

**C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED**

(Incorporated in Bermuda on 24 September 2004)

(Company Registration Number: 35842)

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**INDEPENDENT AUDITOR'S COMMENTS ON FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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The Board of Directors (the "Board") of C&G Environmental Protection Holdings Limited (the "Company") wishes to announce that the Company's independent auditor, Mazars LLP, had, without qualifying its audit opinion, included in the Independent Auditor's Report a material uncertainty related to going concern in the audited financial statements of the Company for the financial year ended 31 December 2017. A copy of the Independent Auditor's Report and an extract of the relevant Note 1.1 and Note 21 to the financial statements are attached to this announcement for information.

**BY ORDER OF THE BOARD**

Lam Chik Tsan

Executive Chairman and Group Chief Executive Officer

29 March 2018

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

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**Report on the Audit of Financial Statements**

*Opinion*

We have audited the financial statements of C&G Environmental Protection Holdings Limited (the "Company") which comprise the statement of financial position of the Company as at 31 December 2017, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements 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 Company as at 31 December 2017 and of the financial performance, changes in equity and cash flows of the Company 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 Company 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.

*Material Uncertainty Related to Going Concern*

As at 31 December 2017, consequent to the disposal of all operating subsidiaries in the previous financial years, the Company remains as a cash company without any operations. Notwithstanding the fact that the Company is in a net current asset and net asset position of HKD266,000, the Company's continuing operations also incurred a net loss and net operating cash outflow of HKD3,753,000 for the financial year ended 31 December 2017. In accordance to ISA 570 Going Concern, these are conditions that indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

The ability of the Company to continue as a going concern is dependent on:

- i) the successful completion of the proposed reverse takeover (Note 21); and
- ii) the generation of positive cash flows subsequent to the completion of the proposed reverse takeover.

If the Company were unable to continue in operational existence resulting from their inability to fulfil the conditions above, the Company may be unable to discharge their liabilities in the normal course of business and adjustments may be required to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. No such adjustments have been made to the financial statements.

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

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*Overview*

*Audit Approach*

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

*Materiality*

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.

*Area of focus*

We focused our resources and effort on areas which were assessed to have higher risks of material misstatement, including areas which involve significant judgments and estimates to be made by directors.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters include the aforementioned salient areas of focus in our audit and do not represent all the risks identified by our audit. These matters were 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.

Other than the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no other key audit matters to communicate in our report.

*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.

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

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### *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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

### *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 Company'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 Company'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 Company to cease to continue as a going concern.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
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*Auditors' Responsibilities for the Audit of the Financial Statements (Continued)*

- 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.

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

## C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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#### 1.1 Going concern

As at 31 December 2017, consequent to the disposal of all operating subsidiaries in the previous financial years, the Company remains as a cash company without any operations. Notwithstanding the fact that the Company is in a net current asset and net asset position of HKD266,000, the Company also incurred a net loss and net operating cash outflow of HKD16,406,000 for the financial year ended 31 December 2017. In accordance to ISA 570 Going Concern, these are conditions that indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

The ability of the Company to continue as a going concern is dependent on:

- (i) the successful completion of the proposed reverse takeover (Note 21); and
- (ii) the generation of positive cash flows subsequent to the completion of the proposed reverse takeover.

If the Company is unable to continue in operational existence resulting from their inability to fulfil the conditions above, the Company may be unable to discharge their liabilities in the normal course of business and adjustments may be required to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. No such adjustments have been made to the financial statements

#### 21. Events after the reporting period

On 28 December 2017, the Company announced that they have entered into a non-binding term sheet (the "Term Sheet") in relation to a Proposed Transaction to acquire entities. The Proposed Transaction, if undertaken and completed, is expected to result in a reverse takeover of the Company under Rule 1015 of the Listing Manual (the "Listing Rules") of the Singapore Exchange Securities Trading Limited (the "SGX ST").

The Proposed Transaction includes the acquisition of the following by the Company:

- 1) 100% of the issued and paid-up share capital of Param Mitra Coal Resources One Pte. Limited ("PMCR1");
- 2) 100% of the issued and paid-up share capital of Param Mitra Coal Resources Two Pte. Limited ("PMCR2");
- 3) 100% of the issued and paid-up share capital of Dragon Power Investments Limited ("DPIL"); and
- 4) 76% of the issued and paid-up share capital in Unity Holding Business Singapore Pte. Ltd. ("UHBS")

from Param Mitra Coal Resources Pte. Limited. (the "Vendor")

The Proposed Transaction is at the stage of due diligence and the deadline for the execution of a definitive agreement is by 30 April 2018.

On 23 March 2018, the SGX-ST granted the Company an extension till 31 May 2018 (being a period of 5 months commencing from 31 December 2017) to sign a definitive agreement and finalise the appointment of a financial adviser in respect of the Proposed Transaction. Following the signing of a definitive agreement, the Company intends to make a further application to the SGX-ST for extension of time pursuant to Rule 1018(2) of the Listing Manual to complete the Proposed Transaction.