6: Access to Information

The Board has separate and independent access to senior management and the company secretary at all times. Requests for information from the Board are dealt with promptly by management. The Board is informed of all material events and transactions as and when they occur. The management provides the Board with quarterly reports of the Company's performance. The management also consults with Board members regularly whenever necessary and appropriate. The Board is issued with board papers timely and prior to Board meetings.

The Company Secretary attends all board meetings. The Company Secretary administers, attends and prepares minutes of Board meetings, and assists the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively and the Company's Memorandum of Association and Bye-Laws and the relevant rules and regulations applicable to the Company are complied with. The appointment and removal of the Company Secretary are subject to the Board's approval.

Board members are aware that they, either individually or as a group, in the furtherance of their duties, can take independent professional advice, if necessary, at the Company's expense.

B. REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The Remuneration Committee (“RC”) comprises three members, majority of whom, including the Chairman, are independent. The Company is of the view that the size of the Group’s present business and operations does not justify the appointment of a third non-executive director for the purpose of reconstituting the RC to comprise solely of non-executive directors. The members of the RC are:

- Mr Ng Li Yong (Chairman)
Non-Executive and Independent Director
- Mr Alfred Cheong Keng Chuan
Non-Executive and Lead Independent Director
- Ms Tam Sau Fung
Executive Director and Group Deputy Chief Executive Officer

The functions of the RC are to review and recommend the remuneration packages of the Executive Directors, CEO and key executives of the Company, oversee and review the administration of the Employee Share Option Scheme, Performance Share Plan and Restricted Share Plan, and to review the appropriateness of compensation for Non-Executive Directors including but not limited to Directors’ fees and allowances.

The payment of fees to Non-Executive Directors is subject to approval at the annual general meeting of the Company. No director is involved in deciding his own remuneration.

Principle 8: Level and Mix of Remuneration

In setting the remuneration packages of the Executive Directors, the RC takes into account the respective performances of the Group and the individual. In its deliberation, the RC takes into consideration, remuneration packages and employment conditions within the industry and benchmarked against comparable companies.

Non-Executive Directors are paid a basic fee and an additional fee for serving on any of the committees. The Chairman of each of these committees is compensated for his additional responsibilities. Such fees are approved by the shareholders of the Company at the annual general meeting of the Company.

CORPORATE GOVERNANCE REPORT

Principle 9: Disclosure on Remuneration

The annual remuneration of non-executive Directors payable for 2016 is as follows:

Non-Executive Director	Position Held	Director's Fee
Mr Alfred Cheong Keng Chuan	Board member, Lead Independent Director, AC Chairman, NC Chairman and RC member	S\$56,800
Mr Ng Li Yong	Board member, RC Chairman, AC member and NC member	S\$50,000

In view of the competitive pressures in the talent market, the remuneration paid to the CEO, Executive Director and the top five key management personnel are not fully disclosed. In 2016, the level of mix of the annual remuneration of the CEO and Executive Director, and each of the top 5 members of Senior Management (who are not also Directors), in bands of S\$250,000, are set out below:

Name	Remuneration Band	Salary %	Bonus %	Fringe Benefits %	Total %
Executive Directors					
Lam Chik Tsan (CEO)	Below S\$500,000	100%	–	–	100%
Tam Sau Fung	Below S\$250,000	100%	–	–	100%
Top 5 Key Executives					
Yim Ka Chi	Below S\$250,000	100%	–	–	100%

The total remuneration paid to the top 5 members of Senior Management (who are not Directors) for the financial year ended 31 December 2016 was approximately HK\$700,000.

The Company does not have any employee who is an immediate family member of a Director or CEO whose remuneration exceeds S\$50,000 during the year.

The C&G Environmental Protection Holdings Employee Share Option Scheme, Performance Share Plan and Restricted Share Plan (collectively known as the “Scheme”) were implemented on 24 April 2013 primarily to reward and retain Executive Directors, Non-Executive Directors and employees whose services are vital to the Group’s success. It is administered by the RC. Details of the Scheme are set out in the Directors’ Report on page 37.

C. ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

In presenting the annual financial statements and quarterly announcements to shareholders, it is the aim of the Board to provide the shareholders with a balanced and understandable assessment of the Group’s performance, position and prospects.

The Management currently provides the Board with a continual flow of relevant information on a timely basis so that it may effectively discharge its duties. The Board members are also provided with up-to-date financial reports and other information on the Group’s performance for effective monitoring and decision making.

Principle 11: Risk Management And Internal Controls

The Board recognises that no internal control system will preclude all errors and irregularities. The system is designed to manage rather than to eliminate the risk of failure to achieve business objectives. The controls are to provide reasonable, but not absolute, assurance to safeguard shareholders’ investments and the Group’s assets. The Board regularly reviews the effectiveness of all internal controls, including financial, operational, compliance and information technology controls, and risk management system.

The Company outsources its internal audit function to an external professional firm, who reports directly to the Chairman of AC. The objective of the internal audit function is to determine whether the Group’s risk management, control and governance processes, as designed by the Company, is adequate and functioning in the required manner.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group’s internal controls and risk management systems, addressing financial, operational, compliance and information technology risks, were adequate as at 31 December 2016 within the current scope of the Group’s business operations.

CORPORATE GOVERNANCE REPORT

The Company has also adopted an enterprise risk management framework to enhance its risk management capabilities.

The Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the AC and Board.

The Board receives assurance from the Group Chief Executive Officer and Group Financial Controller that:

- (1) the financial records have been properly maintained;
- (2) the financial statements give a true and fair view of the Company's operations and finances; and
- (3) an effective risk management and internal control systems have been put in place.

Principle 12: Audit Committee

The Audit Committee ("AC") comprises three members, majority of whom, including the Chairman, are independent. The Company considers that it is not necessary for the time being, for all 3 members of the AC to be non-executive directors taking into account the nature of the scope of the Company's operations and the additional costs to be incurred in appointing an additional non-executive director. The Company will review the need to appoint another non-executive director when necessary. At the date of this report, the Audit Committee comprises the following members:

- Mr Alfred Cheong Keng Chuan (Chairman)
Non-Executive and Lead Independent Director
- Mr Ng Li Yong
Non-Executive and Independent Director
- Ms Tam Sau Fung
Executive Director and Group Deputy Chief Executive Officer

CORPORATE GOVERNANCE REPORT

The functions of the AC are as follows:

- (a) review with the internal and external auditors of the Company, their audit plan, evaluation of the internal accounting controls, audit report and ensures co-operation is given by the Company's management to the internal and external auditors;
- (b) review the interim and annual financial statements and the Auditors' report on the Company's annual financial statements before they are presented to the Board;
- (c) review with the management, external and internal auditors the adequacy and effectiveness of the company's internal controls, business and service systems and practices;
- (d) review related and interested party transactions;
- (e) consider the appointment and re-appointment of the external auditors.
- (f) approve the hiring, removal, evaluation and compensation of the internal audit function.

The AC has the power to conduct or authorize investigations into any matters within the AC's scope of responsibility. The AC is authorized to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Company.

The AC is kept abreast by the Management and the external auditors of changes to accounting standards, Listing Rules of the SGX-ST and other regulations which could have an impact on the Group's business and financial statements.

The AC has full access to and co-operation of the Company's management and has full discretion to invite any director or executive officer to attend the meetings, and has been given reasonable resources to enable it to discharge its functions. The AC meets with the external and internal auditors, without the presence of the management at least once a year. Ad-hoc meetings may be carried out from time to time, as circumstances require.

The AC, having reviewed the range and value of non-audit services performed by the external auditors, Mazars LLP, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

The aggregate amount of fees paid to the external auditors amounted to approximately HK\$400,000 for audit services.

CORPORATE GOVERNANCE REPORT

In appointing the audit firm for the Group, the Company has complied with Rules 712, 715 and 716 of the Listing Manual of the SGX-ST.

The Company has in place a whistle-blowing policy which provides well-defined and accessible channels in the Group through which employees may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters within the Group.

Principle 13: Internal Audit

The internal auditors will report to the Chairman of the AC on any material weaknesses and risks identified in the course of the audit which will also be communicated to management. Management will accordingly update the AC on the status of the remedial action plans. To ensure the adequacy of the internal audit function, the AC reviews the internal auditor's scope of work on an annual basis.

D. COMMUNICATIONS WITH SHAREHOLDERS

Principle 14: Shareholder Rights

Principle 15: Communications with Shareholders

Principle 16: Conduct of Shareholder Meetings

In line with continuous obligations of the Company pursuant to the Singapore Exchange's Listing Rules, the Board's policy is that all shareholders should be equally informed of all major developments impacting the Group.

Information is disseminated to shareholders on a timely basis through:

- SGXNET announcements and news release
- Annual Report prepared and issued to all shareholders

The Company participated in several investor conferences and roadshows during the year, and discussions were based on publicly available materials and information. The Company does not practise selective disclosure, and is mindful of the remedial action required to make public disclosure as soon as practicable, should there be an event of inadvertent disclosure.

CORPORATE GOVERNANCE REPORT

At the Company's annual general meetings, shareholders are given the opportunity to voice their views and ask Directors or Management questions regarding the Company. If shareholders are unable to attend the meeting, the Company's Bye-laws allow a shareholder of the Company to appoint up to two proxies to attend and vote in place of the shareholder. The Company is not implementing absentia voting methods such as voting via mail, facsimile or email until security, integrity and other pertinent issues are satisfactory resolved.

Separate resolutions on each distinct issue are proposed at general meetings for approval. All resolutions were put to vote by poll at the last Annual General Meeting held on 25 April 2016. Minutes of general meetings which include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, were prepared and made available to shareholders upon request.

The Board members and chairpersons of the Audit, Remuneration and Nominating Committees are present and available to address shareholders' questions at general meetings. The external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

The Company has previously established a formal dividend policy in March 2011 to distribute at least 20% of the Group's operating net profit (excluding all the one-off items, if any) as dividend for the next three financial years commencing from financial year ended 31 December 2011, as determined by the Board, and subject to:

- the requirements of the Bermuda Companies Act and shareholders' approval;
- any banking or other funding covenants by which the Company is bound from time to time; and
- the investment and operating requirements of the Company.

The Board would consider a new dividend policy according to its financial and business development requirements at an appropriate time.

No dividend was declared for the financial year ended 31 December 2016 as the Group reported a net operating loss on a full-year basis.

CORPORATE GOVERNANCE REPORT

E. DEALING IN SECURITIES

In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST, the Group issues quarterly reminders to its Directors, officers and employees on the restrictions in dealing in the Company's securities during the period commencing (i) two weeks prior to the announcement of financial results of each of the first three quarters of the financial year, and (ii) one month before the announcement of full year results, and ending on the date of such announcements.

Directors, officers and employees are also reminded not to trade in the Company's securities at any time while in possession of unpublished price sensitive information and to refrain from dealing in the Company's securities on short-term considerations.

F. MATERIAL CONTRACTS

There was no material contracts entered into by the Company or any of its subsidiaries involving the interest of the CEO, any Director, or controlling shareholder.

G. INTERESTED PERSONS TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders.

There are no interested person transactions between the Company or its subsidiaries and any of its interested persons subsisting at the end of the financial year ended 31 December 2016.

DIRECTORS' STATEMENT

The directors of the Company are pleased to submit this statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2016 and the statement of financial position of the Company as at 31 December 2016.

1. Opinion of the directors

In the opinion of the directors,

- i) the financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date; 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.

2. Directors

The directors of the Company in office at the date of this statement are:

Executive Directors

Lam Chik Tsan (*Executive Chairman & Group Chief Executive Officer*)

Tam Sau Fung (*Executive Director & Group Deputy Chief Executive Officer*)

Non-Executive and Independent Directors

Alfred Cheong Keng Chuan

Ng Li Yong

3. Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects were, or one of whose objects was to enable 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, except as disclosed in paragraphs 4 and 5 below.

DIRECTORS' STATEMENT

4. Directors' interests in shares or debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors shareholdings, an interest in the share capital of the Company and related corporations as stated below:

Name of directors and respective company in which interest are held	Direct interests		Deemed interests	
	At 1.1.2016	At 31.12.2016	At 1.1.2016	At 31.12.2016
The Company				
No. of ordinary shares of HK\$0.10 each				
Lam Chik Tsan	–	–	774,537,355	774,537,355
Tam Sau Fung	798,000	798,000	–	–

The directors' interests as at 21 January 2017 were the same as those at 31 December 2016.

5. Share options

On 24 April 2013, the shareholders of the Company approved and adopted an Employee Share Option Scheme (the "CG ESOS"), a Performance Share Plan (the "CG PSP") and a Restricted Share Plan (the "CG RSP"). The CG ESOS, CG PSP and CG RSP will provide eligible participants, such as the executive directors and employees of the Group who are not controlling shareholders or their associates, with an opportunity to participate in the equity of the Group. The aggregate number of new shares over which options may be granted under the CG ESOS, the aggregate number of new shares to be issued under the CG PSP and the CG RSP, on any date shall not exceed 10% of the total number of issued shares of the Company (excluding Treasury Shares, if any) on the day preceding the date of the relevant grant. The number of options and number of shares to be granted to the eligible participants, exercise price, exercise period and the timing of such grant are to be determined at the absolute discretion of the Remuneration Committee.

The CG ESOS, CG PSP and CG RSP are administered by the Remuneration Committee whose members are:

Ng Li Yong
Alfred Cheong Keng Chuan
Tam Sau Fung

DIRECTORS' STATEMENT

5. Share options (Continued)

A member of the Remuneration Committee who is also a participant of the CG ESOS, CG PSP and CG RSP must not be involved in its deliberation in respect of the options and shares granted or to be granted to him.

During the financial years ended 31 December 2016 and 2015, the Company did not grant any share options under CG ESOS, CG PSP and CG RSP.

During the financial year ended 31 December 2016, the Company forfeited 142,000 shares under CG RSP. (2015: 193,000 share under CG ESOS, 116,000 share under CG PSP and 77,000 shares under CG RSP).

Details of shares granted to CG RSP participants, who received shares pursuant to the vesting of awards granted under the CG RSP which, in aggregate, represent 5% or more of (1) the total number of new shares available under the CG RSP and (2) the total number of existing shares purchased for delivery of awards released under the CG RSP during the financial year ended 31 December 2016 are as follows:

Name of CG RSP participant	Aggregate number of shares comprised in awards granted during the financial year under review (‘000)	Aggregate number of shares comprised in awards granted since the commencement of the CG RSP to the end of the financial year under review (‘000)	Aggregate number of shares comprised in awards granted which have exercised/forfeited during the financial year under review and in respect of such awards, the proportion of shares issued or transferred upon the release of the vested awards (‘000)	Aggregate number of shares comprised in awards granted which have not been released as at the end of the financial year under review (‘000)
Tam Sau Fung	200	200	–	200
Ning He	142	142	(142)	–
	<u>342</u>	<u>342</u>	<u>(142)</u>	<u>200</u>

Non-executive directors, controlling shareholders of the Company and their associates are not eligible to participate in the CG ESOS, CG PSP and CG RSP. Detailed terms of the CG ESOS, CG PSP and CG RSP have been set out in Note 24 to the financial statements.

DIRECTORS' STATEMENT

6. Audit Committee

The Audit Committee ("AC") comprises the following directors:

Alfred Cheong Keng Chuan (*Chairman and Lead Independent Director*)
Ng Li Yong
Tam Sau Fung

The AC performs the functions specified in the Listing Manual of the SGX-ST and the Code of Corporate Governance. The functions performed are as follows:

- (a) Review with the internal and external auditors of the Company, their audit plan, evaluation of the internal accounting controls (applicable for internal auditors), audit report and ensures co-operation is given by the Company's management to the internal and external auditors;
- (b) Review the interim and annual financial statements and the Auditors' report on the Company's annual financial statements before they are presented to the Board;
- (c) Review with the management and the internal auditors the adequacy and effectiveness of the Company's internal controls, business and service systems and practices;
- (d) Review related and interested party transactions;
- (e) Consider the appointment and re-appointment of the external auditors; and
- (f) Approve the hiring, removal, evaluation and compensation of the internal audit function.

The AC has the power to conduct or authorise investigations into any matters within the AC's scope of responsibility. The AC is authorised to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Company.

The AC is kept abreast by the management and the external auditors of changes to accounting standards, Listing Rules of the SGX-ST and other regulations which could have an impact on the Group's business and financial statements.

The AC has full access to and co-operation of the Company's management and has full discretion to invite any director or executive office to attend the meetings, and has been given reasonable resources to enable it to discharge its functions. The AC meets with the external and internal auditors, without the presence of the management at least once a year. Ad-hoc meetings may be carried out from time to time, as circumstances require.

DIRECTORS' STATEMENT

6. Audit Committee (Continued)

The Company has in place a whistle-blowing policy which provides well-defined and accessible channels in the Group through which employees may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters within the Group.

7. Auditors

The auditors, Mazars LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Lam Chik Tsan
Executive Chairman
& Group Chief Executive Officer

Tam Sau Fung
Executive Director &
Group Deputy Chief Executive Officer

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of C&G Environmental Protection Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) which comprise the statements of financial position of the Group and of the Company as at 31 December 2016, and the statement of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on page 47 to 129.

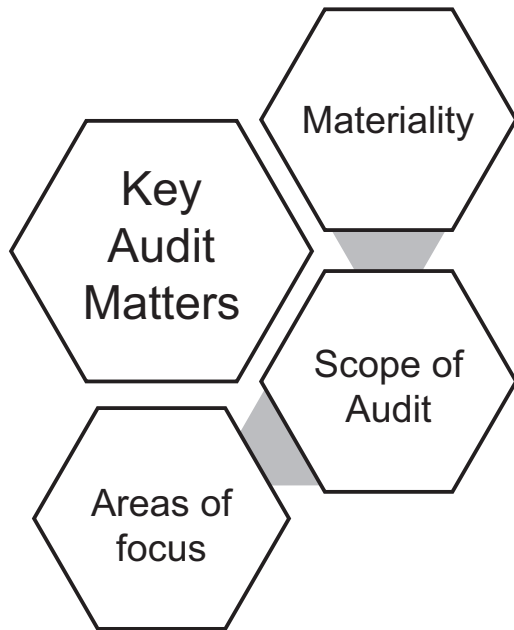
In our opinion, the accompanying financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the International Financial Reporting Standards (“IFRSs”) so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (“ACRA”) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (“ACRA code”) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

Overview



We designed a risk-based audit approach in identifying and assessing the risks of material misstatement at both the financial statement and assertion levels.

As in all our audits, we exercised our professional judgment in determining our materiality, which was also affected by our perception of the financial information needs of the users of the financial statements, being the magnitude of misstatement in the financial statements that makes it probable for a reasonably knowledgeable person to change or be influenced in his economic decision.

We focused our resources and effort on areas which were assessed to have higher risks of material misstatement, including areas which involve significant judgements and estimates to be made by management. We will elaborate on the salient areas of focus in the key audit matters below.

Key Audit Matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current period. The matter includes salient areas of focus in our audit and do not represent all the risks identified by our audit. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

Key Audit Matter (Continued)

Matter	Audit response
Accounting treatment of disposal of waste-to-energy (“WTE”) operation and subsidiaries of the Group (refer to Note 8 and 14 to the financial statements)	
<p>On 26 August 2016, the Group entered into two sales and purchase agreements (“SPAs”) to dispose of its core operations, comprising mainly two sub-groups (“disposal transactions”), namely:</p> <p>i) C&G Environmental Protection (Thailand) Company Limited (“C&G Thailand”); and</p> <p>ii) The remaining sub-group under C&G Environmental Protection International Limited (“C&G International”).</p> <p>On 8 November 2016, the shareholders approved these disposal transactions in a Special General Meeting.</p> <p>The Group announced that all conditions precedent stipulated in C&G Thailand’s SPA and C&G International’s SPA were fulfilled on 28 and 30 December 2016 respectively, and hence the disposal transactions were completed.</p> <p>On 30 December 2016, the Group ceased to exist with the effective loss of control of all its subsidiaries and reported net loss on disposal of the aforementioned operations of HK\$482.5 million. The results of the discontinued operations were disclosed in the statement of profit or loss and other comprehensive income for the financial year then ended.</p> <p>The total disposal consideration for the 2 sub-groups above amounted to HK\$1.16 billion and the remaining consideration receivables as at the financial year end was approximately HK\$882.5 million.</p> <p>We focused on this area given the significance of the transactions.</p>	<p>We reviewed the SPAs of both disposal transactions and assessed whether all conditions precedent stipulated in the SPAs were met as of the financial year end.</p> <p>As part of our assessment, we verified that the Company lost its control of its subsidiaries consequent to the transfer of its shares in C&G Thailand and C&G International to the respective buyers on 28 and 30 December 2016 respectively.</p> <p>We assessed the computation, presentation and classification of the loss on disposal of the subsidiaries by performing the following procedures:</p> <ul style="list-style-type: none"> • agreed the sales consideration to the SPAs and consideration received and receivable; • agreed net assets of the subsidiaries disposed to the underlying records; • evaluated presentation of discontinued operations in the financial statements; and • evaluated the classification of the results of the profit or loss on the discontinued operations. <p>As part of our procedures to review the recoverability of the outstanding consideration receivables of HK\$882.5 million, we have performed the following procedures:</p> <p>i) verified the receipts subsequent to the financial year end; and</p> <p>ii) reviewed management’s assessment of the recoverability of outstanding consideration receivables.</p>

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and the independent auditors' report thereon, which we obtained prior to the date of this report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Tan Chee Tyan.

MAZARS LLP

Public Accountants and Chartered Accountants

Singapore

31 March 2017

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	Note	2016 HK\$'000	2015 HK\$'000 (Restated)
Revenue		—	—
Cost of sales		—	—
Gross profit		—	—
Other income	5	—	33
Administrative expenses		(4,324)	(17,538)
Loss before taxation from continuing operations	6	(4,324)	(17,505)
Income tax expense	7	—	—
Loss from continuing operations attributable to owners of the Company		(4,324)	(17,505)
Loss for the year from discontinued operations attributable to owners of the Company	8	(647,561)	(121,046)
Loss for the financial year		(651,885)	(138,551)
Other comprehensive income:			
Components of other comprehensive income that will be reclassified to profit or loss, net of taxation			
Exchange differences on translation of foreign operations		—	(5,078)
Foreign currency translation reserve derecognised upon disposal of subsidiaries		(62,831)	—
Available-for-sale financial assets:			
Fair value loss		(205,798)	(72,357)
Fair value loss derecognised on disposal of subsidiaries		223,537	—
Total other comprehensive loss that will be reclassified to profit or loss, net of taxation		(45,092)	(77,435)
Total other comprehensive income, net of taxation		(45,092)	(77,435)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		(696,977)	(215,986)
		<i>HK Cents</i>	<i>HK Cents</i>
Loss per share from continuing operations			
– Basic and diluted	9	(0.44)	(1.79)
Loss per share from discontinued operations			
– Basic and diluted	8	(66.23)	(12.38)

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	Group		Company	
		2016	2015	2016	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Fixed assets	10	–	5,328	–	–
Goodwill	11	–	–	–	–
Intangible assets	12	–	385,128	–	–
Available-for-sale financial assets	13	–	1,255,926	–	–
Investment in subsidiaries	14	–	–	–	575,396
Investment in a joint venture	15	–	71	–	–
		–	1,646,453	–	575,396
Current assets					
Inventories	16	–	15,965	–	–
Trade receivables	17	–	16,777	–	–
Gross amounts due from customers for contract work	18	–	17,381	–	–
Other deposits and other receivables	19	882,487	39,541	882,487	–
Amount due from ultimate holding company	20	–	118,773	–	–
Prepayments		–	714	–	–
Due from subsidiaries	14	–	–	–	1,115,378
Pledged bank deposits	21	–	32,160	–	9,362
Bank and cash balances	21	62	13,406	62	252
		882,549	254,717	882,549	1,124,992
TOTAL ASSETS		882,549	1,901,170	882,549	1,700,388
Capital and reserves					
Share capital	22	97,776	97,776	97,776	97,776
Reserves	23	734,934	1,431,911	734,934	1,007,077
Equity attributable to owners of the Company		832,710	1,529,687	832,710	1,104,853
Non-current liabilities					
Interest-bearing borrowings	25	–	159,746	–	–
Finance lease payables	26	–	538	–	–
		–	160,284	–	–
Current liabilities					
Trade payables	27	–	51,957	–	–
Accruals and other payables	28	49,839	158,877	49,839	1,134
Due to subsidiaries	14	–	–	–	594,401
Finance lease payables	26	–	365	–	–
		49,839	211,199	49,839	595,535
Total liabilities		49,839	371,483	49,839	595,535
TOTAL EQUITY AND LIABILITIES		882,549	1,901,170	882,549	1,700,388

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

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Group	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Share-based payment reserve HK\$'000	Foreign currency translation reserve HK\$'000	Available- for-sale reserve HK\$'000	Retained earnings HK\$'000	Total reserves HK\$'000	Attributable to owners of the Company HK\$'000
Balance at 1 January 2016	97,776	188,517	702,151	29	62,831	(17,739)	496,122	1,431,911	1,529,687
Transfer to contributed surplus	-	(188,517)	188,517	-	-	-	-	-	-
Total comprehensive loss for the financial year	-	-	-	-	(62,831)	17,739	(651,885)	(696,977)	(696,977)
Loss for the financial year	-	-	-	-	-	-	(651,885)	(651,885)	(651,885)
Other comprehensive income:									
Derecognition of foreign currency translation reserve on disposal of subsidiaries	-	-	-	-	(62,831)	-	-	(62,831)	(62,831)
Available-for-sale financial assets:									
Fair value loss	-	-	-	-	-	(205,798)	-	(205,798)	(205,798)
Fair value changes reclassified to profit or loss on disposal of subsidiaries (Note 13)	-	-	-	-	-	223,537	-	223,537	223,537
Total other comprehensive income, net of taxation	-	-	-	-	(62,831)	17,739	-	(45,092)	(45,092)
Balance at 31 December 2016	<u>97,776</u>	<u>-</u>	<u>890,668</u>	<u>29</u>	<u>-</u>	<u>-</u>	<u>(155,763)</u>	<u>734,934</u>	<u>832,710</u>
Group	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Share-based payment reserve HK\$'000	Foreign currency translation reserve HK\$'000	Available- for-sale reserve HK\$'000	Retained earnings HK\$'000	Total reserves HK\$'000	Attributable to owners of the Company HK\$'000
Balance at 1 January 2015	97,302	186,115	702,151	1,457	67,909	54,618	974,281	1,986,531	2,083,833
Dividend paid (Note 30)	-	-	-	-	-	-	(339,608)	(339,608)	(339,608)
Share based payment	-	-	-	(52)	-	-	-	(52)	(52)
Share issued upon exercise of share options and share awards	474	2,402	-	(1,376)	-	-	-	1,026	1,500
Total comprehensive loss for the financial year	-	-	-	-	(5,078)	(72,357)	(138,551)	(215,986)	(215,986)
Loss for the financial year	-	-	-	-	-	-	(138,551)	(138,551)	(138,551)
Other comprehensive income:									
Exchange differences on translating foreign operations	-	-	-	-	(5,078)	-	-	(5,078)	(5,078)
Available-for-sale financial assets:									
Fair value loss (Note 13)	-	-	-	-	-	(72,357)	-	(72,357)	(72,357)
Total other comprehensive income, net of taxation	-	-	-	-	(5,078)	(72,357)	-	(77,435)	(77,435)
Balance at 31 December 2015	<u>97,776</u>	<u>188,517</u>	<u>702,151</u>	<u>29</u>	<u>62,831</u>	<u>(17,739)</u>	<u>496,122</u>	<u>1,431,911</u>	<u>1,529,687</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	2016 HK\$'000	2015 HK\$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation		
– Continuing operations	(4,324)	(17,505)
– Discontinued operations	(647,561)	(121,046)
	(651,885)	(138,551)
Adjustments for:		
Depreciation and amortisation	17,770	1,528
Interest expenses	4,149	1,542
Loss from construction services	–	3,704
Loss on disposal of discontinued operation	514,650	–
Loss on disposal of joint venture	71	–
Interest income	(176)	(533)
Dividend income	–	(7,417)
Unwinding of unamortised upfront fee on interest-bearing borrowings	6,446	–
Impairment loss of goodwill	–	22,845
Share-based payment expenses	–	(52)
Operating loss before working capital changes	(108,975)	(116,934)
Decrease in inventories	1,997	6,016
(Increase)/decrease in trade receivables	(118,412)	82,435
Decrease/(increase) in other deposits and other receivables	60,379	(14,968)
Increase in trade deposits and prepayments	(48,567)	(656)
Decrease/(increase) in amount due from ultimate holding company	167,989	(118,773)
Decrease in trade payables	(14,884)	(38,198)
Decrease/(increase) in accruals and other payables	254,424	(16,592)
Effect of foreign exchange rate changes	(4,217)	(11,531)
Cash generated from/(used in) operations	189,734	(229,201)
Interest paid	(4,149)	(9,152)
Net cash generated from/(used in) operating activities	185,585	(238,353)

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 HK\$'000	2015 HK\$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for construction work for BOT projects		(17,530)	(179,270)
Net cash outflow on acquisition of a subsidiary	14	–	(57,635)
Net cash inflow from disposal of subsidiaries	8	203,858	1,009,736
Purchase of fixed assets		748	(4,535)
Proceeds from disposal of fixed assets		95	–
Dividend received		–	7,417
Interest received		176	533
		<u>187,347</u>	<u>776,246</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		–	(339,608)
Shares issued upon exercise of share options and share awards		–	1,500
Repayment to ultimate holding company and a related company		(251,968)	(242,709)
Decrease in pledged bank deposits		32,160	2,145
Repayment of finance lease payables		(276)	(376)
Repayment of interest-bearing borrowings		(166,192)	(145,507)
Drawdown of interest-bearing borrowings		–	198,529
		<u>(386,276)</u>	<u>(526,026)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(13,344)	11,867
Effect of foreign exchange rate changes		–	49
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR			
		<u>13,406</u>	<u>1,490</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR			
	21	<u>62</u>	<u>13,406</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	21	<u>62</u>	<u>13,406</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

The Company (Registration number 35842) is incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Office F, 23/F., MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong. The Company's shares are listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST").

The principal activity of the Company was that of an investment holding company. The principal activities of its disposed subsidiaries are set out in Note 14 to the financial statements.

As disclosed in Note 8, the Company entered into several Sales and Purchase Agreements ("SPA") to dispose of all of its subsidiaries. Upon completion of disposal of all the subsidiaries as at 30 December 2016, the Group ceased to exist as the Company was no longer a parent which controls any entities. As of 30 December 2016, the Company does not own nor operate any business and is a cash company under Rule 1018 of the Listing Manual.

In the opinion of the directors of the Company, as at 31 December 2016, C&G Holdings (Hong Kong) Limited, a company incorporated in Hong Kong, is the immediate holding and ultimate holding company and Mr. Lam Chik Tsan is the ultimate controlling party of the Company.

The financial statements of the Company for the financial year ended 31 December 2016 were authorised for issue by the Board of Directors on 31 March 2017.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current financial year, the Company has adopted all the new and revised International Financial Reporting Standards ("IFRSs") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2016. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Company's accounting policies, presentation of the Company's financial statements and has no material effect on the amounts reported for the current or prior financial years.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

IFRSs and IFRIC issued but not yet effective

At the date of authorisation of these financial statements, the following IFRS and IFRIC that were issued but not yet effective:

		Effective date (annual periods beginning on or after)
IFRS 2	Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transaction	1 January 2018
IFRS 4	Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 10, IAS 28	Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 15	Amendments to IFRS 15: Effective date of IFRS 15	1 January 2018
IFRS 15	Amendments to IFRS 15: Clarifications to IFRS 15	1 January 2018
IFRS 16	Leases	1 January 2019
IAS 7	Amendments to IAS 7: Disclosure Initiative	1 January 2017
IAS 12	Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
IAS 40	Amendments to IAS 40: Transfers of Investment Property	1 January 2018
Various	Improvements to IFRSs (December 2016)	Various
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

Consequential amendments were also made to various standards as a result of these new or revised standards.

The Group and Company have not early adopted any of the above new or revised standards, interpretations and amendments to the existing standards in the financial year ended 31 December 2016. Management does not anticipate the adoption of the above IFRSs will have a material impact on the Group and Company in the period of their initial adoption except as follows:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

IFRS 9 Financial Instruments

IFRS 9 supersedes IAS 39 *Financial Instruments: Recognition and Measurement* with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Financial assets are classified into financial assets measured at (i) fair value through profit or loss; (ii) amortised cost; or (iii) fair value through other comprehensive income, depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, or as otherwise designated as such upon initial recognition, if allowed.

Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the entity will have a choice to recognise the gains and losses in other comprehensive income if the financial assets are measured at fair value through other comprehensive income.

There have been no changes in the de-recognition requirements of financial assets and liabilities, nor the recognition, classification and measurement requirements for financial liabilities from IFRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch.

A new forward-looking impairment model based on expected credit losses, which replaces the incurred loss model in IAS 39, determines the recognition of impairment provisions as well as interest revenue. An entity will recognise (at a minimum of) 12 months of expected credit losses in profit or loss for financial assets measured at amortised cost or fair value through other comprehensive income, unless in the circumstance when there is a significant increase in credit risk after initial recognition which requires the entity to recognise lifetime expected credit losses on the affected assets.

The Group does not intend to early adopt IFRS 9. The Group is still assessing the potential impact of IFRS 9 on its financial statements in the initial year of adoption.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with IFRSs and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in Note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The financial statements of the Company comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including structured entities) (i) over which the Company has power and the Company is (ii) able to use such power to (iii) affect its exposure, or rights, to variable returns from them through its involvement with them.

The Company reassesses whether it controls the subsidiaries if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Company has less than a majority of the voting rights of an investee, it still has power over the investee when the voting rights are sufficient, after considering all relevant facts and circumstances, to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers, among others, the extent of its voting rights relative to the size and dispersion of holdings of the other vote holders, currently exercisable substantive potential voting rights held by all parties, rights arising from contractual arrangements and voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated from the date on which control is transferred to the Company up to the effective date on which control ceases, as appropriate.

Intra-company assets and liabilities, equity, income, expenses and cash flows relating to intra-company transactions are eliminated on consolidation.

The financial statements of the subsidiaries used in the preparation of the financial statements are prepared for the same reporting date as that of the Company. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Consolidation (Continued)

Non-controlling interests are identified separately from the Company's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in the subsidiary are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the amount by which the non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiary and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Company loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Investments in subsidiaries are carried at cost less any impairment loss that has been recognised in profit or loss in the Company's separate financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Business combination

Business combinations from 1 January 2010

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at the lower of cost and fair value less costs to sell.

Where a business combination is achieved in stages, the Company's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Company attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Company of an acquiree's share-based payment awards are measured in accordance with IFRS 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Business combination (Continued)

Business combinations from 1 January 2010 (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Company's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations were accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Business combination (Continued)

Business combinations before 1 January 2010 (Continued)

Business combinations achieved in stages were accounted for as step acquisitions. Adjustments to those fair values relating to previously held interests were treated as a revaluation and recognised in equity.

When the Company acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Company had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

(c) Joint arrangement

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as a joint operation or a joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Company with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Company with rights to the net assets of the arrangement, the arrangement is a joint venture.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only decisions about the relevant activities require unanimous consent of the parties sharing control.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Joint arrangement (Continued)

On acquisition of the investment, any excess of the cost of the investment over the Company's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill and is included in the carrying amount of the investment. Any excess of the Company's net fair value of the joint venture's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Company's share of the joint venture's profit or loss in the reporting period in which the investment is acquired.

The results and assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, from the date on which the investees become a joint venture. Under the equity method, investments in joint ventures are carried at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the joint venture, less any accumulated losses of individual investments. The Company's share of losses in a joint venture in excess of the Company's interest in that joint venture (which includes any long term interests that, in substance, form part of the Company's net investment in the joint venture) are not recognised, unless the Company has incurred legal or constructive obligations or made payments on behalf of the joint ventures. Distributions received from the joint venture reduce the carrying amount of the investment.

Any goodwill arising on the acquisition of the Company's interest in a joint venture is accounted for in accordance with the Company's accounting policy for goodwill arising on such acquisitions(see above).

Unrealised profits and losses are eliminated to the extent of the Company's interest in the joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency transactions and translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements of the Company and statement of financial position of the Company are presented in Hong Kong dollar (HK\$), which is also the Company's functional currency, and all values presented are rounded to the nearest thousand ("HK\$'000"), unless otherwise indicated.

(ii) *Transactions and balances in each entity's financial statements*

Foreign currency transactions are translated into the individual entities' respective functional currencies at the exchange rates prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

Exchange differences relating to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency transactions and translation (Continued)

(iii) Translation on consolidation

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Company's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (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.

(e) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of fixed assets includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of fixed assets if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the fixed assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed assets (Continued)

Depreciation of fixed assets is calculated at rates appropriate to write off their costs less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Leasehold improvements	3 years
Plant and machinery	5 to 10 years
Motor vehicles	5 years
Furniture, fixtures and office equipment	2 to 5 years

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, estimated useful lives and depreciation method are reviewed and adjusted, as appropriate, at the end of each reporting period.

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

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

(f) Leases

The Company as lessee

(i) *Operating leases*

Leases that do not substantially transfer to the Company all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) *Finance leases*

Leases that substantially transfer to the Company all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leases (Continued)

(ii) Finance leases (Continued)

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets over the shorter of the lease term and their estimated useful lives.

(g) Intangible assets

(i) Service concession arrangements

The Company recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. The intangible asset received as consideration for providing construction services in a service concession arrangement is measured at fair value upon initial recognition, estimated by reference to the fair value of the construction services provided.

Subsequent to initial recognition the intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is made on a straight-line basis over its estimated useful life of 20 years. The estimated useful life of the intangible asset is the period when it is available for use to the end of the concession period.

No amortisation is charged on construction-in-progress as they are not yet in use at the end of the financial year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Intangible assets (Continued)

(ii) Goodwill on acquisition

Goodwill represents the excess of the cost of an acquisition over the net fair value of the Company's interest in the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity carried at the date of acquisition. Goodwill is at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit (including the goodwill), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The attributable amount of goodwill is included in the determination of gain or loss on disposal of the subsidiary or jointly controlled entity.

On acquisition of an investment in an associate or joint venture, any excess of the cost of investment over the Company's share of the net fair value of the identifiable assets and liabilities of the associate or joint venture is recognised as goodwill, which is included in the carrying amount of the investment. Any excess of the Company's share of net fair value of the identifiable assets and liabilities of the associate or joint venture over the cost of investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories, comprise mainly of machineries and equipments used in the repairs and maintenance of the waste-to-energy power plants, are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded in the statement of financial position at the amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the statement of financial position as “Gross amounts due from customers for contract work”. When progress billings exceed costs incurred plus recognised profits less recognised losses, the surplus is recorded in the statement of financial position as “Gross amounts due to customers for contract work”. Progress billings not yet paid by the customer are included in the statement of financial position under “Trade receivables”. Amounts received before the related work is performed are included in the statement of financial position under “Trade payables”.

(j) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Financial assets

All financial assets are recognised on a trade date – the date on which the Company commits to purchase or sell the asset. They are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Loans and receivables

The Company's loans and receivables comprise trade and other receivables, amount due from subsidiaries, pledged bank deposits and bank and cash balances.

Such loans and receivables are non-derivatives with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets (AFS)

Certain equity instruments and debt securities held by the Company are classified as AFS if they are not classified in any of the other categories. Subsequent to initial recognition, with the exception of unquoted equity instruments that are not carried at fair value as the fair value cannot be reliably measured, AFS are measured at fair value and changes therein are recognised directly in the available-for-sale reserve with the exception of impairment losses, interests calculated using the effective interest method and foreign exchange gains and losses arising from monetary items. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale reserve is included in profit or loss for the year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment 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.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Ordinary share capital

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities (Continued)

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

Other financial liabilities

Trade and other payables, amount due to subsidiaries and finance lease payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Company's accounting policy for borrowing costs (see above).

Financial guarantee contracts

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment terms.

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation in accordance with FRS 18 Revenue.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

(k) Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders.

(l) Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. For the statement of cash flows, the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

(m) Discontinued operations

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative profit or loss is re-presented as if the operation had been discontinued from the start of the comparative period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

Revenue relating to the construction services under a service concession arrangement is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract.

Revenue relating to construction contracts are recognised on a percentage of completion method. Percentage of completion is determined based on completion of physical proportion of the contract work. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contracts costs are recognised as an expense in the period in which they are incurred.

Revenue from waste-to-energy power plant operation services is recognised when the electricity is generated and transmitted to the power grid.

Sale of goods

Revenue from the sale of goods is recognised when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods; retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; is able to reliably measure the amount of revenue and the costs incurred or to be incurred in respect of the transaction; and assesses that it is probable for the economic benefits associated with the transaction to flow to the entity.

Interest income

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Revenue recognition (Continued)

Dividend income

Dividend income is recognised when the shareholder's right to receive the payment has been established.

(o) Employee benefits

(i) *Employee leave entitlements*

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Pension obligations*

The Company contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Company and employees are calculated as a percentage of employees' basic salaries. The retirement scheme cost charged to profit or loss represents contributions payable by the Company to the funds.

The Company participates in the national pension schemes as defined by the laws of the People's Republic of China ("PRC"). Subsidiaries incorporated in the PRC are required to provide staff pension benefits to their employees under existing PRC legislation. These subsidiaries are required to contribute a certain percentage of their payroll costs to the pension scheme to fund the benefits. The pension funds are managed by government agencies, which are responsible for paying pensions to the retired employees. Contributions under the pension scheme are charged to the profit or loss as they become payable in accordance with the rules of the pension scheme.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Employee benefits (Continued)

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Company can no longer withdraw the offer of those benefits and when the Company recognises restructuring costs and involves the payment of termination benefits.

(p) Share-based payments

The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. At the end of each financial year, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised over the remaining vesting period with a corresponding adjustment to the equity-settled share options reserve.

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Government grants

Government grants are recognised when there is reasonable assurance that the Company will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

(s) Income tax

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Income tax (Continued)

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Related parties (Continued)

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors are considered key management personnel.

(u) Impairment of tangible and intangible assets excluding goodwill

The Company reviews the carrying amounts of its tangible and intangible assets as at each reporting date to assess for any indication of 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Irrespective of whether there is any indication of impairment, the Company also tests its intangible assets with indefinite useful lives and intangible assets not yet available for use for impairment annually by comparing their respective carrying amounts with their corresponding recoverable amounts.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its 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.

An impairment loss for the amount by which the asset's carrying amount exceeds the recoverable amount is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, which is discounted using a pre-tax discount rate.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss as they arise.

(w) Contingencies

A contingent liability is:

- (i) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- (ii) a present obligation that arises from past events but is not recognised because:
 - (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (b) the amount of the obligation cannot be measured with sufficient reliability.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Contingencies (Continued)

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

Contingencies are not recognised on the statement of financial position of the Company, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

(x) Events after the reporting period

Events after the reporting period that provide additional information about the Company's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

(y) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.1 Critical judgements made in applying the Group's accounting policies

The management is of the opinion that there are no critical judgements involved that have any significant effect on the amounts recognised in the financial statements, and no estimates and assumptions that have any significant risk of causing a material adjustment to the carrying amounts of asset and liabilities within the next financial year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

4.2 Key sources of estimation uncertainty

The estimates and assumptions 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.

Impairment of other receivables

The Group assesses its loans and receivables on a continuous basis for any objective evidence of impairment by considering factors, including the ageing profile, the creditworthiness and the past collection history of each debtor. If the financial conditions of these debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amount of the Group's and the Company's other receivables as at 31 December 2016 were HK\$882,487,000. The carrying amount of the Group's and the Company's other receivables as at 31 December 2015 were HK\$39,541,000 and HK\$Nil respectively.

5. OTHER INCOME

	2016 HK\$'000	2015 HK\$'000 (Restated)
Continuing operations		
Interest income	—	33
	—	33
	<u> </u>	<u> </u>

6. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

The Group's loss for the year attributable to the owners of the Group is stated after charging the following:

	2016 HK\$'000	2015 HK\$'000 (Restated)
Auditors' remuneration		
Auditors of the Group	400	960
Directors' fees		
Directors of the Group	600	595
Legal and professional fees	3,032	1,591
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

7. INCOME TAX EXPENSE

Reconciliation of effective tax rate is as follows:

	2016	2015
	HK\$'000	HK\$'000
		(Restated)
Loss before taxation from continuing operations	(4,324)	(17,505)
Loss before taxation from discontinued operations	<u>(647,561)</u>	<u>(121,046)</u>
Loss before income tax	(651,885)	(138,551)
Tax at the applicable tax rate of 16.5% (2015: 16.5%)	(107,561)	(22,861)
Tax effect of income that is not taxable	(2,194)	–
Tax effect of tax losses not recognised	109,290	23,927
Tax effect of different tax rates of subsidiaries	<u>465</u>	<u>(1,066)</u>
Income tax expense	<u><u>–</u></u>	<u><u>–</u></u>

8. DISCONTINUED OPERATIONS

Financial year ended 31 December 2016

- i) On 17 August 2016, the Group had through its wholly-owned subsidiary, C&G Environmental Protection (Hong Kong) Company Limited (“C&G HK”) and Huang Yong Pu (“Huang”), entered into a share sale and purchase agreement in relation to the disposal of its principal operating and wholly-owned subsidiary, Sun Harbour (Asia) Engineering Company Limited (formerly known as C&G (Asia) Engineering Company Limited). The aggregate consideration for the disposal was HK\$2 million. The loss on disposal was HK\$32.2 million.

The disposal was completed on 29 August 2016 upon the share transfer to Huang and the consideration has been received as of 31 December 2016.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

8. DISCONTINUED OPERATIONS (Continued)

Financial year ended 31 December 2016 (Continued)

- ii) On 26 August 2016, the Group has through its wholly-owned subsidiary, C&G HK entered into a sales and purchase agreement with New Sky Energy (Thailand) Company Limited (“New Sky”) to dispose of its wholly-owned subsidiary, C&G Environmental Protection (Thailand) Co. Ltd (“C&G Thailand”), through the sale of 75,184,000 of the entire issued and paid-up ordinary shares of C&G Thailand, for a consideration of HK\$557.9 million (RMB500 million). The gain on disposal was HK\$294.7 million.

The aforesaid consideration of HK\$557.9 million was to be settled in the following manner:

	2016
	HK\$'000
Total consideration	557,945
a) all the debts recorded in the books (inclusive of related company balances) of C&G Thailand as of 29 February 2016	(281,309)
b) payables arising from construction contracts entered into by C&G Thailand on or before 29 February 2016	(67,235)
c) directly attributable costs to be borne by the Group	(7,848)
	<hr/>
Net cash consideration to be received by the Group	<u><u>201,553</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

8. DISCONTINUED OPERATIONS (Continued)

Financial year ended 31 December 2016 (Continued)

- ii) Pursuant to the sales and purchase agreement, the consideration shall be paid by New Sky within 15 business days from the closing date (i.e. date when the conditions precedent has been fulfilled). Due to regulatory requirements in China on cross-border fund remittance, New Sky has sought to extend the deadline for repayment till 31 March 2017 at no interest charged. The Group has agreed to the said request.

Details of the outstanding consideration receivable as at 31 December 2016 are as follows:

	2016 HK\$'000
Total consideration	557,945
Less:	
a) amounts received to repay the debts recorded in the books of C&G Thailand	(156,085)
b) amounts received/offset for payables arising from construction contracts	(67,235)
c) directly attributable costs to be borne by the Group	(7,848)
d) cash receipts during the financial year	—
	<hr/>
Outstanding consideration receivable	<u><u>326,777</u></u>

- iii) On 26 August 2016, the Company had entered into a conditional sale and purchase agreement (“C&G International SPA”) with Ahead Auto Limited (“Ahead Auto”) pursuant to which the Company agreed to dispose of all its group companies (other than C&G Thailand) through the sale of 85,868,000 issued and paid-up ordinary shares (“C&G International Sale Shares”) of C&G Environmental Protection International Limited (“C&G International”) owned by the Company, for an aggregate purchase consideration of HK\$600 million. The loss on disposal was HK\$777.2 million.

Pursuant to the sales and purchase agreement, the consideration shall be paid by New Sky within 10 business days from the date when the conditions precedent has been fulfilled. The Group has agreed to Ahead Auto’s request for an extension of the deadline for repayment to be 15 business days after New Sky has fully settled the outstanding consideration receivable.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

8. DISCONTINUED OPERATIONS (Continued)

Financial year ended 31 December 2016 (Continued)

- iii) Details of the outstanding consideration receivable as at 31 December 2016 are as follows:

	2016
	HK\$'000
Total cash consideration	600,000
Less:	
Partial receipts during the financial year	<u>(44,290)</u>
Outstanding consideration receivable	<u><u>555,710</u></u>

On 2 December 2016, the proposed disposal of C&G Thailand and C&G International was approved by the shareholders via the Group's Special General Meeting.

The disposal of C&G Thailand was completed on 28 December 2016 and the disposal of C&G International was completed on 30 December 2016 respectively when control of the affected entities was transferred to the Purchasers upon the transfer of shares.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

8. DISCONTINUED OPERATIONS (Continued)

Financial year ended 31 December 2015

On 29 January 2014, the Group had, through its wholly-owned subsidiary, C&G Environmental Protection (Hong Kong) Company Limited (“C&G Hong Kong”) entered into a conditional acquisition agreement with Grandblue Environment Company Limited, (the “Purchaser”), a company listed on the Shanghai Stock Exchange (the “SSE”) in the PRC, in relation to a proposed sale (“Sale”) of the Group’s waste-to-energy (“WTE”) business and assets (including concession rights) and the principal operating subsidiaries (the “Disposal Group”) of the Group in the PRC.

The aggregate consideration for the disposal is the sum of HK\$2.97 billion (RMB2.36 billion), of which, a sum of HK\$1.38 billion (RMB1.1 billion) shall be satisfied by cash and the remaining HK\$1.59 billion (RMB1.26 billion) shall be satisfied by way of an allotment and issue of new shares of par value HK\$1.26 (RMB1) in the share capital of the Purchaser as listed and quoted on the SSE (“Consideration Shares”). The disposal was completed on 17 December 2014 and on that date, control was transferred to the Purchaser.

On 25 March 2015, the conditions for the Dalian project as stated in the conditional acquisition agreement had been fulfilled and the gross sub-tranche payment of HK\$125,736,000 (RMB100,000,000) out of the Tranche 2 payment had been duly received. Of which, the tax amount of HK\$12,574,000 (RMB10,000,000) was deducted and paid to the Tax Bureau of Guangdong Province, PRC. The net subtranche payment received was HK\$113,162,000 (RMB90,000,000). In the event the construction of the Dalian project has not commenced within three years from 25 March 2015, C&G Hong Kong shall repay the gross sub-tranche with all interests. As disclosed in the 2015 Annual Report of the Purchaser, Dalian has commenced construction during the financial year.

The results of the discontinued operations have been presented separately in the consolidated statement of profit or loss and other comprehensive income as this segment represents a major line of geographical area of operations that has been disposed.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. DISCONTINUED OPERATIONS (Continued)

Financial year ended 31 December 2015 (Continued)

The results of the discontinued operations are as follows:

	Group	
	2016	2015
	HK\$'000	HK\$'000 (Restated)
Revenue	99,061	287,477
Costs of sales	<u>(61,512)</u>	<u>(308,650)</u>
Gross profit/(loss)	37,549	(21,173)
Other income	12,627	9,415
Administrative expenses	<u>(178,938)</u>	<u>(107,699)</u>
Loss from discontinued operations	(128,762)	(119,457)
Finance costs	<u>(4,149)</u>	<u>(1,542)</u>
Loss before taxation	(132,911)	(120,999)
Income tax expense	<u>—</u>	<u>—</u>
Loss for the year	<u>(132,911)</u>	<u>(120,999)</u>
Loss on disposal of discontinued operations	<u>(514,650)</u>	<u>(47)</u>
	<u><u>(647,561)</u></u>	<u><u>(121,046)</u></u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. DISCONTINUED OPERATIONS (Continued)

The details of the loss on disposal of discontinued operations during the financial year is analysed as follows:

	2016 HK\$'000	2015 HK\$'000
Total consideration	1,159,945	–
Gross sub-tranche 2 payment received	<u>–</u>	<u>125,736</u>
	1,159,945	125,736
Less:		
Net assets derecognised (Note 14)	(1,513,889)	–
Cumulative available for sale reserve relating to discontinued operations recycled to profit or loss	(223,537)	–
Cumulative exchange differences relating to discontinued operations recycled to profit or loss	62,831	–
Costs directly attributable to the disposal	–	(12,574)
Additional capital expenditure claimed by the Purchaser	–	(92,131)
Provision for indemnity liabilities (Note 28)		
– Profit guarantee clawback	–	(87,524)
Reversal of provision of indemnity liabilities (Note 28)		
– Trade receivables	–	31,462
– Provision for costs if inspection approval not obtained	<u>–</u>	<u>34,984</u>
Loss on disposal presented in discontinued operations	<u><u>(514,650)</u></u>	<u><u>(47)</u></u>

The loss on disposal is recognised in “profit for the year from discontinued operations attributable to owners of the Company” in the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. DISCONTINUED OPERATIONS (Continued)

Cash flows of discontinued operations

	2016	2015
	HK\$'000	HK\$'000
Operating	1,105,781	718,537
Investing	(36,574)	(166,055)
Financing	(961,443)	(540,754)
	<u>107,764</u>	<u>11,728</u>
Net cash outflows	<u><u>107,764</u></u>	<u><u>11,728</u></u>

Loss per share

	Group	
	2016	2015
		(Restated)
Loss per share from discontinued operations attributable to owners of the Company (HK cents):		
Basic and diluted	<u><u>(66.23)</u></u>	<u><u>(12.38)</u></u>

The basic and diluted loss per share from discontinued operations are calculated by dividing the profit from discontinued operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic loss per share computation and weighted average number of ordinary shares for diluted loss per share computation respectively. The loss and share data are presented in Note 9 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. LOSS PER SHARE

The calculation of basic loss per share for the year is based on the following data:

	Group					
	Continuing operations		Discontinued operations		Total	
	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the financial year	<u>(4,324)</u>	<u>(17,505)</u>	<u>(647,561)</u>	<u>(121,046)</u>	<u>(651,885)</u>	<u>(138,551)</u>
					2016	2015

Weighted average number of ordinary shares

in issue during the financial year	<u>977,755,354</u>	<u>977,755,354</u>
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For the purpose of calculating the diluted loss per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the dilutive share options and share awards into ordinary shares, with the potential ordinary shares weighted for the period outstanding.

The effects of the adjustment for dilutive effect of the CG ESOS, CG PSP and CG RSP on the weighted average number of ordinary shares in issue are as follows:

	2016	2015
Weighted average number of:		
Ordinary shares used in the calculation of		
basic loss per share	977,755,354	977,755,354
Potential ordinary shares issuable under:		
– Share awards under CG RSP	<u>200,000</u>	<u>342,000</u>
Weighted average number of ordinary shares in		
issue and potential ordinary shares assuming		
full conversion	<u>977,955,354</u>	<u>978,097,354</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. FIXED ASSETS

The Group

	Leasehold improvement HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and office equipment HK\$'000	Total HK\$'000
Cost				
At 1 January 2015	475	1,978	1,377	3,830
Additions	33	417	3,415	3,865
Acquisition of a subsidiary	261	182	400	843
Exchange differences	(40)	(212)	(235)	(487)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2015 and 1 January 2016	729	2,365	4,957	8,051
Additions	31	82	635	748
Disposal	–	–	(216)	(216)
Exchange differences	(52)	(8)	(147)	(207)
Derecognised on disposal of subsidiaries	(708)	(2,439)	(5,229)	(8,376)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2016	<u> </u> –	<u> </u> –	<u> </u> –	<u> </u> –
Accumulated depreciation				
At 1 January 2015	55	634	662	1,351
Charge for the year	164	434	601	1,199
Acquisition of a subsidiary	130	73	126	329
Exchange differences	(16)	(81)	(59)	(156)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2015 and 1 January 2016	333	1,060	1,330	2,723
Charge for the year	283	488	1,562	2,333
Disposal	–	–	(121)	(121)
Exchange differences	(12)	(7)	(67)	(86)
Derecognised on disposal of subsidiaries	(604)	(1,541)	(2,704)	(4,849)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2016	<u> </u> –	<u> </u> –	<u> </u> –	<u> </u> –
Carrying amount				
At 31 December 2016	<u> </u> –	<u> </u> –	<u> </u> –	<u> </u> –
At 31 December 2015	<u> </u> 396	<u> </u> 1,305	<u> </u> 3,627	<u> </u> 5,328

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. FIXED ASSETS (Continued)

At 31 December 2016, there is no carrying amount of motor vehicles held by the Group under finance leases (2015: HK\$1,305,000) (Note 26).

11. GOODWILL

	Group	
	2016	2015
	HK\$'000	HK\$'000
Cost:		
At 1 January	–	–
Arising on acquisition of a subsidiary	–	22,845
Impairment loss	–	(22,845)
At 31 December	–	–
	<hr/>	<hr/>
Carrying amount:		
At 31 December	–	–
	<hr/> <hr/>	<hr/> <hr/>

Goodwill acquired in a business combination is allocated to the cash-generating units that are expected to benefit from the business combination. The Group tests cash-generating units for impairment annually, or more frequently when there is an indication for impairment.

In the previous financial year ended 31 December 2015, goodwill of HK\$22,845,000 was acquired through the purchase of the entire issued and paid up share capital of New Sky (Thailand) Company Limited (Note 14) (the “CGU”). Based on management’s impairment assessment for goodwill, management concluded that there is uncertainty in obtaining future project pipelines.

In view of this, management has assessed that the recoverable amount (value-in-use) of the CGU to be negligible due to absence of contracted future projects. As a result, goodwill has been fully impaired during the previous financial year. The carrying amount of goodwill as at 31 December 2015 is HK\$ Nil.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

12. INTANGIBLE ASSETS

	Group
	Waste-to-energy
	power plants
	concession rights
<i>Note</i>	HK\$'000
Cost	
At 1 January 2015	176,499
Additions	224,106
Exchange difference	(15,477)
	<hr/>
At 31 December 2015 and 1 January 2016	385,128
Additions	17,530
Exchange difference	2,602
Derecognised on disposal of subsidiaries	(d) (405,260)
	<hr/>
At 31 December 2016	—
	<hr/>
Accumulated amortisation	
At 1 January 2015	—
Charge for the year	—
Exchange difference	—
	<hr/>
At 31 December 2015 and 1 January 2016	—
Charge for the year	15,437
Exchange difference	(240)
Derecognised on disposal of subsidiaries	(d) (15,197)
	<hr/>
At 31 December 2016	—
	<hr/>
Carrying amount	
At 31 December 2016	—
	<hr/> <hr/>
At 31 December 2015	385,128
	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

12. INTANGIBLE ASSETS (Continued)

Note:

- (a) In the previous financial year, the Group had entered into a service concession arrangement with the governmental authority in Thailand on a Build, Operate and Transfer (“BOT”) basis in respect of its waste-to-energy power business. The service concession arrangement generally involved the Group as an operator (i) constructing waste-to-energy power plants for those arrangements on a BOT basis; and (ii) operating and maintaining the waste-to-energy power plants to generate electricity and transmit to local electricity grid for a period of 20 years (the “service concession period”). The Group was to be paid for the garbage treatment and electricity transmitted to electricity grid over the service concession period at prices stipulated through a pricing mechanism. The Group was entitled to use all the fixed assets of the waste-to-energy power plant. However, the relevant governmental authority as grantor was to retain the beneficial entitlement to any residual interest in the waste-to-energy power plant at the end of the term of the service concession period. The service concession arrangement was to be extended by the governmental authority for 2 terms of 5 years each.
- (b) The concession right was measured by reference to the fair value of the construction services, which were recognised based on the estimated total contract costs plus margin and the stage of completion of the contract at the end of each reporting period.
- (c) The intangible asset received as consideration for providing construction services in a service concession arrangement is measured at fair value upon initial recognition, estimated by reference to the fair value of the construction services provided, have been determined by independent qualified professional valuers using the Replacement Cost New approach plus margin, in accordance with IFRIC 12. Replacement cost item is the estimated amount of money needed to acquire in like kind and in new condition an asset or group of assets taking into consideration current prices of materials, manufacturing equipment, labour, contractor’s overhead, profit and fees, and all other attendant costs associated with its acquisition, but without provision for overtime or bonuses for labour and premium for materials.
- (d) As detailed in Note 8, the Group completed the disposal of C&G Thailand’s business and assets on 28 December 2016.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2016	2015
	HK\$'000	HK\$'000
At 1 January	1,255,926	1,328,283
Additions	–	–
Fair values changes recognised in other comprehensive income	(205,798)	(72,357)
Derecognised upon disposal of subsidiaries	(1,050,128)	–
	<u>–</u>	<u>–</u>
At 31 December	<u><u>–</u></u>	<u><u>1,255,926</u></u>

Details of the available-for-sale investments

	Group	
	2016	2015
	HK\$'000	HK\$'000
Quoted equity securities, at fair value	<u><u>–</u></u>	<u><u>1,255,926</u></u>

The investments in quoted equity securities were denominated in RMB.

The Group's available-for-sale financial assets were subject to a Moratorium Period of 36 months from 25 December 2014 till 24 December 2017 pursuant to the conditional acquisition agreement entered into between the Group and the Purchaser.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2016	2015
	HK\$'000	HK\$'000
Unquoted equity investments, at cost	—	575,396
	<u> </u>	<u> </u>

In the previous financial year, the amounts due from/(to) subsidiaries represent advances to/(from) subsidiaries which are non-trade in nature, unsecured, interest-free and repayable on demand.

The balances due to subsidiaries are denominated in HKD.

The carrying amounts of balances due from subsidiaries are denominated in the following currencies:

	Company	
	2016	2015
	HK\$'000	HK\$'000
USD	—	209,174
HKD	—	906,204
	<u> </u>	<u> </u>
	—	1,115,378
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. INVESTMENT IN SUBSIDIARIES (Continued)

The details of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up/ registered capital	Effective equity held by the Company		Principal activities
			2016	2015	
Held directly by the Company					
C&G Environmental Protection International Limited ("C&G EPIL") ****	BVI	85,868,000/200,000,000 ordinary shares of US\$1 each	–	100%	Investment holding
Held through C&G EPIL					
C&G Environmental Protection (Hong Kong) Company Limited ("C&G Hong Kong") ** (1)	Hong Kong	10,000 ordinary shares of HK\$1 each	–	100%	Investment holding
Held through C&G Hong Kong					
C&G Environmental Protection (Thailand) Company Limited ("C&G Thailand") *** (2)	Thailand	55,541,000 shares of THB5 each and 19,643,000 shares of THB3.29 each	–	100%	Construction, operation and management of waste-to-energy power plant
C&G Energy Management (Thailand) Company Limited ("C&G Thailand EM") *** (2)	Thailand	2,000,000 shares of THB5 each	–	100%	Provision of operation and maintenance services to waste-to-energy power plants
C&G (Asia) Engineering Company Limited ("C&G Asia") ** (1)	Hong Kong	1 share/10,000 shares of HK\$1 each	–	100%	Inactive
C&G Green Energy (Hong Kong) Company Limited ("C&G Green Energy") ** (1)	Hong Kong	1 share/10,000 shares of HK\$1 each	–	100%	Inactive
C&G Industrial Services (Hong Kong) Company Limited ("C&G Industrial Services") ** (1)	Hong Kong	1,000 share/1,000 shares of HK\$1 each	–	100%	Inactive
Held through C&G Green Energy					
C&G Green Energy (Shenzhen) Company Limited ("C&G Green Energy SZ") * (1)	The PRC	Registered capital of RMB10,000,000	–	100%	Provision of consultancy services and general trading of environmental equipment
Held through C&G Asia					
New Sky (Thailand) Company Limited ("NSTH") *** (2)	Thailand	12,800,000 shares of THB5 each	–	100%	Construction, operation and management of waste-to-energy power plant

* Audited by 深圳道勤會計師事務所

** Audited by Mazars CPA Limited (Hong Kong), a member firm of Mazars

*** Audited by A.A.C. Audit Corporation Co., Ltd.

**** Not required to be audited by law of country of incorporation

(1) Audited/reviewed by overseas member firm of Mazars CPA Limited (Hong Kong), a member firm of Mazars, for the purpose of the Group's consolidation

(2) Audited by Mazars (Thailand) Ltd, a member firm of Mazars, for the purpose of the Group's consolidation

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

14. INVESTMENT IN SUBSIDIARIES (Continued)

Disposal of subsidiaries in the current financial year

As disclosed in Note 8 to the financial statements, during the financial year ended 31 December 2016, the Company disposed its entire interest in all subsidiaries for a total consideration of approximately HK\$1,159,945,000.

Carrying amounts of the assets and liabilities as at the date of disposal are as follows:

	Carrying amount HK\$'000
Non-current assets	
Fixed assets	3,527
Intangible asset	390,063
Available-for-sale financial asset	1,050,128
	<u>1,443,718</u>
Current assets	
Inventories	13,968
Trade and other receivables	865,599
Bank and cash balances	42,609
	<u>922,176</u>
Current liabilities	
Trade payables and other payables	851,378
Finance lease payable	627
	<u>852,005</u>
Net assets disposed (Note 8)	<u><u>1,513,889</u></u>
	2016 HK\$'000
Net cash inflow arising on disposal:	
Cash received to date	246,467
Cash and cash equivalent of subsidiaries disposed	(42,609)
	<u><u>203,858</u></u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. INVESTMENT IN SUBSIDIARIES (Continued)

Acquisition of a subsidiary in the financial year ended 2015

On 28 May 2015, the Company had, through its indirect wholly-owned subsidiary, C&G Asia acquired the entire issued and paid-up share capital of New Sky (Thailand) Company Limited (“NSTH”) from New Sky (Hong Kong) Environmental Limited for a cash consideration of HK\$63,353,000 (RMB50 million). Accordingly, the Group has recognised goodwill of HK\$22,845,000.

Fair values of the identifiable assets and liabilities of NSTH as at the date of acquisition

	Fair value recognised on date of acquisition HK\$'000
Fixed assets	458
Trade and other receivables	113,935
Inventories	21,981
Cash and cash equivalents	<u>5,718</u>
	142,092
Trade and other payables	<u>(101,584)</u>
Net identifiable assets at fair value	<u><u>40,508</u></u>
Goodwill arising from acquisition	<u>22,845</u>
Total consideration	<u>63,353</u>

The fair value of trade and other receivables is approximately HK\$113,935,000 and which includes trade receivables of HK\$98,802,000.

From the date of acquisition, NSTH has contributed revenue of HK\$45,859,000 and a net profit of HK\$22,336,000 to the Group respectively. If the combination taken place at beginning of the financial year, the Group’s revenue and loss, net of tax, would have been HK\$352,073,000 and HK\$159,998,000 respectively.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

14. INVESTMENT IN SUBSIDIARIES (Continued)

Acquisition of a subsidiary in the financial year ended 2015 (Continued)

Effects of the acquisition of the subsidiary on cash flows

	HK\$'000
Total consideration for 100% equity interest acquired	63,353
Consideration payable in cash	—
	<hr/>
Consideration paid in cash	63,353
Less: Cash and cash equivalents of subsidiary acquired	(5,718)
	<hr/>
Net cash outflow on acquisition during the financial year ended 31 December 2015	57,635
	<hr/> <hr/>

Winding up of Taiwan branches in the financial year ended 2015

In November 2015, the Group was in the process of winding up the Taiwan branches of C&G Green Energy (Hong Kong) Company Limited and C&G Industrial Services (Hong Kong) Company Limited.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

15. INVESTMENT IN A JOINT VENTURE

	Group	
	2016	2015
	HK\$'000	HK\$'000
Unquoted equity investment at cost		
Share of net assets	–	71

The details of the joint venture in 2015 is as follows:

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of ownership interests and profit sharing/ voting power	Principal activity
C&G Padu Sdn Bhd	Malaysia	100,000 ordinary shares of MYR1 each	30%/50%	Inactive

The Group had joint control over the joint venture under contractual agreement, pursuant to which unanimous consent is required from all parties to the arrangement for all relevant activities.

During the financial year, the investment in the joint venture was derecognised consequent to the disposal of subsidiaries (Note 8).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. INVESTMENT IN A JOINT VENTURE (Continued)

The following tables show information of the joint venture. The joint venture is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the unaudited financial statements of the joint venture.

	2016	2015
	HK\$'000	HK\$'000
At 31 December:		
Current assets	–	182
Current liabilities	–	(4)
	<u>–</u>	<u>(4)</u>
Net assets	–	178
	<u>–</u>	<u>178</u>
Group's share of net assets	–	53
Other adjustments	–	18
	<u>–</u>	<u>18</u>
At 31 December	–	71
	<u>–</u>	<u>71</u>
Cash and cash equivalents included in current assets	–	182
	<u>–</u>	<u>182</u>
	2016	2015
	HK\$'000	HK\$'000
Year ended 31 December:		
Expenses	–	–*
Loss and total comprehensive loss	–	–*
	<u>–</u>	<u>–*</u>

* Denotes an amount of less than HK\$1,000.

16. INVENTORIES

	Group	
	2016	2015
	HK\$'000	HK\$'000
Machineries and equipments	–	15,965
	<u>–</u>	<u>15,965</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. TRADE RECEIVABLES

	Group	
	2016	2015
	HK\$'000	HK\$'000
Trade receivables	—	16,777
	—	16,777
	<u>—</u>	<u>16,777</u>

At 31 December 2015, the Group's trading terms with customers were mainly on credit. The credit terms were generally 30 days. Each customer had a maximum credit limit. The Group sought to maintain strict control over its outstanding receivables. Overdue balances were reviewed regularly by the directors.

At 31 December 2016, trade receivables of approximately HK\$ Nil (2015: HK\$6,096,000) were past due but not impaired. These related to certain independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables, based on the due date, is as follows:

	Group	
	2016	2015
	HK\$'000	HK\$'000
Current	—	10,681
– 0 to 90 days	—	—
– 91 to 180 days	—	6,096
	—	16,777
	<u>—</u>	<u>16,777</u>

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	Group	
	2016	2015
	HK\$'000	HK\$'000
RMB	—	1,623
THB	—	15,154
	—	16,777
	<u>—</u>	<u>16,777</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. GROSS AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	Group	
	2016	2015
	HK\$'000	HK\$'000
Contract costs incurred plus recognised profits (less recognised losses) to date	–	409,496
Less: Progress billings	–	(396,062)
	<u>–</u>	<u>(396,062)</u>
	<u>–</u>	<u>13,434</u>

	Group	
	2016	2015
	HK\$'000	HK\$'000
Represented by:		
Gross amounts due from customers for contract work	–	17,381
Gross amounts due to customers for contract work (Note 28)	–	(3,947)
	<u>–</u>	<u>(3,947)</u>
	<u>–</u>	<u>13,434</u>

19. OTHER DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Consideration receivable	882,487	–	882,487	–
Other receivables	–	25,460	–	–
Deposits	–	2,088	–	–
Due from a joint venture	–	5	–	–
Value-added tax receivables	–	11,988	–	–
	<u>882,487</u>	<u>39,541</u>	<u>882,487</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19. OTHER DEPOSITS AND OTHER RECEIVABLES (Continued)

The carrying amounts of other deposits and other receivables are denominated in the following currencies:

	Group		Company	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RMB	326,777	10,541	326,777	–
THB	–	28,660	–	–
HKD	555,710	169	555,710	–
MYR	–	170	–	–
Others	–	1	–	–
	<u>882,487</u>	<u>39,541</u>	<u>882,487</u>	<u>–</u>

At 31 December 2016, other receivables represented the outstanding disposal consideration receivable from New Sky Energy (Thailand) Company Limited and Ahead Auto Limited consequent to the disposal of subsidiaries (Note 8).

20. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

	Group	
	2016	2015
	HK\$'000	HK\$'000
Amount due from ultimate holding company	<u>–</u>	<u>118,773</u>

In 2014, the Group terminated the contracts with a contractor for the construction projects in Xiaogan, Dalian and Guiyang as a result of the disposal of the WTE businesses in China. In January 2015, the Group signed a compensation agreement with the contractor and the amount of RMB96,000,000 (approximately HK\$118,800,000) was fully paid. The ultimate holding company confirmed via an undertaking letter to undertake the compensation. The balance represented the compensation receivable from the ultimate holding company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

The carrying amounts of pledged bank deposits and bank and cash balances are denominated in the following currencies:

	Group		Company	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RMB	14	1,440	14	15
HKD	31	627	31	50
USD	11	15,637	11	9,442
SGD	6	107	6	107
THB	–	27,746	–	–
Others	–	9	–	–
	<u>62</u>	<u>45,566</u>	<u>62</u>	<u>9,614</u>

Presented in the statements of financial position as:

	Group		Company	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Pledged bank deposits	–	32,160	–	9,362
Bank and cash balances	<u>62</u>	<u>13,406</u>	<u>62</u>	<u>252</u>
	<u>62</u>	<u>45,566</u>	<u>62</u>	<u>9,614</u>

In the previous financial year, the pledged bank deposits were as follow:

- i) THB106,215,000 (equivalent to approximately HK\$22,800,000) was pledged in relation to the issue of performance guarantee by the Bangkok Metropolitan Administration (“BMA”) for the obligations under the BOT agreement signed with the BMA; and
- ii) US\$1,200,000 (equivalent to approximately HK\$9,360,000) was pledged in relation to long term bank loan which was fully repaid in the previous financial year. The pledge was released in the current financial year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

22. SHARE CAPITAL

	Group and Company Ordinary shares (of HK\$0.10 each) (‘000)	HK\$’000
Authorised share capital		
At 1 January 2015 and 31 December 2015 and 2016	<u>2,000,000</u>	<u>200</u>
Issued and fully paid:		
At 1 January 2015	973,023	97,302
Share options exercised	<u>4,732</u>	<u>474</u>
At 31 December 2015	<u>977,755</u>	<u>97,776</u>
At 1 January 2016 and 31 December 2016	<u>977,755</u>	<u>97,776</u>

During the previous financial year, the Company has issued 4,732,000 shares pursuant to share options scheme at a weighted average price of HK\$1.27 (approximately SGD0.23).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Capital management

The Group’s and Company’s primary objectives when managing capital are to safeguard the Group’s and Company’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group and Company actively and regularly review and manage its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

22. SHARE CAPITAL (Continued)

Capital management (Continued)

The Group and Company monitor capital with reference to its debt position. The Group's and Company's strategy were to maintain the equity and debt in a balanced position and ensure there was adequate working capital to service its debt obligation. The Group's and Company's gearing ratio, being the Group's and Company's total liabilities over its total assets, as at 31 December 2016, was 5.6% (2015: 19.5%) and 5.6% (2015: 35.0%) respectively. In order to maintain or adjust the ratio, the Group and Company may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders or raise new debt financing to reduce debt.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2015.

The gearing ratio at 31 December 2016 and 2015 were as follows:

	Group		Company	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total liabilities	49,839	371,483	49,839	595,535
Total assets	882,549	1,901,170	882,549	1,700,388
Gearing ratio	<u>5.6%</u>	<u>19.5%</u>	<u>5.6%</u>	<u>35.0%</u>

According to the Rule 723 of the Listing Manual of the SGX-ST, at least 10% of the Company's shares should be held in the hands of public. In the opinion of directors, the Company has complied with the Rule 723.

Except as otherwise disclosed in the financial statements, the Group is not subject to any other externally imposed capital requirements for the financial years ended 31 December 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

23. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein were presented in the consolidated statement of profit or loss and other comprehensive income and statement of changes in equity.

(b) The Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Share-based payment reserve HK\$'000	Foreign currency translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2015	186,115	702,151	1,457	125,755	347,744	1,363,222
Dividend paid	–	–	–	–	(339,608)	(339,608)
Share-based payment	–	–	(52)	–	–	(52)
Share issued upon exercise of share options and share awards	2,402	–	(1,376)	–	–	1,026
Total comprehensive loss for the financial year	–	–	–	(6)	(17,505)	(17,511)
At 31 December 2015	188,517	702,151	29	125,749	(9,369)	1,007,077
Transfer to contributed surplus	(188,517)	188,517	–	–	–	–
Total comprehensive loss for the financial year	–	–	–	(125,749)	(146,394)	(272,143)
At 31 December 2016	<u>–</u>	<u>890,668</u>	<u>29</u>	<u>–</u>	<u>(155,763)</u>	<u>734,934</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

23. RESERVES (Continued)

(c) Nature and purpose of reserves

(i) *Share premium*

During financial year ended 31 December 2016, the share premium was also reduced by HK\$188,517,000 and transferred to contributed surplus as authorised by a special resolution passed at the special general meeting of the Company on 2 December 2016, and effective on 3 December 2016.

(ii) *Share-based payment reserve*

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options and share rewards granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in Note 3(p) to the financial statements.

(iii) *Foreign currency translation reserve*

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 3(d) to the financial statements. Subsequent to the completion of disposal of all subsidiaries, the foreign currency translation reserve has been reclassified to retained earnings.

(iv) *Contributed surplus*

Contributed surplus of the Group and the Company arose as a result of the restructuring exercise on 3 March 2005 to rationalise the structure of the Group in preparation for the listing of the Company's shares on the SGX-ST, and represents the difference between the consolidated net asset value of subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefore.

Under the Companies Act of Bermuda (as amended), the contributed surplus of the Company is available for distribution to shareholders, provided that the Company is, after the payment of dividends out of the contributed surplus, able to pay its liabilities as they become due; or the realisable value of the Company's assets would thereby not be less than the aggregate of its liabilities, issued share capital and reserves.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

24. EQUITY-SETTLED SHARE OPTION SCHEME

(a) Employee share option scheme

On 24 April 2013, the shareholders of the Company approved and adopted a share options scheme known as the CG ESOS. The CG ESOS is administered by a committee appointed by the board of director of the Company (the “Committee”). The CG ESOS will provide eligible participants who are employees of the Group and who are not non-executive directors and controlling shareholders or their associates, with an opportunity to participate in the equity of the Group. The aggregate number of shares over which the Committee may grant options on any date shall not exceed 10% of the issued shares of the Group on the day preceding the date of the relevant grant. The number of options to be granted to the eligible participants, exercise period and the timing of such grant are to be determined at the absolute discretion of the Committee. The exercise prices are set at the market prices which is equivalent to the average of the last dealt prices of the shares for five consecutive market days immediately preceding the date of their grant. The CG ESOS shall continue to be in force at the discretion of the Committee subject to maximum period of 10 years commencing from the approval date of the CG ESOS at the general meeting, provided always that the proposed CG ESOS may continue beyond the above stipulated period with the approval of shareholders in general meeting and of any relevant authorities which may then be required. Notwithstanding the expiry or termination of the CG ESOS, any outstanding options made to CG ESOS participants prior to such expiry or termination will continue to remain valid.

During the financial year, there is no movement and options at the end of the year.

(b) Performance share plan

Under the rules of the CG ESOS, the above share options granted and accepted by grantee could only be exercised after the first anniversary of the date of grant and in accordance with the vesting schedule and the conditions, if any, to be determined by the Committee at the date of offer of the relevant options, and all expiring on the tenth anniversary of such date of grant or otherwise set out in the CG ESOS.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

24. EQUITY-SETTLED SHARE OPTION SCHEME (Continued)

(b) Performance share plan (Continued)

On 24 April 2013, the shareholders of the Company approved a performance share plan known as the CG PSP. The CG PSP is administered by the Committee. The CG PSP will provide eligible participants who are employees of the Group and who are not non-executive directors and controlling shareholders or their associates, with an opportunity to participate in the equity of the Group. The awards granted under the CG PSP represent the right of a PSP participant to receive fully paid shares free of charge upon achieving prescribed performance targets. The aggregate number of shares over which the Committee may grant options on any date shall not exceed 10% of the issued shares of the Group on the day preceding the date of the relevant grant. The number of shares to be granted to the eligible participants, the performance targets, the prescribed vesting periods, the extent to which shares shall be released at the end of the vesting period, the extent to which shares shall be released on the prescribed performance targets being satisfied upon the expiry of the vesting period, and the timing of such grant are to be determined at the absolute discretion of the Committee. The CG PSP shall continue to be in force at the discretion of the Committee subject to maximum period of 10 years commencing from the approval date of the CG PSP at the general meeting, provided always that the CG PSP may continue beyond the above stipulated period with the approval of shareholders in general meeting and of any relevant authorities which may then be required. Notwithstanding the expiry or termination of the CG PSP, any outstanding award made to CG PSP participants prior to such expiry or termination will continue to remain valid.

Details of the shares outstanding under CG PSP during the year are as follows:

	The Group and Company	
	2016	2015
	Number of	Number of
	shares	shares
	'000	'000
Outstanding at the beginning of the year	–	1,666
Exercised during the year	–	(1,550)
Forfeited during the year	–	(116)
	<hr/>	<hr/>
Outstanding at the end of the year	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

24. EQUITY-SETTLED SHARE OPTION SCHEME (Continued)

(c) Restricted share plan

On 24 April 2013, the shareholders of the Company approved a restricted share plan known as the CG RSP. The CG RSP is administered by the Committee. The CG RSP will provide eligible participants who are employees of the Group and who are not non-executive directors and controlling shareholders or their associates, with an opportunity to participate in the equity of the Group. The awards granted under the CG RSP represent the right of a RSP participant to receive fully paid shares free of charge upon achieving prescribed vesting conditions, including services condition. The aggregate number of shares over which the Committee may grant options on any date shall not exceed 10% of the issued shares of the Group on the day preceding the date of the relevant grant. The number of shares to be granted to the eligible participants, the prescribed vesting conditions, the prescribed vesting periods, the extent to which shares shall be released at the end of the vesting period, the extent to which shares shall be released on the prescribed vesting conditions being satisfied upon the expiry of the vesting period, and the timing of such grant are to be determined at the absolute discretion of the Committee. The CG RSP shall continue to be in force at the discretion of the Committee subject to maximum period of 10 years commencing from the approval date of the CG RSP at the general meeting, provided always that the CG RSP may continue beyond the above stipulated period with the approval of shareholders in general meeting and of any relevant authorities which may then be required. Notwithstanding the expiry or termination of the CG RSP, any outstanding award made to CG RSP participants prior to such expiry or termination will continue to remain valid.

Details of the shares outstanding under CG RSP during the year are as follows:

	The Group and Company	
	2016	2015
	Number of	Number of
	shares	shares
	'000	'000
Outstanding at the beginning of the year	342	1,016
Exercised during the year	–	(597)
Forfeited during the year	(142)	(77)
	<hr/>	<hr/>
Outstanding at the end of the year	<u>200</u>	<u>342</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

24. EQUITY-SETTLED SHARE OPTION SCHEME (Continued)

(c) Restricted share plan (Continued)

The fair value was calculated using the share price of the Company at the grant date and discount by DLOM. DLOM is regarded as a put option of which the share price equals exercise price. It is calculated using the Black-Scholes Option Pricing Model. The time-to-maturity and the volatility are replicated by the expected time to vesting of the CG RSP shares and the historical volatility of the Company. The inputs into the model were as follows:

2016 & 2015

Date of grant	19 June 2014
Fair value at grant date	S\$0.12222 (equivalent to HK\$0.75614)
Share price	S\$0.265 (equivalent to HK\$1.640)
Expected volatility	69.19%
Time-to-maturity	8.9 years
Risk free rate	2.37%
DLOM	53.88%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 466 weeks.

Details of share award granted and accepted by certain employees pursuant to the CG RSP during the year ended 31 December 2016 are as follows:

Date of grant	Vesting period	Beginning of year, number of outstanding award	Number of share award granted and accepted during the year	Number of share award released during the year	Number of share award forfeited during the year	End of year, number of outstanding award
13 May 2013	13 May 2013 - 28 July 2022	-	-	-	-	-
13 May 2013	13 May 2013 - 29 August 2023	-	-	-	-	-
13 May 2013	13 May 2013 - 28 August 2025	-	-	-	-	-
13 May 2013	13 May 2013 - 26 August 2025	200,000	-	-	-	200,000
13 May 2013	13 May 2013 - 28 October 2021	142,000	-	-	(142,000)	-
19 June 2014	19 June 2014 - 16 July 2022	-	-	-	-	-
		342,000	-	-	(142,000)	200,000

During the financial year, the Group has not recognised any expenses (2015: HK\$1,376,000), relating to CG ESOS, CG PSP and CG RSP.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

25. INTEREST-BEARING BORROWINGS

	Group		Company	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Secured bank loans and other loans	–	159,746	–	–
Less: Amount due for settlement within 12 months (shown under current liabilities)	–	–	–	–
Amount due for settlement after 12 months	–	159,746	–	–

The Group's interest-bearing borrowings were denominated in the following currencies:

	Group		Company	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
USD	–	159,746	–	–

During the previous financial year, the interest-bearing borrowings were arranged at a fixed rate of 2.62%.

As at 31 December 2015, the Group's interest-bearing borrowings of HK\$159,746,000 were secured by the followings:

- (i) Share pledge of 33,650,000 shares of Grandblue Environment Co. Ltd which were classified as available-for-sale financial assets
- (ii) Pledged bank deposit of US\$1,200,000 (equivalent to approximately HK\$9,316,000).

The borrowings were fully settled during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

26. FINANCE LEASE PAYABLES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	–	410	–	365
After one year but within five years	–	587	–	538
	<u>–</u>	<u>997</u>	<u>–</u>	<u>903</u>
Less: Future finance charges	–	(94)	–	–
	<u>–</u>	<u>903</u>	<u>–</u>	<u>903</u>
Present value of lease obligations	<u>–</u>	<u>903</u>	–	903
Less: Amount due for settlement within 12 months (shown under current liabilities)			–	(365)
Amount due for settlement after 12 months			<u>–</u>	<u>538</u>

The finance lease term is 5 years.

During the previous financial year, the average effective borrowing rate ranged from 3.96% to 5.19% per annum. All leases were on a fixed repayment basis and no arrangements were entered into for contingent rental payments. At the end of each lease term, the Group had the option to purchase the motor vehicles at nominal prices.

All finance lease payables were denominated in Thai Baht.

The Group's finance lease payables were secured by the lessor's title to the leased assets (Note 10).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. TRADE PAYABLES

	Group	
	2016	2015
	HK\$'000	HK\$'000
Third parties	—	51,957
	<u> </u>	<u> </u>

Trade payables generally had credit terms ranging from 30 to 60 days.

The carrying amounts of trade payables were denominated in the following currencies:

	Group	
	2016	2015
	HK\$'000	HK\$'000
RMB	—	1,604
THB	—	50,353
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	—	51,957
	<u> </u>	<u> </u>

28. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accruals and other payables	623	30,700	623	1,134
Indemnity liabilities	—	87,524	—	—
Amounts due to customers for contract works (<i>Note 18</i>)	—	3,947	—	—
Due to the ultimate holding company	49,216	36,706	49,216	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>49,839</u>	<u>158,877</u>	<u>49,839</u>	<u>1,134</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. ACCRUALS AND OTHER PAYABLES (Continued)

The carrying amounts of accruals and other payables are denominated in the following currencies:

	Group		Company	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RMB	–	108,967	–	–
HKD	49,258	38,220	49,258	–
SGD	581	–	581	1,134
THB	–	11,690	–	–
	<u>49,839</u>	<u>158,877</u>	<u>49,839</u>	<u>1,134</u>

During the previous financial year:

- 1) the provision made for long outstanding trade receivables amounting to HK\$31,462,000 was reversed as majority of trade receivables were received;
- 2) the provision for costs if inspection approval was not obtained amounting to HK\$34,984,000 was reversed as 2 out of 3 of the projects, namely Langfang and Huian phase II had commenced operations; and
- 3) a provision for profit guarantee clawback amounting to HK\$87,524,000 was made in respect of the profit targets as prescribed in the Clawback Agreement for the financial years 2015 and 2016.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. DIVIDENDS

- (a) On 21 January 2015, the Company declared a first interim special dividend of S\$0.04844 per ordinary share (equivalent to approximately HK\$0.2776 per ordinary share) of the Company totalling S\$47.36 million (equivalent to approximately HK\$271 million) in respect of the financial year ended 31 December 2015. The dividend is paid on 6 February 2015.
- (b) On 3 June 2015, the Company declared a second interim special dividend of S\$0.0121 per ordinary share (equivalent to approximately HK\$0.0694 per ordinary share) of the Company totalling S\$11.83 million (equivalent to approximately HK\$68 million) in respect of the financial year ended 31 December 2015. The dividend is paid on 22 June 2015.

30. COMMITMENTS

(a) Capital and other commitments

	Group	
	2016	2015
	HK\$'000	HK\$'000
Contracted but not provided for:		
Construction work	–	2,804
	<u> </u>	<u> </u>

(b) Operating lease commitments

The Group leased offices and staff quarters under non-cancellable operating lease agreements. The leases had varying terms of 1 to 3 years. The rentals were fixed over the lease terms and did not include contingent rental.

The total future minimum lease payments of the Group under non-cancellable operating leases were as follows:

	Group	
	2016	2015
	HK\$'000	HK\$'000
Within one year	–	1,438
After one year but within five years	–	341
	<u> </u>	<u> </u>
	–	1,779
	<u> </u>	<u> </u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

31. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

In the current financial year, consequent to the disposal of the subsidiaries (Note 8) the Group does not have separately reportable segment information.

The Group is a cash company under Rule 1018 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST Listing Manual”).

During the previous financial year, the Group had one reportable segment as follows:

Waste-to-energy power plant – electricity generation and construction service

During the financial year ended 31 December 2015, the Group’s income from continuing operations was generated mainly from external customers who were based in Thailand and 76% of its non-current assets were based in Hong Kong.

As of 31 December 2015, the WTE Plant in Thailand was still under construction and has not generated WTE revenue. Construction service revenue generated represents construction projects secured by the newly acquired subsidiary, New Sky (Thailand) Co. Ltd.

32. SIGNIFICANT RELATED PARTY TRANSACTIONS

Other than the related party information disclosed elsewhere in the financial statements, the following are significant related party transactions entered into between the Group and related parties at rates and terms agreed between the parties:

- (a) During the year, the ultimate holding company made advances to the Group and Company. Details of the balance at the end of the reporting period are as follows:

	Group		Company	
	2016	2015	2016	2015
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Amount due from the ultimate holding company – compensation receivable	–	118,773	–	–
Amount due to the ultimate holding company	49,216	36,706	49,216	–
	<u>49,216</u>	<u>155,479</u>	<u>49,216</u>	<u>–</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

33. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

The Group's and Company's activities exposed it to credit risk, foreign currency risk, interest rate risk, equity price risk and liquidity risk. The Group's overall risk management programme focused on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's and Company's financial assets mainly included trade and other receivables, pledged bank deposits and bank and cash balances. The Group's and Company's financial liabilities mainly included trade payables, accruals and other payables, advance payment received, interest-bearing borrowings and finance lease payables.

The management is responsible for setting the objectives and underlying principles of financial risk management for the Group and Company. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the management.

There have been no changes to the Group's and Company's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below. The Group and the Company do not hold or issue derivative financial instruments for trading purposes.

(a) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group and Company. The Group and Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require a collateral.

Where applicable, the carrying amount of the trade and other receivables, pledged bank deposits and bank and cash balances included in the statements of financial position represent the Group's and Company's maximum exposure to credit risk in relation to the Group's and Company's financial assets.

As at 31 December 2016, the Company's credit risk relates to the outstanding consideration receivable as a result of the disposal of subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

33. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (Continued)

(a) Credit risk (Continued)

As at 31 December 2015, the Group had significant concentration of credit risk being (i) the other receivables of the Group were mainly due from third party receivables of approximately HK\$25,460,000 which accounted for 64% of total trade receivables, and (ii) the trade receivables of the Group including mainly amounts due from two customers of approximately HK\$11,697,000 which accounted for 88% of total trade receivables.

Bank deposits are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies.

(b) Foreign currency risk

The Group was exposed to foreign currency risks on certain income, expenses, monetary assets and liabilities that are denominated in currencies other than the functional currencies of the respective entities in the Group. The currencies giving rise to this risk are primarily USD, RMB and THB. The Group did not have a foreign currency hedging policy in respect of foreign currency debt and bank balances. The Group monitored its foreign currency exposure closely and considered hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's and Company's foreign currency denominated monetary assets and monetary liabilities as at the end of the financial year are as follows:

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
USD	11	15,637	–	159,746	11	218,616	–	–
RMB	326,791	132,377	–	110,571	326,791	15	–	–
THB	–	71,560	–	62,945	–	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 1% increase or decrease in various foreign currencies against the respective functional currencies of the Group entities. The sensitivity analysis assumes an instantaneous 1% change in the foreign currency exchange rates from the end of the financial year, with all variables held constant. The results of the model are also constrained by the fact that only monetary items, which are denominated in USD, RMB and THB are included in the analysis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

33. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (Continued)

(b) Foreign currency risk (Continued)

Foreign currency sensitivity analysis (Continued)

If the relevant foreign currency strengthens by 1% (2015: 1%) against the functional currency of each Group entity, profit or loss will increase or (decrease) by:

	THB impact		USD impact		RMB impact	
	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group						
Profit or loss	<u>–</u>	<u>86</u>	<u>–</u>	<u>(1,441)</u>	<u>3,268</u>	<u>218</u>
Company						
Profit or loss	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,186</u>	<u>3,268</u>	<u>–</u>

(c) Interest rate risk

The Group's exposure to interest rate risk related principally to its bank balances, finance leases and interest-bearing borrowings. The other loans and finance leases borne interests at fixed interest rates and therefore are subject to fair value interest rate risks. The bank balances and long term bank loans bear floating interest rates and thus exposing the Group to cash flow interest rate risk.

During the previous financial year, the interest bearing borrowings borne effective interest rate of 5.69% per annum.

As at 31 December 2015, if interest rates for interest-bearing borrowings at that date had been 100 basis points lower/higher with all other variables held constant, consolidated loss after tax for the year would have been approximately HK\$1,597,000 lower/higher, arising mainly as a result of gain/loss on lower/higher interest expenses on interest-bearing borrowings.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

33. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (Continued)

(d) Equity price risk

The Group was exposed to equity risks arising from equity investments classified as available-for-sale. Available-for-sale equity investments were held for strategic rather than trading purposes. The Group did not actively trade in available-for-sale investments.

Further details of these equity investments can be found in Note 13 to the financial statements.

As at 31 December 2015, if the prices for equity investments had been higher/lower by 2%, with all other variables held constant, the Group's other comprehensive income would have been HK\$25,118,000 higher/lower, arising as a result of an increase/decrease in the fair value of equity securities classified as available-for-sale.

(e) Liquidity risk

The Group managed its liquidity risk by ensuring the availability of funding through an adequate amount of committed credit facilities from financial institutions and related parties. Due to the nature of the Group's underlying business, management aims at maintaining flexibility in funding by keeping committed credit lines available.

The table below analyses non-derivative financial liabilities of the Group into relevant maturing groupings based on the remaining period from the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The table includes both interest and principal cash flows.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

33. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (Continued)

(e) Liquidity risk (Continued)

Group

During the current financial year, the contractual maturity of the Group's non-derivative financial instruments as shown in the statement of financial position was less than 1 year.

The table below analyses non-derivative financial liabilities of the Group into relevant maturing groupings based on the remaining period from the end of the reporting period to the contractual maturity date for the financial year ended 31 December 2015.

The amounts disclosed in the table are the contractual undiscounted cash flows. The table includes both interest and principal cash flows.

Group	On demand or less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 3 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
At 31 December 2015					
Trade payables	51,957	–	–	–	51,957
Accruals and other payables	158,877	–	–	–	158,877
Interest-bearing borrowings					
– secured	4,304	4,413	166,166	–	174,883
Finance lease payables	410	277	310	–	997
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	215,548	4,690	166,476	–	386,714
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Company

During the current and previous financial year, the contractual maturity of the Company's non-derivative financial instruments as shown in the statements of financial position is less than 1 year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

33. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (Continued)

(f) Categories of financial instruments at the reporting date are as follows:

	Group	
	2016	2015
	HK\$'000	HK\$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	882,549	220,657
Available-for-sale financial assets	–	1,255,926
	<u> </u>	<u> </u>
Financial liabilities:		
Other financial liabilities carried at amortised cost	49,839	371,483
	<u> </u>	<u> </u>

34. FAIR VALUE OF ASSETS AND LIABILITIES

At the end of the current financial year, there is no applicable assets and liabilities.

The fair values of applicable assets and liabilities are determined and categorised using a fair value hierarchy as follows:

- (a) Level 1 – the fair values of assets and liabilities with standard terms and conditions and which trade in active markets that the Group can access at the measurement date are determined with reference to quoted market prices (unadjusted).
- (b) Level 2 – in the absence of quoted market prices, the fair values of the assets and liabilities are determined using the other observable, either directly or indirectly, inputs such as quoted prices for similar assets/liabilities in active markets or included within Level 1, quoted prices for identical or similar assets/liabilities in non-active markets.
- (c) Level 3 – in the absence of quoted market prices included within Level 1 and observable inputs included within Level 2, the fair values of the remaining assets and liabilities are determined in accordance with generally accepted pricing models.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

34. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The table below analyses the Group's assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition.

Group		2016	2015
Level 2	<i>Note</i>	HK\$'000	HK\$'000
Recurring fair value measurements			
Financial assets			
Available-for-sale	13		
– Quoted equity securities		–	1,255,926
		<u> </u>	<u> </u>
Non-financial assets			
Intangible assets			
– Service concession agreement	12	–	385,128
		<u> </u>	<u> </u>

The carrying amounts of the financial assets and financial liabilities of the Group and Company, including trade and other receivables, pledged bank deposits, bank and cash balances, trade payables, accruals and other payables, advance payment received, interest-bearing borrowings and finance lease payables and the above financial assets, where applicable, approximate their respective fair values.

Level 2

Quoted equity securities

Level 2 fair value of the Group's available-for-sale financial assets was derived using closing quoted market prices on the last market day of the financial year, discounted by 28% in 2015 and was performed in accordance with International Valuation Standards issued by International Valuation Standards Committee. As these quoted shares were subject to a Moratorium Period of 36 months from 25 December 2014 till 24 December 2017, it constituted a lack of marketability of the shares. The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner choose to sell.

Discount for the lack of marketability of the available-for-sale financial assets was assessed by adopting the Black-Scholes Option Pricing Model.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

34. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

Level 2 (Continued)

Service concession agreements

In 2015, the intangible asset received as consideration for providing construction services in a service concession arrangement is measured at fair value upon initial recognition, estimated by reference to the fair value of the construction services provided, have been determined by independent qualified professional valuers using the Replacement Cost New approach plus margin, in accordance with IFRIC 12. Replacement cost item is the estimated amount of money needed to acquire in like kind and in new condition an asset or group of assets taking into consideration current prices of materials, manufacturing equipment, labour, contractor's overhead, profit and fees, and all other attendant costs associated with its acquisition, but without provision for overtime or bonuses for labour and premium for materials.

Valuation policies and procedures

The Group's and the Company's Financial Controller ("FC") oversees the Group's and Company's financial reporting valuation process and is responsible for setting and documenting the Group's and Company's valuation policies and procedures and reports to the Group's Audit Committee.

It is the Group's and Company's policy that where assessed necessary by the local management, the Group and Company would engage experts to perform significant financial reporting valuations. The FC is responsible for selecting and engaging such external experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and IFRS 13 Fair Value Measurement guidance.

The FC also reviews at least on an annual basis, the appropriateness of the valuation methodologies and assumptions adopted and evaluates the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

The analysis and results of the external valuations are then reported to the Audit Committee for the latter's comments before presenting the results to the Board of Directors for approval.

During the financial year, there is no change in the applicable valuation techniques.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

35. EVENTS AFTER THE REPORTING PERIOD

On 9 January 2017, the Company declared and paid an interim special dividend of S\$0.04 per ordinary share (equivalent to approximately HK\$0.22 per ordinary share) of the Company totalling S\$39.1 million (equivalent to approximately HK\$211.4 million) in respect of the financial year ending 31 December 2017.

On 20 March 2017, the Company declared and paid a second interim special dividend of S\$0.103 per ordinary share (equivalent to approximately HK\$0.58 per ordinary share) of the Company totalling S\$100.71 million (equivalent to approximately HK\$566.3 million) in respect of the financial year ending 31 December 2017.

STATISTICS OF SHAREHOLDINGS

As at 16 March 2017

DISTRIBUTION OF SHAREHOLDINGS

Authorised share capital	:	HK\$200,000,000
Issued and fully paid-up capital	:	HK\$97,775,535
Class of shares	:	Ordinary share of HK\$0.10 each
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDERS

Size Of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	4	0.21	185	0.00
100 – 1,000	73	3.85	44,531	0.00
1,001 – 10,000	700	36.94	4,836,702	0.50
10,001 – 1,000,000	1,096	57.84	71,146,881	7.28
1,000,001 AND ABOVE	22	1.16	901,727,055	92.22
TOTAL	1,895	100.00	977,755,354	100.00

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	No. of shares in which shareholder has a direct interest	%	No. of shares in which shareholder is deemed to have an interest	%
	No. of shares		No. of shares	
C&G Holdings (Hong Kong) Limited	774,537,355	79.22	–	–
Lam Chik Tsan	–	–	774,537,355 ^(a)	79.22
Lin Yan	–	–	774,537,355 ^(a)	79.22
Design Time Limited	–	–	774,537,355 ^(b)	79.22
Central Huijin Investment Ltd.	–	–	774,537,355 ^(b)	79.22
China Construction Bank Corporation	–	–	774,537,355 ^(b)	79.22
CCB International Group Holdings Limited	–	–	774,537,355 ^(b)	79.22
CCB Financial Holdings Limited	–	–	774,537,355 ^(b)	79.22
CCB International (Holdings) Limited	–	–	774,537,355 ^(b)	79.22
CCBI Investments Limited	–	–	774,537,355 ^(b)	79.22

STATISTICS OF SHAREHOLDINGS

Notes:

- (a) Deemed to be interested in all the shares held by C&G Holdings (Hong Kong) Limited.
- (b) The 774,537,355 shares beneficially owned by C&G Holdings (Hong Kong) Limited are charged in favour of Design Time Limited pursuant to an investment agreement dated 28 September 2012.

Central Huijin Investment Ltd. (“CHI”) holds 57.13% of the total equity interest of China Construction Bank Corporation (CCB). CCB indirectly wholly owns Design Time Limited (“DTL”) through its wholly owned subsidiaries, CCB International Group Holdings Limited, CCB Financial Holdings Limited, CCB International (Holdings) Limited and CCBI Investments Limited. Accordingly, the parties are deemed to have an interest in all the ordinary shares in the capital of the Company in which DTL has an interest.

TWENTY LARGEST SHAREHOLDERS

	Shareholder's name	Number of shares held	%
1	RAFFLES NOMINEES (PTE) LTD	777,792,555	79.55
2	OCBC SECURITIES PRIVATE LTD	40,307,700	4.12
3	PHILLIP SECURITIES PTE LTD	31,758,000	3.25
4	CIMB SECURITIES (SINGAPORE) PTE LTD	11,264,300	1.15
5	SEAH SEOW CHER	7,058,000	0.72
6	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	6,270,200	0.64
7	ANG CHIN SAN	4,850,000	0.50
8	MAYBANK KIM ENG SECURITIES PTE LTD	2,685,300	0.27
9	HL BANK NOMINEES (SINGAPORE) PTE LTD	2,250,000	0.23
10	DB NOMINEES (S) PTE LTD	2,199,000	0.22
11	DBS NOMINEES PTE LTD	1,592,900	0.16
12	KNG PONG SAI	1,584,000	0.16
13	NG EE HAU	1,511,100	0.15
14	SEOW MING LIANG	1,450,000	0.15
15	YANG JIANHONG	1,400,000	0.14
16	QUAH TECK HWA	1,180,000	0.12
17	UOB KAY HIAN PTE LTD	1,179,500	0.12
18	LAU KIM HOON	1,111,200	0.11
19	KWAN TUCK LOCK MICHAEL	1,100,300	0.11
20	CITIBANK NOMINEES SINGAPORE PTE LTD	1,090,000	0.11
	TOTAL	899,634,055	91.98

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

20.78% 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

C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

(Incorporated in Bermuda on 24 September 2004)

Registration No.: 35842

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Studio 2, 3rd Level (Lobby Level), Concorde Hotel Singapore, 100 Orchard Road, Singapore 238840 on Tuesday, 25 April 2017 at 9:30 a.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016 and the Auditors' Report thereon. **(Resolution 1)**
2. To approve the Directors' fees of S\$106,800 for the financial year ending 31 December 2017, to be paid quarterly in arrears. (2016: S\$106,800) **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to Bye-law 85(6) of the Company's Bye-laws:
 - (i) Mr Alfred Cheong Keng Chuan (*See Explanatory Note 1*) **(Resolution 3)**
 - (ii) Mr Ng Li Yong (*See Explanatory Note 2*) **(Resolution 4)**
4. To re-appoint Messrs Mazars LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS

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

5. **Authority to issue shares and convertible securities** **(Resolution 6)**

"That in accordance with Rule 806 of the Listing Manual of the SGX-ST, approval be and is given to the Directors to issue:

- (a) shares in the Company (whether by way of bonus, rights or otherwise); or
- (b) convertible securities; or

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- (c) additional convertible securities arising from adjustments made to the number of convertible securities previously issued in the events of rights, bonus or capitalization issues; or
- (d) shares arising from the conversion of convertible securities,

at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that:

- (i) the aggregate number of shares and convertible securities that may be issued shall not be more than 50% of the issued share capital of the Company excluding treasury shares or such other limit as may be prescribed by the SGX-ST as at the date the general mandate is passed;
- (ii) the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to existing shareholders shall not be more than 20% of the issued share capital of the Company excluding treasury shares or such other limit as may be prescribed by the SGX-ST as at the date the general mandate is passed;
- (iii) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraphs (i) and (ii) above, the percentage of issued share capital of the Company excluding treasury shares is based on the issued share capital of the Company excluding treasury shares as at the date the general mandate is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or employee stock options in issue as at the date the general mandate is passed and any subsequent bonus issue consolidation or subdivision of the Company's shares;
- (iv) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-laws for the time being of the Company; and

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- (v) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution 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 the earlier.”

(See Explanatory Note 3)

6 Authority to issue shares under the Employee Share Option Scheme (“CG ESOS”), Performance Share Plan (“CG PSP”) and Restricted Share Plan (“CG RSP”) (Resolution 7)

“That authority be and is hereby given to the Directors of the Company to allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of options under the CG ESOS and/or such number of fully paid shares as may be required to be issued pursuant to the vesting of awards under the CG PSP and/or the CG RSP, provided that the aggregate number of new shares to be allotted and issued, and existing shares which may be delivered in respect of the above, shall not exceed 10% of the Company’s total number of issued shares excluding treasury shares from time to time.”

(See Explanatory Note 4)

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

BY ORDER OF THE BOARD

Lee Wei Hsiung

Company Secretary

10 April 2017

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Explanatory Notes:

1. Mr Alfred Cheong Keng Chuan will, upon re-election as a Director of the Company, remain as the Chairman of the Audit and Nominating Committees and a member of the Remuneration Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").
2. Mr Ng Li Yong will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Directors who have offered themselves for re-election have each confirmed that, they do not have any relationship (including immediate family relationships) with the other Directors, the Company or its 10% shareholders. The current directorships in other listed company (if any) and details of other principal commitments held by each of these Directors are set out on page 9 to 12 of this Annual Report.

3. Ordinary Resolution 6, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting, or the date by which the next Annual General Meeting of the Company is required by law or the bye-laws of the Company to be held, or when revoked or varied by the Company at a general meeting, whichever is earlier, to allot and issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50% of the issued share capital of the Company excluding treasury shares of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20% of the issued share capital of the Company excluding treasury shares at the time the resolution is passed.
4. Ordinary Resolution 7, if passed, will empower the Directors of the Company to allot and issue shares pursuant to the exercise of options under the CG ESOS and/or such number of fully paid shares as may be required to be issued pursuant to the vesting of awards under the CG PSP and/or the CG RSP, not exceeding 10% of the Company's total number of issued shares excluding treasury shares from time to time.

Note:

1. A registered Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. If a registered Shareholder is unable to attend the Annual General Meeting and wishes to appoint a proxy to attend and vote at the Annual General Meeting in his stead, then he should complete and sign the relevant Member Proxy Form and deposit the duly completed Member Proxy Form at the office of the Company's Share Transfer Agent in Singapore, Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte Ltd) at 80 Robinson Road, #02-00, Singapore 068898 not later than 48 hours before the time appointed for the Annual General Meeting.
3. A depositor registered and holding Shares through The Central Depository (Pte) Limited ("CDP") who/which is (i) an individual but is unable to attend the Annual General Meeting personally and wishes to appoint a nominee to attend and vote; or (ii) a corporation, must complete, sign and return the Depositor Proxy Form and deposit the duly completed Depositor Proxy Form at the office of the Company's Share Transfer Agent in Singapore, Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte Ltd) at 80 Robinson Road, #02-00, Singapore 068898 not later than 48 hours before the time appointed for the Annual General Meeting.
4. If a Shareholder who has Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members is unable to attend the Annual General Meeting and wishes to appoint a proxy, he should use the Depositor Proxy Form and the Member Proxy Form for, respectively, the Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members.
5. A Depositor who is an individual and who wishes to attend the Annual General Meeting in person need not take any further action and can attend and vote at the Annual General Meeting as CDP's proxy without the lodgement of any proxy form.

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PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting 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 Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (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.

