中国环保

China Environment Ltd.

Annual Report 2015

CONTENTS

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

On behalf of the Board of Directors ("Board"), I hereby present the results of China Environment Ltd (the "Company", and together with its subsidiaries, the "Group") for the financial year ended 31 December 2013 ("FY2013"), 31 December 2014 ("FY2014"), 31 December 2015 ("FY2015").

In preparing the accounts for Financial Year 2015 it has proved to be challenging for the Group. The Group discovered its trade receivables amounting to approximately RMB341 million recorded on its books appeared to be non-existent and/or irrecoverable. Furthermore, the Group also faced a nine month lock-out period from one of the Group's operating subsidiary office in Longyan, Fujian China, by the landlord of the premises.

The Fujian Longyan Office lockout had halted the Group's normal business operations. This situation has turned into an impasse which lasted nine months and caused severe disruption and damages to the operations of the Group for the current financial year.

In addition, the Company and its subsidiary Fujian Dongyuan Environmental Protection Co. Ltd. ("FJDY") had from September 2016 been embroiled in a law suit in the Singapore High Court against Mr Huang Min (the former Executive Chairman), his wife and his two daughters in relation to the Company's complaints as to their breaches of fiduciary and other duties in relation to the non-existent and/or irrecoverable trade receivables, interested party transactions and alleged misappropriation of a sum of RMB25,000,000 from the Company's subsidiary, Xiamen Gongyuan Environmental Protection Technology Co. Ltd.

On 4 December 2017, the Singapore High Court granted the Company and FJDY's application for a Worldwide Mareva injunction to restrain Mr Huang, his wife and two daughters from using, dealing with or disposing of their assets up to the value of USD 7 million, both in Singapore and overseas.

On 30 July 2018, The Company announced a settlement agreement with Mr Huang. The terms of settlement include payment by Huang Min and his family ("defendants") to the Company of a settlement sum of S$1.2 million and a full and final settlement of all claims between the parties, not only in relation to the claims and disputes in the Suit, but also in relation to any and all claims, complaints or issues that the parties and/or their associates may have against each another (howsoever arising, whether now or in future).

In particular, the following claims (not exhaustive) have also been settled:-

(a) Claims by the Defendants and/or their associates (including their relatives and/or extended family and the companies owned or controlled by any one of them) against the Company and/or its subsidiaries;

(b) Claims of RMB47 million made by Fujian Mintai Environmental Protection Co. Ltd (referred to in the General Announcement: Receipt of Letter of Demand dated 14 November 2017);

and in relation to Mr Huang Min and his family's legal/or beneficial interest in the Company and/or its subsidiaries, agree not to exercise any voting rates attached to the shares on any resolutions at general meetings or otherwise, for a period of five (5) years from the date of settlement. Mr Huang shall however be permitted to sell or transfer the shares to a third party, and upon such transfer, the transferee (or such further or subsequent transferees) shall enjoy all benefits and rights attached to the said shares, without limitation on the right to vote.

The Board is of the view that the terms of the Settlement Agreement are, in the circumstances, in the best interests of the Company, having taken into account of the lawyer's advice, current outstanding obligations of the Company and its business operations of the Group. The Settlement Sum represents a significantly smaller amount compared to the original amount claimed by the Company, and will discharge the Group against all present and future claims and legal proceedings in relation to the dispute with Huang Min, allowing the Group to re-focus its resources towards corporate recovery.

Although the Settlement Sum is expected to have a material effect on the cash flow of the Group, the proceeds will be used to partially pay the legal and professional fees, long overdue amounts on loan and other payables. The remaining amounts will be used as working capital for the Group's operating and administrative expenses, to hold outstanding Annual General Meetings ("AGM") and to look for a new business to vitalise the shareholders value of the Company.

On behalf of my fellow Board members, I would like to express our deepest gratitude to all our shareholders, management and staff, and all our corporate advisors. We are grateful that you have kept faith with us.

I would also like to thank my fellow directors for their commitment, and counsel.

Thank you

Norman Winata
Executive Chairman

FINANCIAL AND OPERATIONAL REVIEW

Statement of Comprehensive Income

For the financial year ended 31 December 2015 (“FY2015”), revenue of the Group decrease by 8%, from RMB39.5 million in FY2014 to RMB36.6 million in FY2015 due to the lower sales volume.

The Group also incurred an impairment loss of RMB158 million on property, plant and equipment and RMB 155 million on trade receivables during the financial year. As a result, the Group incurred a net loss of RMB 448 million for the FY2015.

Statement of Financial Position

Trade receivables declined from RMB185 million in FY2014 to RMB12 million as at FY2015. As a result of the reduction in sales, trade payables also decreased from RMB53 million in the previous year to RMB16 million in the same reporting period in FY2015.

Statement of Cash Flows

Net cash generated in operating activities increased to RMB33 million in FY2015 compared with RMB134 million used in operating activities in FY2014.

Net cash used in financing activities was RMB31 million due to the repayment of RMB71 million to related parties which in the opinion of the New Board may not be the full extent of related party transactions disclosed by the ex-management. The Net cash used in financing activities is mitigated by the proceeds of new shares proceeds of RMB48.3 million from shareholders.

Cash and cash equivalents for the year ended 31 December 2015 registered RMB10.6 million.

BOARD OF DIRECTORS

NORMAN WINATA

Mr Norman Winata was appointed as Executive Chairman of China Environment Ltd since 29 March 2016. He has more than 12 years of experience in Commercial, Industrial and Residential property investments and is a founding Partner of Lucrum Capital.

Combining his strengths in finance with his experience in investment sales and property management, he co-founded The Sail Investment Pte Ltd, a property investment and holding company specialising in the investment and management of prime residential properties such as The Sail located at Marina Boulevard, Singapore.

In 2003, he co-founded PT Batanghari Propertindo, a property investment firm in Sumatra, Indonesia and was instrumental in the development of the largest mall in Jambi, Indonesia.

Mr. Winata holds a Bachelor of Business Administration Degree, with a specialisation in Finance and Marketing, from Simon Fraser University, Canada.

KOIT VEN JEE

Mr Koit has over 15 years of experience in the areas of financial and management accounting, taxation and including audit and assurance. He was with audit firms such as Crowe Horwath LLP, BDO LLP, Baker Tilly Malaysia and Crowe Horwarth Malaysia, providing audit services to a broad range of clients including technology, manufacturing, trading, construction, shipping, as well as other private and public-listed companies. Mr Koit is also currently the Financial Controller of another SGX listed company, NGSC Limited.

Mr Koit was appointed to the Board in January 2019. Mr Koit has obtained his professional accountancy qualification from the Association of Chartered Certified Accountants (ACCA) and is also a member of the Institute of Singapore Chartered Accountants.

LEE CHIA SIN

Mr Lee has over 15 years of experience in public accounting firms and is currently a Managing Partner in a local audit firm and a director of several consulting companies.

Mr Lee was appointed to the Board in April 2019. Mr Lee holds a Bachelor in Accounting & Commercial law from the University of Wellington, New Zealand and had completed the Graduate Diploma in Professional Accounting in the same university. He is currently a member of the Institute of Singapore Chartered Accountants (ISCA), Association of Chartered Certified Accountants (ACCA), Malaysia Institute of Accountants (MIA) and Kampuchea Institute of Certified Public Accountants & Auditors.

KEY
MANAGEMENT

REMY TAN KWOK KENG

Mr Remy Tan is responsible for operations, finance, investor relations and regulatory compliance of the group. Prior to joining the group, he has worked in accounting firms and have also worked in commerce and industry in financial management roles.

He has more than 10 years of experience in auditing and commercial accounting. He was involved in the audit & tax compliance of private entities, and has experience in corporate finance, corporate recovery & insolvency and related advisory services. He has advised family offices and asset managers on compliance & tax matters.

He holds a Bachelor of Commerce from Curtin University and had completed the Graduate Diploma in Systems Analysis from the National University of Singapore. He is a Chartered Accountant of Singapore, CA (Singapore)

CORPORATE INFORMATION

COMPANY REGISTRATION NUMBER
200301902W

BOARD OF DIRECTORS

Executive Director
Mr Norman Winata (Group Executive Chairman)

Non-Executive and Independent Directors
Mr Koit Ven Jee (Lead Independent Director)
Mr Lee Chia Sin

NOMINATING COMMITTEE
Mr Lee Chia Sin (Chairman)
Mr Koit Ven Jee
Mr Norman Winata

REMUNERATION COMMITTEE
Mr Lee Chia Sin (Chairman)
Mr Koit Ven Jee

AUDIT COMMITTEE
Mr Koit Ven Jee (Chairman)
Mr Lee Chia Sin

REGISTERED OFFICE
1 Phillip Street, #08-01
Royal One Phillip
Singapore 048692
Tel: 65-6225 9921
Fax: 65-6225 9908

SHARE REGISTRAR
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: 65-6225 9921
Fax: 65-6225 9908

INDEPENDENT AUDITOR
RT LLP
1 Raffles Place #17-02
One Raffles Place
Singapore 048616
Partner-in-charge: Ong Kian Meng
Year of First Appointment: For the Financial Year Ended 31 December 2015

CORPORATE GOVERNANCE REPORT

Changes to the composition of the Board of Directors (the "Board")

Since 1 January 2015 till the date of this report, there has been some changes to the composition of the Board of China Environment Ltd (the "Company", and together with its subsidiaries, collectively the "Group").

On 1 April 2016, Mr Norman Winata was appointed as the Executive Chairman of the Company. The new Board (the "Current Board") led by Mr Winata is committed to achieving a high standard of corporate governance within the Group so as to ensure greater transparency and to protect the interests of the Company's shareholders.

A summary of the changes to the composition of the Board is set out as follows:

Name	Position	Date of Appointment	Date of Cessation
Huang Min	Executive Chairman	26/08/2009	28/03/2016
Wu Jida	Executive Director and CEO	26/08/2009	23/06/2016
Andrew Bek	Executive Director	08/01/2008	23/06/2016
Lin Song	Lead Independent Director	26/08/2009	27/01/2016
Loh Wei Ping	Independent Director	05/06/2008	03/02/2016
Wu Yu Liang	Independent Director	26/03/2012	10/12/2015
Huang Xinzhi	Independent Director/ Executive Director	27/01/2016	02/09/2016
Er Kwong Wah	Lead Independent	27/01/2016	28/12/2018
Ignatius Hwang Kin Soon	Independent Non-Executive	27/01/2016	29/09/2016
Norman Winata	Executive Chairman	29/03/2016	–
Yang Meng Yang	Non-Independent Non-Executive	29/03/2016	25/07/2018
James Kho Chung Wah	Independent Non-Executive	10/10/2016	28/12/2018
Koit Ven Jee	Independent Non-Executive	11/01/2019	–
Lee Chia Sin	Independent Non-Executive	02/04/2019	–

The Current Board endeavors to comply with the principles of the Singapore Code of Corporate Governance 2012 (the "Code").

Save as disclosed below, the Group has complied in all material respects with the principles and guidelines of the Code. Where there are deviations from the recommendations of the Code, appropriate explanations have been provided.

CORPORATE GOVERNANCE REPORT

This report sets out the Company' corporate governance processes and structures of the Company with specific reference made to the principles and guidelines of the Code. This report should be read as a whole, instead of being read separately under different principles of the Code.

On 16 September 2016, Messrs RT LLP ("RT") were appointed as the independent auditors of the Company.

FY2013 Restatement

For the financial year ended 31 December 2013. RT has issued a disclaimer of opinion on the Revised Financial Statements of the Group for FY2013.

The matters which were disclaimed by RT were:

(1) Non-existence of 5 major trade receivables as at 31 December 2015

(2) Opening balances

(3) Loss of Partial Accounting Books and Records and Supporting Documents

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, the auditors have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, they do not express an opinion on the financial statements

Please refer to the Independent Auditors' Report for further details on the basis for the disclaimer of opinion.

FY2014 Restatement

For the financial year ended 31 December 2014. RT has issued a disclaimer of opinion on the Revised Financial Statements of the Group for FY2014.

The matters which were disclaimed by RT were:

(1) Opening balances

(2) Non-existence of 5 major trade receivables as at 31 December 2015

(3) Loss of Partial Accounting Books and Records and Supporting Documents

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, the auditors have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, the auditors do not express an opinion on the financial statements.

Please refer to the Independent Auditors' Report for further details on the basis for the disclaimer of opinion.

FY2015 Statutory Audit

For the financial year ended 31 December 2015. RT has issued a disclaimer of opinion on the Consolidated Financial Statements of the Group for FY2015.

The matters which were disclaimed by RT were:

1) Opening balances

2) Existence and Recoverability of Trade and Bill Receivables

3) Revenue, Costs of Sales, Value Added Tax ("VAT") and Trade Payables and Trade Receivables

4) Investment in subsidiaries and associated company

5) Inventories

6) Proceeds from placement of 72,500,000 new ordinary shares

7) Tax Provision, Current and Deferred Tax Expense

8) Loss of Partial Accounting Books and Records and Supporting Documents and events occurring after the reporting period

9) Going Concern and legal actions against the Group

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, the auditors have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, the auditors do not express an opinion on the financial statements.

Please refer to the Independent Auditors' Report for further details on the basis for the disclaimer of opinion.

Settlement agreement with Former Chairman

On 30 July 2018, The Company announced a settlement agreement with Mr Huang. The terms of settlement include payment by Huang Min (and his family) to the Company of a settlement sum of S$1.2 million and a full and final settlement of all claims between the parties, not only in relation to the claims and disputes in the Suit, but also in relation to any and all claims, complaints or issues that the parties and/or their associates may have against each another (howsoever arising, whether now or in future). In particular, the following claims (not exhaustive) have also been settled:-

(a) Claims by the Defendants and/or their associates (including their relatives and/or extended family and the companies owned or controlled by any one of them) against the Company and/or its subsidiaries;

(b) Claim of RMB47 million made by Fujian Mintai Environmental Protection Co. Ltd (referred to in the General Announcement: Receipt of Letter of Demand dated 14 November 2017);

and in relation to Mr Huang Min and his family's legal/or beneficial interest in the Company and/or its subsidiaries, agree not to exercise any voting rates attached to the shares on any resolutions at general meetings or otherwise, for a period of five (5) years from the date of settlement. Mr Huang shall however be permitted to sell or transfer the shares to a third party, and upon such transfer,the transferee (or such further or subsequent transferees) shall enjoy all benefits and rights attached to the said shares, without limitation on the right to vote.

Trading Suspension

The Company had on 24 June 2016 announced that the Company requested SGX-ST to suspend the trading of the company shares due to:

a) ACRA requirement to restate and refile the financial statements for FY2013 and FY2014; and

b) Resignation of 2 Executive Directors on 23 June 2016.

BOARD MATTERS

The Board's Conduct of Affairs

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

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

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

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

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

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

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

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

The number of meetings held during the financial year ended 31 December 2015 ("FY2015") and the attendance by each member of the Board and Board Committees are as follows:

Name	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Huang Min[1]	4	4	–	–	–	–	–	–
Wu Jida[2]	4	4	–	–	–	–	–	–
Andrew Bek[3]	4	4	–	–	–	–	–	–
Lin Song[4]	4	3	10	10	1	0	2	1
Loh Wei Ping[5]	4	4	10	10	1	1	2	2
Wu Yu Liang[6]	4	4	10	10	1	1	2	2

Huang Min ceased to be Executive Chairman on 28 March 2016 (1)
Wu Jida ceased to be Executive Director on 23 June 2016 (2)
Andrew Bek ceased to be Executive Director on 23 June 2016 (3)
Lin Song ceased to be Independent Director on 27 January 2016 (4)
Loh Wei Ping ceased to be Independent Director on 3 February 2016 (5)
Wu Yu Liang ceased to be Independent Director on 10 December 2015 (6)

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

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

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

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

CORPORATE GOVERNANCE REPORT

Board Composition and Guidance

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

Currently the Board comprises three Directors, one of whom is the Executive Director, the other two directors are non-executive. The two Non-executive Directors are independent. This composition complies with the Code's requirements outlined in Guideline 2.2 whereby it is required that the independent directors should make up majority of the Board where the Chairman is not an independent director. The Board is thus able to exercise objective judgement on corporate affairs independently. To strengthen the independence of the Board, the Board has appointed Mr Koit Ven Jee as its Lead Independent Director. Mr Koit is also the Chairman of Audit Committee ("AC") and a member of the Remuneration Committee ("RC") and the Nominating Committee ("NC").

Pursuant to the changes to the Board as detailed above:

Name	Board Membership	Audit Committee	Remuneration Committee	Nominating Committee
Huang Min[1]	Executive Chairman	–	–	–
Wu Jida[2]	Executive Director and CEO	–	–	–
Andrew Bek[3]	Executive Director	–	–	–
Lin Song[4]	Lead Independent	Member	Chairman	Member
Loh Wei Ping[5]	Independent Non-Executive	Chairman	Member	Member
Wu Yu Liang[6]	Independent Non-Executive	Member	Member	Chairman
Norman Winata[7]	Executive Chairman	–	–	Member
Huang Xinzhi[8]	Independent Director/ Executive Director	–	–	Member
Yang Meng Yang[9]	Non-Independent Non-Executive	Member	Member	–
Er Kwong Wah[10]	Lead Independent	Chairman	Chairman	Member
James Kho Chung Wah[11]	Independent Non-Executive	Member	Member	Chairman
Ignatius Hwang Kin Soon[12]	Independent Non-Executive	Member	Member	Chairman
Koit Ven Jee[13]	Independent Non-Executive	Chairman	Member	Member
Lee Chia Sin[14]	Independent Non-Executive	Member	Chairman	Chairman

Huang Min ceased to be Executive Chairman on 28 March 2016 (1)
Wu Jida ceased to be Executive Director on 23 June 2016 (2)
Andrew Bek ceased to be Executive Director on 23 June 2016 (3)
Lin Song ceased to be Independent Director on 27 January 2016 (4)
Loh Wei Ping ceased to be Independent Director on 3 February 2016 (5)

Wu Yu Liang ceased to be Independent Director on 10 December 2015 (6)
Norman Winata was appointed Executive Chairman on 29 March 2016 (7)
Huang Xinzhi was appointed Independent Director on 10 October 2016 and ceased as Director and CEO on 2 September 2016 (8)
Yang Meng Yang was appointed Non-Independent Non-Executive Director on 29 March 2016 and ceased as Director on 25 July 2018 (9)
Er Kwong Wah was appointed Independent Director on 27 January 2016 and ceased as Director on 28 December 2018 (10)
James Kho Chung Wah was appointed Independent Director on 10 October 2016 and ceased as Director on 28 December 2018 (11)
Ignatius Hwang Kin Soon was appointed Independent Director on 3 February 2016 and ceased as Director on 29 September 2016 (12)
Koit Ven Jee was appointed Independent Director on 11 January 2019 (13)
Lee Chia Sin was appointed Independent Director on 2 April 2019 (14)

The independence of each Director is reviewed annually by the NC. The NC adopts the definition in the Code as to what constitutes an Independent Director in its review that the Board consists of persons who, together, will provide core competencies necessary to meet the Group's objectives. Independent Directors of the Group are independent in character and judgement and there are no relationships with the Company, its related corporations, its shareholder(s) holding not less than 5% of the voting shares in the Company ("5% shareholders") or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Company.

There are no Independent Directors who served on the Board beyond nine (9) years from the date of his first appointment. The Board has deliberated on the present Board size and is satisfied that the current size facilitates effective decision making and is appropriate for the nature and scope of the Group's operations.

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

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

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

Chairman and Chief Executive Officer ("CEO")

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

During FY2015, based on information available to the current Board, Huang Min, the former Executive Chairman, being the founder of the Group, played a key role in developing the Business for the Group. At the same time, Mr Huang Min, was also involved in the Group's operations. As at the date of this report, the Company has not appointed a Chief Executive Officer and the Executive Chairman is Norman Winata.

The duties of the Executive Chairman and Chief Executive Officer are distinct to ensure an appropriate balance of power, increased accountability and great capability of the Board for independent decision making. The Board is of the opinion that it has a strong and independent group of non-executive directors and is well balanced. In addition, the Company has appointed a lead independent director.

The Chairman is responsible for the effective working of the Board and his responsibilities include: -

- leading the Board to ensure its effectiveness on all aspects of its role;
- creating the conditions for overall Board and individual director effectiveness;
- demonstrating ethical leadership;
- setting clear expectations concerning the Company's culture, values and behaviours;
- setting the Board agenda in consultation with the executive directors, and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- ensuring that all Board members are furnished with complete, high-quality and timely information;
- ensuring effective communication with shareholders;
- ensuring that proper procedures are set up to comply with the Code; and
- promoting high standards of corporate governance

All major decisions made by the Executive Chairman are endorsed by the Board. The remuneration package of the Executive Chairman is reviewed periodically by the RC.

Board Membership

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

The Nominating Committee ("**NC**") currently comprises the following members:

Lee Chia Sin	Chairman
Norman Winata	Member
Koit Ven Jee	Member

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

The principal functions of the NC are as follows:

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

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

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

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

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

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

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

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

The Board did not fix the maximum number of listed company board representation and other principal commitments which any Director may hold. However, the Board will fix the maximum number of listed company board representation and other principal commitments of any Director when the Board deems it to be necessary.

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

At the forthcoming AGM, Mr Norman Winata, Mr Lee Chia Sin and Mr Koit Ven Jee will be retiring under Article 77 of the Company's Constitution respectively at the forthcoming Annual General Meeting ("**AGM**"). The Board has accepted the recommendations and the retiring Directors will be offering themselves for re-election at the forthcoming AGM.

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

The Company does not have any alternate directors.

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

Name	Appointment	Date of Initial Appointment	Date of Last Re-election	Current Directorships in Listed Companies	Past Directorships in Listed Companies
Norman Winata	Executive Chairman	29/03/2016	NA	NA	NA
Koit Ven Jee	Non-Executive & Independent Director	11/01/2019	NA	NA	NA
Lee Chia Sin	Non-Executive & Independent Director	02/04/2019	NA	NA	NA

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information as set out in Appendix 7.4.1 relating to the above Directors to be put forward for re-election at the forthcoming Annual General Meeting is disclosed below:

Name of retiring Director	Norman Winata	Koit Ven Jee	Lee Chia Sin
Date of appointment	29/03/2016	11/01/2019	02/04/2019
Date of last re-appointment	NA	NA	NA
Age	37	35	41
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has reviewed and considered Mr Winata's qualification and work experience and is of the opinion that he is suitable for the role of Executive Director and Executive Chairman.	The Board, after reviewing Mr Koit's qualifications and working experience, has approved the appointment of Mr Koit as the Independent Director of the Company. The Board has ascertained that Mr Koit will be able to carry out his duties effectively as an Independent Director.	The Board, after reviewing Mr Lee's qualifications and working experience, has approved the appointment of Mr Lee as the Independent Director of the Company. The Board has ascertained that Mr Lee will be able to carry out his duties effectively as an Independent Director.
Whether appointment is executive, and if so, the area of responsibility	Executive, responsible for charting the strategic development of the group	Non-Executive	Non-Executive

CORPORATE GOVERNANCE REPORT

Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman Executive Director	Chairman of the Audit Committee and a member of the Remuneration Committee and Nominating Committee	Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee
Professional qualifications	NA	Chartered Accountant	Chartered Accountant
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Son of substantial shareholder – Mr Dharman Rustam Winata	None	None
Conflict of interest (including any competing business)	None	None	None
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 704(7)	Yes	Yes	Yes
Working experience and occupation(s) during the past 10 years	2009 – Present: Lucrum Capital Pte Ltd (Partner)	Apr 16 to present: Financial Controller, NGSC Limited Jan 15 to Apr 16: Regional Finance Manager, NGSC Limited Aug 12 to Dec 14: Finance Manager, NGSC Limited Nov 09 to Jul 12: Audit Senior, Crowe Horwath First Trust LLP Nov 07 to Oct 09: Senior Auditor, BDO Raffles LLP	Jan 2011 till Now: Audit Partner, CKS Associates & Veronica L & Associates Mar 2006 till Dec 2010: Audit Manager, Ken Tan & Co Feb 2001 till Feb 2006: Audit Associates, Tan & Associates
Shareholding interest in the listed issuer and its subsidiaries	None	None	None
Shareholding details	–	–	–
Other Principal Commitments Including Directorships			

Past (for the last 5 years)	Nil	Nil	Loewe Fashion Pte Ltd QPS Technology Pte Ltd China Metals & Minerals Pte Ltd Creative Corporate Management Sdn Bhd Creative Tax Advisory Sdn Bhd Clover Leisure Sdn Bhd
Present	Lucrum Capital Pte Ltd	Banjoo Global Pte. Ltd. Telemedia Pacific Communications Pte. Ltd. FortKnox Global Pte. Ltd. La Bellakoit The Beauty Spa Pte. Ltd.	Creative Business Management Pte Ltd Creative Corporate Management Pte Ltd Creative Global Mgt Pte Ltd CS Portfolio Pte Ltd East Wing Consultancy Pte Ltd Eurokem (SEA) Pte Ltd Nextrend Technology Pte Ltd 13 Resources Pte Ltd Metal Alliance Pte Ltd

CORPORATE GOVERNANCE REPORT

				Creative Business Management Sdn Bhd Creative Hub Corporation Sdn Bhd Interactive Portfolio Sdn Bhd
Information Required Pursuant to Listing Rule 704(7)				
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c)	Whether there is any unsatisfied judgment against him?	No	No	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No

(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No

(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-			
	(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
Disclosure Applicable to the Appointment of Director Only				

Any prior experience as a director of an issuer listed on the Exchange? If Yes, please provide details of prior experience. If No, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange	No NA Has not attended	No NA Has not attended	No NA The director will be attending training on the role and responsibilities of a director of a listed issuer
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable) **Note:** N.A. – Not Applicable	Mr Norman Winata has held senior management position in company in Singapore. The Group will provide briefing and orientation on its business activities.	Mr Koit has been working in a compliance related role in a SGX-Listed Company for the past 6 years	NA

Board Performance

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

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

The areas of assessment mainly focus on:

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

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

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

Access to Information

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

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

The Company Secretary or his appointed representative attends all Board and Board Committees meetings and is responsible for ensuring that proper procedures at such meetings are followed. All Board members have separate and independent access to the Company Secretary who is responsible for ensuring that the Company complies with the applicable rules and regulations.

Nonetheless, the Company Secretary has resigned on 20 November 2017 and the Company is in the midst of looking for a suitable candidate to assume the role of Company Secretary. The appointment and removal of Company Secretary are subject to the Board's approval as a whole.

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

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

As at the date of this Annual Report, the Remuneration Committee ("RC") comprises the following members:

Lee Chia Sin	Chairman
Koit Ven Jee	Member

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

The principal responsibilities of the RC are as follows:

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

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

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

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

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

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

Level and Mix of Remuneration

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

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

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

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

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

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

The former Executive Chairman Huang Min has entered into a service agreement with the Company, under which the terms of their employment are stipulated. The initial term of employment is for a period of three (3) years from 26 August 2009 ("Initial Term"). The former RC had recommended and the former Board had approved the re-employment of the former Executive Chairman in accordance with the service agreement, listing requirements of the SGX-ST and any applicable laws upon the expiry of Initial Term.

Mr Huang Min ceased to be the Company's Executive Chairman on 28 March 2016. In connection with the appointment of Norman Winata as Executive Chairman, the Company has entered into a service agreement ("Service Agreement") with him on 29 March 2016 and renewed it on 29 March 2019. The service agreement of the Executive Chairman may be terminated by either party to the service agreement giving to the other six (6) months' prior written notice or an amount equivalent to six (6) months' salary in lieu of such notice. Mr Norman Winata, the current Executive Chairman has to date not been paid any of the remuneration due to him due to the need to preserve and maximise the Company's cash position.

The Independent Directors and Non-Executive Director received Directors' fees in accordance with their contributions, taking into account factors such as effort and time spent and the responsibilities of the Directors. The Directors' fees are recommended by the RC and endorsed by the Board for approval by the shareholders of the Company at annual general meetings. The Company has to date deferred payment of Directors' fees due to the need to preserve and maximise the Company's cash position.

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

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

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

As at the date of this report, an aggregate of 3,500,000 share options had been granted under the Scheme since the implementation on 12 April 2004. The Scheme was approved by shareholders at an Extraordinary General Meeting held on 28 April 2015.

Details of the Scheme are set out in the Directors' Report and page 53 and 54 and Note 29(b) to the Financial Statements.

Disclosure of Remuneration

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

A breakdown of the Directors' remuneration, in percentage terms showing the level and mix of each of the Directors' remuneration for the financial year ended 31 December 2015 is as follows:

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

The annual aggregate amount of the total remuneration paid to the Directors is approximately S$1,025,000.

The breakdown of remuneration of the top five key management personnel (who are not Directors of the Company) in percentage terms for the financial year ended 31 December 2015 is as follows:

	Base/Fixed Salary	Bonus	Other benefits	Total
Below S$250,000				
Soh Yong Soon	75%	18%	7%	100%
Chiar Choon Teck	75%	18%	7%	100%
Chen Rongmin	71%	–	29%	100%
Chen Fenhua	71%	–	29%	100%
Huang Lu	71%	–	29%	100%
Huang Murong	71%	–	29%	100%
Li Liangfang	71%	–	29%	100%
Wu Guoxin	71%	–	29%	100%
Zhang Zhenyu	71%	–	29%	100%

The annual aggregate amount of the total remuneration paid to the top five key management personnel is approximately S$ 254,000.

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

No employee of the Company and its subsidiaries was an immediate family member of any Director or CEO or a controlling shareholder and whose remuneration has exceeded S$50,000 during the financial year ended 31 December 2015, except for Ms Huang Wen, the Accounts Executive of the Group, is the daughter of Mr Huang Min (Executive Chairman and Executive Director).

ACCOUNTABILITY AND AUDIT

Accountability

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

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

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

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

Since FY2015, due to working capital issues from the false or irrecoverable receivables, the former Board and management did not engage an internal auditor to review the internal controls. Nonetheless, the Board and AC endeavor to engage a suitable internal auditor as soon as practicable to safeguard shareholders' interest.

Compliance with Rule 707

To comply with Rule 707 of the Listing Manual of the SGX-ST, the Company has sought extension of time to hold the Company 's AGM for FY2015 to SGX-ST as follows:

Date of Application	Application to hold AGM by	Date of Approval by SGX-ST	Financial Year
4 March 2016	30 June 2016	22 March 2016	2015
26 July 2016	20 December 2016	10 August 2016	2015
31 October 2016	29 June 2017	–	2015

The Company made its 1st application (the "application") on 4 March 2016 to SGX-ST for extension of time from 30 April 2016 to 30 June 2016 to comply with the Rule 707 of the Listing Manual of the SGX-ST in relation to the holding of AGM for the financial year ended 31 December 2015. An approval was granted by SGX-ST on 22 March 2016.

On 18 May 2016, the Company's auditors, Messrs Baker Tilly TFW LLP ("BT") resigned as statutory auditors of the Company. The Company then initiated the process of engaging a new professional accounting firm in Singapore to be appointed as external auditors of the Company.

On 28 July 2016, the Company made its 2nd application to SGX-ST for further extension of time to 20 December 2016 to comply with the Rule 707 of the Listing Manual of the SGX-ST in relation to the holding of AGM for the financial year ended 31 December 2015. Approval was granted by SGX on 10 August 2016.

At an Extraordinary General Meeting held on 16 September 2016, the proposed change of auditors to RT LLP ("RT") was approved by the shareholders.

The Company had disclosed in its announcement on 25 October 2016 that its subsidiary Fujian Dongyuan Environmental Protection Co; Ltd had its premises locked out by its landlord Fujian Mintai Environmental Protection Co., Ltd. which was controlled by Former Executive Chairman Mr Huang Min and his spouse, Madam Chen Fenhua. Due to its lockout, the Company was unable to access the office and all the accounting and financial records that are housed in the premises.

On 31 October 2016, the Company made its 3rd application to SGX-ST for further extension of time to 29 June 2017 to comply with the Rule 707 of the Listing Manual of the SGX-ST in relation to the holding of AGM for the financial year ended 31 December 2015.

The Company has disclosed in its announcements on 6 January 2017 and 13 January 2017, Site visits by RT which led the Board to conclude that RMB341 million trade receivables are non-existent.

Due to the need to restate the financial statements for FY2013/2014, the lock-out, key resignations in the Company's PRC subsidiaries and conduct further investigations, the AGM for FY2015 was not held in a timely manner.

Risk Management and Internal Controls

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

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

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

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

Based on the work performed by RT LLP, the Company's newly appointed auditors, and the reviews performed by Management, AC and the Board, the AC and the Board are of the opinion that, under the management of the former Board, the Group's risk management and internal controls, addressing financial, operational, compliance and information technology risks, were not adequate as at 31 December 2015.

Since FY2015, due to working capital issues from the false or irrecoverable receivables, the former Board and management did not engage an internal auditor to review the internal controls. Nonetheless, the Board and AC endeavor to engage a suitable internal auditor as soon as practicable to safeguard shareholders' interest.

In light of the events as highlighted herein, the current Executive Chairman is unable to opine on the effectiveness of the Company's risk management and internal controls system or provide the assurance that the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and are in accordance with the relevant accounting standards for FY2015. For the same reasons mentioned above, the Board with the concurrence of the AC, is of the opinion that they cannot opine on the adequacy of the Group's internal controls systems (including financial, operational, compliance and information technology risks and risk management systems) for FY2015.

For FY2015, the Board has not received the assurance letter from the CEO, Mr Wu Jida and the Finance Manager in China that

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) the Company's risk management and internal control systems in place within the Group is adequate and effective in addressing the material risks in the Group.

The Board will continue its risk assessment process, which is an on-going process, with a view to improve the Company's internal control system.

Audit Committee

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

The AC as of the date of this Annual Report comprises two (2) members, both of whom are Independent and Non-Executive Directors, as set out below:

Koit Ven Jee	Chairman
Lee Chia Sin	Member

The members of the AC have sufficient accounting and/or related financial management expertise or experience, as assessed by the Board in its business judgement, to discharge the AC's functions.

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

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

The major functions performed by the AC include:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For the year ended 31 December 2015, the amount of audit fees paid or payable to external auditors (i.e. RT LLP) of the Group amounted to RMB906,380 (SGD200,000). No non-audit services were carried out by the external auditor during the financial year.

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

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

Whistle-Blowing Policy

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

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

Internal Audit

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

The IA had last conducted an annual review of the effectiveness of the Group's internal controls in FY2014 as the company had working capital issues since FY2015 from the false or irrecoverable receivables and had ceased operations since FY2017. Nonetheless, the Board and AC endeavor to engage a suitable internal auditor as soon as practicable to safeguard shareholders' interest.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholders Rights

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

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

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

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

Communication With Shareholders

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

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

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

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirement, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate.

As a result of the series of unfortunate events announced in 2016, the Company has massive losses and hence is not in a position to pay any dividends.

Conduct of Shareholder Meetings

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

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

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

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

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

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

DEALINGS IN SECURITIES

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

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

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

INTERESTED PERSON TRANSACTIONS

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

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

- The Board meets as when needed to review whether the Company will be entering into any interested person transaction. If the Company is intending to enter into an interested person transaction, the Board will ensure that the Company complies with the requisite rules under Chapter 9;

- The AC also meets as and when needed to review if the Company will be entering into an interested person transaction, and if so, the AC ensures that the relevant rules under Chapter 9 are complied with.

The interested person transactions for the financial year ended 31 December 2015 are as follow:

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

Note:

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

MATERIAL CONTRACTS

Save as disclosed in this report and financial statements, there were no material contracts entered into by the Company or its subsidiaries involving the interest of any Directors or controlling shareholders subsisting at the end of the financial year ended 31 December 2015.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of China Environment Ltd. (the Company) and its subsidiaries (collectively, the Group) and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2015.

1. Opinion of the directors

In the opinion of the directors,

(a) the consolidation financial statements of the Group and statement of financial position and statement of changes in equity 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 2015 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date, and

(b) 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:

Norman Winata (Executive Chairman)
Koit Ven Jee (Non-executive Independent Director)
Lee Chia Sin (Non-executive Independent Director)

The movement of directors for the period from 1 January 2015 to 9 May 2019 are as follows:

Directors in office at 1 April 2015	Movements during the period from 1 January 2015 to 9 May 2019		Directors in office at 9 May 2019
	Appointment	Resignation	
Huang Min	–	Huang Min (Resigned on 28 Mar 2016)	–
Wu Jida	–	Wu Jida (Resigned on 23 Jun 2016)	–
Andrew Bek	–	Andrew Bek (Resigned on 23 Jun 2016)	–
Lin Song	–	Lin Song (Resigned on 27 Jan 2016)	–
Loh Wei Ping	–	Loh Wei Ping (Resigned on 3 Feb 2016)	–
Wu Yu Liang	–	Wu Yu Liang (Resigned on 10 Dec 2015)	–
–	Er Kwong Wah (Appointed on 27 Jan 2016)	Er Kwong Wah (Resigned on 28 Dec 2018)	–
–	Norman Winata (Appointed on 29 Mar 2016)	–	Norman Winata

DIRECTORS' STATEMENT

2. Directors (Cont'd)

Directors in office at 1 April 2015	Movements during the period from 1 January 2015 to 9 May 2019		Directors in office at 9 May 2019
	Appointment	Resignation	
-	Yang Meng Yang (Appointed on 29 Mar 2016)	Yang Meng Yang (Resigned on 25 Jul 2018)	–
-	James Kho Chung Wah (Appointed on 10 Oct 2016)	James Kho Chung Wah (Resigned on 28 Dec 2018)	–
-	Koit Ven Jee (Appointed on 11 Jan 2019)	–	Koit Ven Jee
-	Lee Chia Sin (Appointed on 2 Apr 2019)	–	Lee Chia Sin

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 are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the share options as disclosed under paragraph 5 of this statement.

4. Directors' interest in shares or debentures

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

	Number of ordinary shares					
	Shareholdings registered in their own names			**Shareholdings in which a director is deemed to have an interest**		
	At 1.1.2015	**At 31.12.2015**	**At 21.1.2016**	**At 1.1.2015**	**At 31.12.2015**	**At 21.1.2016**
Name of director and company in which interest is held						
The Company						
Huang Min (Resigned on 28 March 2016)	1,820,000	77,948,000	77,948,000	147,499,000	73,755,000**	73,755,000**
Wu Jida (Resigned on 23 June 2016)	–	–	–	5,000,000	5,000,000#	5,000,000#
Andrew Bek (Resigned on 23 June 2016)	19,687,000	19,687,000	19,687,000	–	–	–

4. Directors' interest in shares or debentures (Cont'd)

** Mr Huang Min is deemed to have an interest in 73,755,000 China Environment Ltd.'s shares held by virtue of his shareholdings of:

(i) 3,755,000 shares held by Prosper Big International Limited which is wholly-owned by him; and

(ii) Prosper Big International Limited's deemed interest of 70,000,000 shares which are held through nominees bank via the client trust account.

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

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

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the directors of the Company state that, according to the register of the directors' shareholding, the directors' interest as at 21 January 2016 in the shares of the Company have not changed from those disclosed as at 31 December 2015. Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

5. Options

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

Other information regarding the Scheme is set out below:

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

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

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

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

5. Options (Cont'd)

On 11 November 2013, the Company granted 3,500,000 options to subscribe for total of 3,500,000 ordinary shares of the Company at an exercise price of S$0.59 per share. Of these 3,500,000 options, 3,000,000 were granted to a former director of the Company, Mr Wu Jida whilst the remaining 500,000 options were granted to a former Chief Financial Officer of the Company, Mr Chiar Choon Teck.

However, the Scheme had expired as it was not approved by shareholders at an Extraordinary General Meeting held on 23 April 2014.

On 28 April 2015, the Scheme was approved and adopted by shareholders at an Extraordinary General Meeting held on 28 April 2015.

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

Date of grant option	Exercise price per share S$	Aggregate options outstanding at 1.1.2015	Options granted/ (expired)	Aggregate options outstanding at 31.12.2015	Exercise period
11 November 2013	0.59	3,500,000	(500,000)	3,000,000	12 November 2014 to 11 November 2024

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

As at the date of this statement, both Mr Wu Jida and Mr Chiar Choon Teck had resigned on 23 June 2016 and 30 April 2015 respectively.

6. Warrants

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

As at the date of this statement, these warrants were not exercised and was expired on 6 July 2016.

7. **Audit Committee**

The Audit Committee during the year are:

Loh Wei Ping (Chairman) (Independent Director)	(Resigned on 3 February 2016)
Lin Song (Lead Independent Director)	(Resigned on 27 January 2016)
Wu Yu Liang (Independent Director)	(Resigned on 10 December 2015)

Subsequent to the end of the financial year and as at the end of this statement, the Audit Committee comprises the following:

Er Kwong Wah (Lead Independent Director)	(Appointed on 27 January 2016 and resigned on 28 December 2018)
James Kho Chung Wah (Non-executive and Independent Director)	(Appointed on 10 October 2016 and resigned on 28 December 2018)
Yang Meng Yang (Non-executive and Non-independent Director)	(Appointed on 29 March 2016 and resigned on 25 July 2018)
Koit Ven Jee (Non-executive and Independent Director)	(Appointed on 11 January 2019)
Lee Chia Sin (Non-executive and Independent Director)	(Appointed on 2 April 2019)

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

8. **Auditors**

The independent auditor, RT LLP who was first appointed by shareholders in an Extraordinary General Meeting held on 16 September 2016, has expressed its willingness to accept re-appointment.

9. Other information required by the SGX-ST

Material information

Apart from the Service Agreements entered between the executive directors and the Company, there are no material contracts to which the Company or its subsidiaries, is a party which involve directors' interests subsisted or have been entered into during the financial year.

Interested person transactions

There were no interested person transactions as defined in Chapter 9 of Listing Manual of the Singapore Exchange conducted during the financial year except as disclosed under "Interested Person Transactions" on "Corporate Governance" and on Note 31 to the financial statements.

On behalf of the Board of Directors

Norman Winata Director	Koit Ven Jee Director

9 May 2019

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of China Environment Ltd. (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Singapore Standards on Auditing. Because of the matters described in the *Basis for Disclaimer of Opinion* paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

(1) <u>Opening balances</u>

Our independent auditor's report dated 26 April 2019 on the revised financial statements for the financial year ended 31 December 2014 ("FY 2014") contained a disclaimer of opinion. The basis for disclaimer of opinion in our Auditor's Report on the previously issued FY 2014 financial statements audited by Baker Tilly TFW LLP, the auditor's report which is dated 1 April 2015, is disclosed in Note 37 to the financial statements.

In view of the matters described in the basis for disclaimer of opinion paragraphs on the financial statements for FY 2014, we were unable to determine whether the opening balances as at 1 January 2015 were fairly stated.

Since the opening balances as at 1 January 2015 are entered into the determination of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended 31 December 2015, we were unable to determine whether adjustments, if any, might have been found to be necessary in respect of the Group's and the Company's financial statements for the financial year ended 31 December 2015 - in view of brought forward implications of the prior year balances.

Accordingly, our opinion on the current financial year's financial statements of the Group and the Company is also modified because of the implications and possible effects of these matters that might bear on the comparability and/or lack of comparability of the current year's figures and the corresponding figures.

Report on the Financial Statements (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

(2) Existence and Recoverability of Trade and Bill Receivables

As disclosed in Note 37(2)(ii) and (iii), we have performed debtors' circularisation of 5 major trade receivables amounting to RMB 636,576,000 (comprising approximately 79.19% of the Group's total trade receivables as at 31 December 2015 before impairment and after restatement adjustment) to ascertain their existence. The audit response from the circularised confirmation from the 5 debtors did not reveal any exceptions, that is, the circularised balances were affirmed without exceptions.

However, based on our unannounced site visits to the offices of the 5 major trade receivables on 17 and 18 November 2016, and 28 and 29 of December 2016, we were unable to verify the confirmations received from all the 5 major debtors. These 5 major trade debtors are from the books of the subsidiary, Fujian Dongyuan Environmental Protection Co., Ltd. ("FJDY"). The details of our findings are disclosed in Notes 36 (iii) and (iv).

As at 31 December 2015, the Group's net total trade receivables amounted to RMB 12,288,000. This is after an impairment loss of RMB 636,576,000 for the 5 major trade receivables and an additional impairment loss of RMB 155,028,000 made by the current Board of Directors ("Current Board"). The additional impairment loss comprised RMB 152,516,000, RMB 1,730,000, RMB 731,000 and RMB 51,000 pertaining to those trade receivables in the books of the subsidiaries FJDY, Anhui Dongyuan Environmental Protection Co., Ltd ("AHDY"), Xiamen Gongyuan Environmental Protection Technology Co., Ltd ("XMDY") and Gates Engineering Pte. Ltd. respectively, where there were no subsequent receipts at the date of this Report.

However, included in the Group's trade receivable balance of RMB 12,288,000 as at 31 December 2015, there are no impairment loss being recorded for trade receivables amounting to RMB 1,950,000 in the books of the subsidiary, FJDY, where there were no subsequent receipts at the date of this Report. Accordingly to management of the Current Board, management is confident that the sum of RMB 1,950,000 is recoverable as management has been negotiating with the debtor for payment.

Consequently, we were not able to ascertain the recoverability of the amount of RMB 1,950,000 in the Group's trade receivables of RMB 12,288,000 (for which there are no subsequent receipts as at the date of this Report) nor are we able to determine the validity of recording certain trade receivables.

(3) Revenue, Costs of Sales, Value Added Tax ("VAT") and Trade Payables and Trade Receivables

As discussed in Point 2 of our Report above, and as stated in Notes 36 (iii) and (iv) to the financial statements, in view of the lack of on-site evidence to establish the existence of the 5 major trade receivables, we are unable to ascertain whether the Group's revenue and the costs of sales amounting to approximately RMB 36.66 million and 23.32 million respectively are valid and appropriately stated.

In performing the audit of AHDY and FJDY, we compared the VAT forms, submitted by management of the former Board of Directors ("Former Board") for FY 2015, to the Tax Bureau website printout furnished by management of the Current Board. We noted that the submitted VAT forms were overstated by approximately RMB 2.30 million and RMB 34.76 million respectively. By inference, this could possibly imply that the revenues for AHDY and FJDY are overstated by approximately RMB 13.53 million and RMB 204.47 million, respectively, based on 17% VAT tax rate.

Report on the Financial Statements (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

(3) Revenue, Costs of Sales, Value Added Tax ("VAT") and Trade Payables and Trade Receivables (Cont'd)

Accordingly, we were unable to ascertain the accuracy and appropriateness of the carrying amounts of the trade payables and VAT payables, which amounted to approximately RMB 15.65 million as at 31 December 2015, as stated in Note 23.

Furthermore, due to the above-mentioned matters and the limitations and findings mentioned in Point 2 of our Report, we were unable to determine the validity, accuracy and appropriateness of the carrying amounts of the trade receivables totalling RMB 12,288,000 as at 31 December 2015, as stated in Note 18.

(4) Investment in subsidiaries and associated company

As stated in Notes 14 and Note 15 to the financial statements, the Group's carrying amount of its 49% owned associated company, Beijing Gongdao Environmental Protection Technology Co., Ltd ("BGDEPT") and the Company's carrying amount of its four subsidiaries as at 31 December 2015 amounted to approximately RMB 2.45 million and RMB 665 million respectively.

In view that all the Company's subsidiaries are currently not in operation, management of the Current Board is unable to carry out a review of the recoverable amount of the investment in subsidiaries companies despite indications of impairment. Accordingly, we were unable to obtain sufficient appropriate audit evidence to determine the appropriateness of the carrying amounts of the investment in the subsidiaries.

For investment in the associated company, BGDEPT, management of the Current Board is unable to obtain the necessary accounting records and information necessary from management of BGDEPT for the assessment of the recoverable amount of the associate company. Accordingly, we were unable to obtain sufficient appropriate audit evidence to determine the appropriateness of the carrying amounts of the investment in the associated company, BGDEPT.

In addition, in the process of performing our audit verification of, based on work done to verify the equity interest in BGDEPT, management of the Current Board upon our inquiry, discovered that the Group's actual equity interest held in BGDEPT should be 83% instead of the 49% - as indicated in the audited financial statements for FY 2013 and FY 2014 by the predecessor auditor.

However, the Current Board is unable to determine whether the 83% held equity investment in BGDEPT would constitute an element of control. Control is defined as being exposed to, or has the rights to, variable returns from the Group's involvement in BGDEPT and has the ability to affect those returns through its power over BGDEPT. To be conservative, the Current Board has decided not to reclassify the investment from associated company to investment in subsidiaries.

Consequently, we were unable to carry out alternative audit procedures to determine the appropriateness of the classification of the investment in BGDEPT by the Current Board.

As stated in Note 36 (xiii), on 31 July 2018, the Company announced that BGDEPT is under voluntary liquidation. On 29 March 2019, the Company announced that BGDEPT has completed its deregistration process.

Report on the Financial Statements (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

(5) Inventories

As stated in Note 16, as at 31 December 2015, the Group's inventories had a carrying amount of RMB 8,135,000. We were unable to obtain any sufficient appropriate supporting documents, information and explanations that we considered necessary to ascertain if the inventories were properly carried at the lower of its cost and its net realisable value. This is because management from the Former Board is unable to furnish us with the required supporting documents and explanations.

(6) Proceeds from placement of 72,500,000 new ordinary shares

As stated in Note 29, on 7 January 2015, the Company announced the completion of the placement of 72,500,000 warrants and 72,500,000 new ordinary shares of S$0.104 each ("Placement"). Following completion of the Placement, the total number of issue ordinary shares of the Company increased from 735,520,646 shares to 808,020,646 shares. The new shares rank *pari passu* in all respects with existing ordinary shares of the Company.

The 72,500,000 unlisted warrants were allotted to the subscriber. These warrants granted the right to the subscriber to subscribe for one new share for each warrant (i.e. total 72,500,000 shares) (the "Warrant Shares") at the issue price of S$0.104 per Warrant Share, for an aggregate amount of S$7,540,000. The warrants may be exercised in whole by the subscriber at any time, no later than the date falling 18 months from the issue date of the warrants. The warrants had since expired at the date of this Report (Note 29).

Following completion of the placement of 72,500,000 new ordinary shares, an amount of S$7,540,000 (being the proceeds of the placement of 72,500,000 new ordinary shares) was collected and the Company transferred S$6,000,000 (equivalent to RMB 27,858,000) to its subsidiary, XMGY on 12 January 2015 as reflected in the Company's bank statement. Upon receipt of RMB 27,858,000, we noted, from journal entries recorded in XMGY that a payment of RMB 25,000,000 was made to its supplier, Bengbu Xingyuan Environmental Protection Technology Co., Ltd ("BBXY") on 16 January 2015 as settlement of outstanding balance for purchases. According to management of the Former Board, this payment is based on suppliers' contracts signed on May 2015 instead of suppliers' invoices. We have verified this payment from XMGY to BBXY to the bank advice. We were informed by management of the Former Board that this amount was later transferred to a customer of FJDY, Shanxi Electric [see also Note 36 (iv)] by BBXY resulting in amount of RMB 25 million due from FJDY as reflected in XMGY's journal entries.

However, management of the Former Board was unable to provide us with any other supporting documents for the journal entries except for those as mentioned above. Upon our further inquiry, management of the Former Board informed us that the proceeds were transferred to its fellow subsidiary, FJDY and the journal entries reflecting the transfer from XMGY to BBXY, and later to Shanxi Electric, was an error. We are unable to verify this representation from the Former Board.

As management of the Former Board was unable to provide us with the bank statements of FJDY that shows the RMB 25 million was transferred from XMGY nor any other supporting documents to verify on the representation made by management of the Former Board, we were unable to determine whether the proceeds had eventually reached the bank account of FJDY. Accordingly, we were unable to conclude whether the proceeds from the placement of 72,500,000 new ordinary shares of S$0.104 each had actually reached the bank accounts of the Group and/or if the Group had benefited from the intended proceeds from the Placement.

Report on the Financial Statements (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

(7) Tax Provision, Current and Deferred Tax Expense

During our audit, management of the Former Board provided a copy of all the PRC subsidiaries' tax computation that were filed with the local tax authorities. As the tax computations for FJDY and AHDY did not bear any local tax bureau company stamp, we had requested for further supporting documents and explanation from management. We did not receive a response to our request.

We were also unable to perform any alternative procedures as we were not given access by the management of the Former Board to log into the tax website to verify the tax references, particularly, the amount of the tax expenses.

Our request and queries to verify the amount of the tax expenses for FJDY and AHDY continued to be denied by management of the Former Board until the management of the Current Board took over the day-to-day operations of the Group. We finally managed to get another tax computation for FJDY from management of the Current Board that contained the local tax bureau's company stamp. Consequently, we found that the tax payable amount for FJDY to be overstated by RMB 7,780,105 due to overstated profits before tax in the management accounts.

For AHDY, we have compared the tax submission form by management of the Former Board for FY 2015 to the Tax Bureau website print out (furnished by management of the Current Board) and noted that the submitted tax submission form was overstated by approximately RMB 428,000.

For XMGY, we were allowed access to the tax website by management of the Former Board during our audit. We noted that the numbers were consistent with the tax computations that contained the local tax authority company stamp.

As management of the Current Board is unable to put through the appropriate adjustments to rectify the above discrepancies due to lack of supporting documents (as discussed in Point 8 of our Report below), we were unable to determine whether the Group's provision of taxation and tax expenses amounting to RMB 2,348,000 and RMB 2,157,000 are valid, accurate and appropriately stated.

Consequently, we were also unable to determine the correctness and appropriateness of the Group's disclosure of deferred tax balance, indicated as a zero balance, as at the end of the reporting period.

(8) Loss of Partial Accounting Books and Records and Supporting Documents and events occurring after the reporting period

As disclosed in Note 36(v), the current Board announced on 18 August 2017 that pursuant to the judgment obtained by China Construction Bank ("CCB") against the Company's wholly owned subsidiary FJDY, CCB is entitled to sell off the land use rights and property assets of a related company, Fujian Mintai Environmental Protection Co. Ltd ("FJMT") (owned by former executive Chairman, Mr Huang Min), which was previously pledged as security for the Group's unsecured bank borrowings of RMB 27 million [Note 26(3)]. As part of the handover requirements, the Longyan People Court in China had granted the Company personal access to FJDY's office premises on 26 July 2017, primarily to retrieve and recover FJDY's documents from the said office premises.

Report on the Financial Statements (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

(8) Loss of Partial Accounting Books and Records and Supporting Documents and events occurring after the reporting period (Cont'd)

Upon entry into the FJDY office premises, it was discovered that the office was in a state of disarray, with evidence of being ransacked. The Company is in the process of recovering and retrieving documents from the premises. The Company made an announcement, based on its preliminary assessment, that a number of documents seem to be missing, and therefore, the records of the FJDY's various departments are unlikely to be found and/or incomplete.

In view of the missing documents, we were unable to complete the required audit procedures for events occurring after the reporting period. We consider it necessary to satisfy ourselves on the possibility of material and reportable matters that might have occurred after the reporting period, in particular, those having implications to transactions, balances and matters, recorded or unrecorded as at 31 December 2015.

Consequently, we were unable to determine whether all significant subsequent events have been adequately dealt with in these financial statements with respect to disclosures, presentation and adjusting subsequent events.

(9) Going concern and legal actions against the Group

As at 31 December 2015, the Group's current liabilities exceeded current assets by RMB 181,340,000. In addition, the Group incurred a net loss of approximately RMB 450,784,000 for the financial year ended 31 December 2015.

As at 31 December 2015, the Group has bank balances amounting to RMB 63,517,000 and this is insufficient to meet its financial obligation for its short-term borrowings which amounted to RMB 173,611,000 as at 31 December 2015.

As disclosed in Note 36 (viii), the following companies had issued letter of demand and filed Civil suits against the PRC subsidiaries subsequent to the end of the financial year:

(i) Longyan Dongxiao Construction Engineering Co. Ltd against FJDY for a sum of RMB 1.27 million;
(ii) Fujian Tongyong Hengxin Electrical Engineering Co. Ltd against FJDY for a sum of RMB 53,000;
(iii) Chen Bing (Brother-in-law of Group's former Executive Chairman Mr Huang Min) against FJDY for a sum of RMB 5,000,000;
(iv) Chen Wenzhong against FJDY for a sum of RMB 490,000;
(v) Wuyi Jiufeng Anzhuang Engineering Co. Ltd against AHDY for a sum of RMB 817,630 and RMB 637,380; and
(vi) Fujian Mintai Environmental Protection Co., Ltd against FJDY for a sum of RMB 3,209,712;

In addition, as disclosed in Note 36 (viii), the following banks have also taken legal actions against the PRC subsidiaries subsequent to the end of the financial year:

(i) Bank of China Bengbu against FJDY for a sum of RMB 20 million;
(ii) Bank of China Longyan against FJDY for a sum of approximately RMB 56 million;
(iii) China Construction Bank against FJDY for a sum of RMB 23 million; and
(iv) Zhongxin bank against FJDY for a sum of approximately RMB 37.2 million

Report on the Financial Statements (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

(9) Going concern and legal actions against the Group (Cont'd)

The outcome of these civil suits and legal actions are disclosed in Note 36 (viii).

These civil suits and legal actions coupled with the above Points in our Report as basis for disclaimer of opinion, has created a material uncertainty with respect to the Group's cash flow management that may cast significant doubt over the Group's and the Company's ability to continue as a going concern.

As disclosed in Note 2(a) to the financial statements, the directors have prepared the financial statements on going concern basis. Based on the limited information about the Group and of the Company made available to us, we were unable to perform alternative procedures to determine the appropriateness of the use of the going concern assumption.

Apart from the above legal suits and as disclosed in Note 36(viii), the Current Board has represented that there are no new or on-going legal suits against the Group. In view of the limitation detailed in Point 8 of our Report and the change of key management, we were unable to perform any required procedures to satisfy ourselves as to whether there are any new or on-going legal suits against the Group.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion paragraphs, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

RT LLP
Public Accountants and
Chartered Accountants

Singapore, 9 May 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	**2015 RMB'000**	2014 RMB'000 (Revised) [Note 38]
Revenue	3	**36,655**	39,572
Cost of sales		**(23,317)**	(29,706)
Gross profit		**13,338**	9,866
Other income	4	**2,596**	4,192
Selling and distribution expenses		**(13,130)**	(22,550)
Administrative expenses		**(31,156)**	(30,297)
Finance costs	5	**(11,716)**	(14,359)
Other expenses		**(408,559)**	–
Exceptional loss	6	**–**	(147,014)
Loss before tax	7	**(448,627)**	(200,162)
Tax expense	9	**(2,157)**	(6,583)
Loss for the year		**(450,784)**	(206,745)
Other comprehensive loss for the year, net of tax			
Item that are or may be reclassified subsequently to profit or loss:			
Currency translation differences arising on consolidation		**1,285**	(1,750)
Total comprehensive loss for the year		**(449,499)**	(208,495)
Loss attributable to:			
Equity holders of the Company		**(450,407)**	(206,609)
Non-controlling interests		**(377)**	(136)
Loss for the year		**(450,784)**	(206,745)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(449,122)**	(208,359)
Non-controlling interests		**(377)**	(136)
Total comprehensive loss for the year		**(449,499)**	(208,495)
Loss per share for loss attributable to equity holders of the Company (RMB cents per share)			
- Basic	10	**(55.52)**	(28.11)
- Diluted	10	**(55.52)**	(28.11)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

		Group			Company	
	Note	**2015 RMB'000**	2014 RMB'000 (Revised) [Note38]	2013* RMB'000 (Revised) [Note38]	**2015 RMB'000**	2014 RMB'000
Non-current assets						
Property, plant and equipment	11	**129,485**	294,028	296,390	**58**	86
Land use rights	12	**51,708**	52,849	4,492	**–**	–
Prepayment for land use rights	13	**–**	–	49,150	**–**	–
Investment in subsidiaries	14	**–**	–	–	**665,006**	673,467
Investment in associated company	15	**2,450**	2,450	2,450	**–**	–
Total non-current assets		**183,643**	349,327	352,482	**665,064**	673,553
Current assets						
Inventories	16	**8,135**	12,449	20,516	**–**	–
Projects work-in-progress	17	**–**	106	–	**–**	–
Trade and bill receivables	18	**12,288**	185,235	292,791	**52**	27
Other receivables, deposits and prepayments	19	**27,005**	167,434	84,148	**159**	135
Amounts due from subsidiaries	20	**–**	–	–	**-**	62,554
Cash and bank balances	21	**63,517**	48,306	165,343	**640**	230
Total current assets		**110,945**	413,530	562,798	**851**	62,946
Total assets		**294,588**	762,857	915,280	**665,915**	736,499
Non-current liability						
Deferred tax liability	22	**–**	5,030	5,030	**–**	–
Current liabilities						
Trade and bill payables	23	**15,646**	52,501	28,994	**–**	–
Other payables and accruals	24	**72,671**	44,855	46,855	**2,008**	2,787
Amount due to a director (non-trade)	25	**321**	325	57,821	**321**	325
Short-term borrowings	26	**173,611**	169,904	177,928	**–**	–
Amounts due to subsidiaries (non- trade)	27	**–**	–	–	**3,065**	2,927
Amounts due to related parties (non-trade)	28	**27,688**	86,597	–	**–**	–
Tax payable		**2,348**	210	3,679	**–**	–
Total current liabilities		**292,285**	354,392	315,277	**5,394**	6,039
Total liabilities		**292,285**	359,422	320,307	**5,394**	6,039
Net assets		**2,303**	403,435	594,973	**660,521**	730,460

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

		Group			Company	
		2015	2014	2013*	**2015**	2014
		RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000
	Note		(Revised)	(Revised)		
			[Note38]	[Note38]		
Capital and reserves						
Share capital	29(a)	**400,608**	352,241	352,241	**821,916**	773,549
Other reserves	30	**91,352**	91,352	78,081	**–**	–
Share option reserve	29(b)	**8,128**	8,128	1,171	**8,128**	8,128
Currency translation reserve		**3,228**	1,943	3,693	**(27,790)**	(19,142)
(Accumulated losses) / Revenue reserve		**(510,500)**	(60,093)	159,787	**(141,733)**	(32,075)
Equity attributable to equity holders of the Company		**(7,184)**	393,571	594,973	**660,521**	730,460
Non-controlling interests		**9,487**	9,864	–	**–**	–
Total equity		**2,303**	403,435	594,973	**660,521**	730,460
Total liabilities and equity		**294,588**	762,857	915,280	**665,915**	736,499

* As at 31 December 2013 and 1 January 2014

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Share capital RMB'000	Other reserves RMB'000	Share option reserve RMB'000	Currency translation reserve RMB'000	Accumulated losses RMB'000 (Revised) [Note 38]	Total RMB'000 (Revised) [Note 38]	Non-controlling interests RMB'000	Total equity RMB'000 (Revised) [Note 38]
		← Attributable to equity holders of the Company					→		
Balance at 1 January 2014		352,241	78,081	1,171	3,693	159,787	594,973	–	594,973
Loss for the year		–	–	–	–	(206,609)	(206,609)	(136)	(206,745)
Other comprehensive loss for the year, net of tax									
- Currency translation differences arising on consolidation		–	–	–	(1,750)	–	(1,750)	–	(1,750)
Total comprehensive loss for the year		–	–	–	(1,750)	(206,609)	(208,359)	(136)	(208,495)
Grant of equity-settled share option to employees	29(b)	–	–	6,957	–	–	6,957	–	6,957
Transfer to other reserves		–	13,271	–	–	(13,271)	–	–	–
Transaction with equity holders of the Group recognised directly in equity									
Contributions by non-controlling interests		–	–	–	–	–	–	10,000	10,000
Balance at 31 December 2014		352,241	91,352	8,128	1,943	(60,093)	393,571	9,864	403,435
Loss for the year		–	–	–	–	(450,407)	(450,407)	(377)	(450,784)
Other comprehensive loss for the year, net of tax									
- Currency translation differences arising on consolidation		–	–	–	1,285	–	1,285	–	1,285
Total comprehensive loss for the year		–	–	–	1,285	(450,407)	(449,122)	(377)	(449,499)
Transaction with equity holders of the Group recognised directly in equity									
Issue of share capital	29(a)	48,367	–	–	–	–	48,367	–	48,367
Balance at 31 December 2015		**400,608**	**91,352**	**8,128**	**3,228**	**(510,500)**	**(7,184)**	**9,487**	**2,303**

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Share capital RMB'000	Share option reserve RMB'000	Currency translation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2014		773,549	1,171	7,783	(16,911)	765,592
Loss for the year		–	–	–	(15,164)	(15,164)
Other comprehensive loss for the year, net of tax						
- Currency translation differences		–	–	(26,925)	–	(26,925)
Total comprehensive loss for the year		–	–	(26,925)	(15,164)	(42,089)
Grant of equity-settled share option to employees	29(b)	–	6,957	–	–	6,957
Balance at 31 December 2014		773,549	8,128	(19,142)	(32,075)	730,460
Loss for the year		–	–	–	(109,658)	(109,658)
Other comprehensive loss for the year, net of tax						
- Currency translation differences		–	–	(8,648)	–	(8,648)
Total comprehensive loss for the year		–	–	(8,648)	(109,658)	(118,306)
Transaction with equity holders of the Company recognised directly in equity						
Issue of share capital	29(a)	48,367	–	–	–	48,367
Balance at 31 December 2015		**821,916**	**8,128**	**(27,790)**	**(141,733)**	**660,521**

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

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 RMB'000	2014 RMB'000 (Revised) [Note 38]
Cash flows from operating activities			
Loss before tax		**(448,627)**	(200,162)
Adjustments for:			
Depreciation of property, plant and equipment	11	**7,197**	5,146
Amortisation of land use rights	12	**1,141**	793
Interest expense		**11,418**	10,838
Interest income		**(549)**	(2,198)
Exceptional loss	6	**–**	(147,014)
Impairment loss on property, plant and equipment	11	**157,701**	–
Impairment loss on trade receivables	7	**155,028**	–
Share option expense		**–**	6,957
Operating cash flow before movements in working capital		**(116,691)**	(325,640)
Inventories		**4,314**	8,067
Project work-in-progress		**106**	(106)
Trade and other receivables		**158,823**	171,284
Trade and other payables		**(10,037)**	21,507
Currency translation adjustment		**1,291**	(1,732)
Cash generated from/(used in)operations		**37,806**	(126,620)
Interest received		**549**	2,198
Income tax paid		**(6,112)**	(17,932)
Income tax refund		**588**	7,880
Net cash generated from/(used in) operating activities		**32,831**	(134,474)
Cash flows for investing activities			
Purchase of property, plant and equipment		**(77)**	(651)
Increase in construction work-in-progress		**(279)**	(2,136)
Net cash used in investing activities		**(356)**	(2,787)

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

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	**2015** **RMB'000**	2014 RMB'000 (Revised) [Note 38]
Cash flows (for)/from financing activities			
Decrease in deposits restricted-in-use		**(13,388)**	35,528
Proceeds from borrowings		**188,611**	235,872
Repayments of borrowings		**(184,904)**	(243,896)
Contributions by non-controlling interests		**–**	10,000
Interest paid		**(10,420)**	(10,838)
Net proceeds from new shares placement		**48,367**	–
Advance from related parties		**12,220**	86,597
Repayment to related parties		**(71,129)**	–
Repayment to a director (non-trade)		**–**	(57,496)
Net cash (used in)/generated from financing activities		**(30,643)**	55,767
Net increase/(decrease) in cash and cash equivalents		**1,832**	(81,494)
Cash and cash equivalents at beginning of financial year		**8,806**	90,315
Effect of exchange rate changes on cash and cash equivalents		**(9)**	(15)
Cash and cash equivalents at end of financial year	21	**10,629**	8,806

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

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

1. Corporate information

China Environment Ltd. (the "Company") (Co. Reg. No. 200301902W) was incorporated in Singapore under the Singapore Companies Act, Cap. 50. The registered office of the Company is at 1 Phillip Street, #08-01 Royal One Phillip, Singapore 048692 and the principal place of business of the Group is located at Longyan Economic Development Zone, 364028, Fujian Province, the People's Republic of China ("PRC"). The Company is listed on the mainboard of the Singapore Exchange Limited.

The principal activity of the Company is that of an investment holding company. The principal activities of its subsidiaries are described in Note 14.

2. Summary of significant accounting policies

(a) **Basis of preparation**

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company, are presented in Chinese Renminbi ("RMB") (rounded to the nearest thousand except when otherwise stated), and have been prepared in accordance with the provisions of Singapore Companies Act and Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

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

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

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

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2. Summary of significant accounting policies (Cont'd)

(a) **Basis of preparation (Cont'd)**

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 1: *Disclosure Initiative*	1 January 2016
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 105: *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
(b) Amendments to FRS 107: *Financial Instruments: Disclosures*	1 January 2016
(c) Amendments to FRS 19: *Employee Benefits*	1 January 2016
Amendments to FRS 16 and FRS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 27: *Equity Method in Separate Financial Statement*	1 January 2016
Amendments to FRS 7: *Disclosure Initiative*	1 January 2017
Amendments to FRS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Amendments to FRS 102: *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
FRS 115: *Revenue from Contracts with Customers*	1 January 2018
FRS 109: *Financial instruments*	1 January 2018
Improvements to FRSs (December 2016)	
(a) Amendments to FRS 28: *Investments in Associates and Joint Ventures*	1 January 2018
FRS 116: *Leases*	1 January 2019
Improvements to FRSs (March 2018)	1 January 2019
Amendments to FRS 1 and FRS 8: *Definition of Material*	1 January 2020

Except for FRS 115, FRS 116 and FRS 109, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115, FRS 116 and FRS 109 are described below.

<u>FRS 109 - Financial Instruments</u>

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cashflow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

2. Summary of significant accounting policies (Cont'd)

(a) **Basis of preparation (Cont'd)**

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting FRS 109 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts FRS 109 in 2018.

FRS 115 – Revenue from Contracts with Customers

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers and introduces new contract cost guidance. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

The new standard will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

FRS 116 – Leases

FRS 116 requires lessees to recognize most leases on statement of financial position to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of "low value" assets and short-term leases. The new leases standards is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of FRS 116 and expects that the adoption of FRS 116 will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards.

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I), and International Financial Reporting Standards issued by the International Accounting Standards Board.

2. **Summary of significant accounting policies (Cont'd)**

(a) **Basis of preparation (Cont'd)**

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of International Financial Reporting Standards*.

The director expect that the main SFRS(I)s that may have a material impact on the financial statements in the period of initial application are SFRS(I)9, SFRS(I)15, and SFRS(I)16. The impending changes in accounting policies on adoption of those three FRSs have been described above.

(b) **Basis of consolidation**

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

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

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

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

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

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

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

2. Summary of significant accounting policies (Cont'd)

(b) **Basis of consolidation (Cont'd)**

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

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

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

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

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

(c) **Subsidiaries**

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

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

(d) **Associated companies**

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates using the equity method from the date on which it becomes an associate.

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

2. Summary of significant accounting policies (Cont'd)

(d) **Associated companies (Cont'd)**

Under the equity method, the investment in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

(e) **Reverse acquisition**

The acquisition of the Acquired Group (Note 29(a)) has been accounted for as a reverse acquisition and the Acquired Group is considered the acquirer for accounting purposes. Accordingly, the Group's balance sheets, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows are those of the Acquired Group's consolidated financial statements.

Since such consolidated financial statements represent a continuation of the Acquired Group:

(i) the assets and liabilities of the Acquired Group are recognized and measured in the consolidated balance sheet at their pre-acquisition carrying amount and assets and liabilities of the Company are recognized at their fair values;

(ii) the retained profits and other equity balances (except for share capital) recognized in those consolidated financial statements are those of the Acquired Group immediately before the acquisition;

(iii) the amount recognized as issued equity instruments in those consolidated financial statements is the issued equity of the Acquired Group immediately before the acquisition plus the costs of the acquisition calculated from the perspective of the Company. However, the equity structure appearing on those consolidated financial statements (i.e. the number and type of equity instruments issued) reflect the equity structure of the Company, including the equity instruments issued by the Company to reflect the combination;

2. **Summary of significant accounting policies (Cont'd)**

(e) **Reverse acquisition (Cont'd)**

(iv) consolidated financial statements prepared following a reverse acquisition shall reflect the fair value of the assets, liabilities and contingent liabilities of the Company. Therefore, the cost of the business combination for the acquisition is allocated to the identifiable assets, liabilities and contingent liabilities of the Company that satisfy the recognition criteria. The excess of the cost of the combination over the Acquired Group's interest in the net fair value is recognized as goodwill.

(f) **Revenue recognition**

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

Revenue from construction contracts

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

Rendering of services

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

Interest income

Interest income is recognised using the effective interest method.

Rental income

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

(g) **Government grants**

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

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

2. Summary of significant accounting policies (Cont'd)

(h) **Borrowing costs**

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

(i) **Employee benefits**

Employee leave entitlements

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

Defined contribution plans

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

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

Share-based compensation

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

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

(j) **Income taxes**

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

2. Summary of significant accounting policies (Cont'd)

(j) Income taxes (Cont'd)

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

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

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

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

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

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

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

(k) Property, plant and equipment

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

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

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

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

2. Summary of significant accounting policies (Cont'd)

(k) Property, plant and equipment (Cont'd)

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

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

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

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

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

(l) Land use rights

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

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

(m) Impairment of non-financial assets excluding goodwill

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

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

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

2. **Summary of significant accounting policies (Cont'd)**

(m) **Impairment of non-financial assets excluding goodwill (Cont'd)**

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

(n) **Research and development costs**

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

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

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

(o) **Financial assets**

Classification

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature of the asset and the purpose for which the assets were acquired. The Company determines the classification of its financial assets at initial recognition at the end of each reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the end of the reporting period which are presented as non-current assets. Loans and receivables are presented as "trade and bill receivables" (Note 18), "other receivables, deposits and prepayments" (Note 19) (excluding advances to sub-contractor, advance payments to supplies and prepayments), "Amount due from subsidiaries" (Note 20) and "cash and bank balances" (Note 21) on the statement of financial position.

2. **Summary of significant accounting policies (Cont'd)**

(o) **Financial assets (Cont'd)**

Recognition and derecognition

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

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

Initial measurement

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

Subsequent measurement

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

Impairment

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

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

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

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

(p) **Inventories**

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

2. **Summary of significant accounting policies (Cont'd)**

(q) **Projects work-in-progress**

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

The stage of completion is measured by reference to the completion of physical proportion of the contract work. Costs incurred during the financial year in connection with future activity on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as projects work-in-progress on the statements of financial position unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately. Variation in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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

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

(r) **Cash and bank balances**

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

(s) **Financial liabilities**

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

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

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

2. **Summary of significant accounting policies (Cont'd)**

(t) **Provisions for other liabilities**

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

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

(u) **Foreign currencies**

Functional and presentation currency

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

Transactions and balances

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

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

2. Summary of significant accounting policies (Cont'd)

(u) **Foreign currencies (Cont'd)**

Translation of Group entities' financial statements

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

(i) Assets and liabilities are translated at the closing rates at the end of the reporting period;

(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the date of the transactions); and

(iii) All resulting exchange differences are recognised in the currency translation reserve within equity.

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

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

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

(v) **Operating leases**

When a group entity is the lessee:

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

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

When a group entity is the lessor:

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

2. Summary of significant accounting policies (Cont'd)

(w) **Share capital**

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

(x) **Financial guarantees**

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

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

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

(y) **Segment reporting**

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

(z) **Contingencies**

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

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

(aa) **Critical accounting judgment and key source of estimation uncertainty**

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

2. Summary of significant accounting policies (Cont'd)

(aa) **Critical accounting judgment and key source of estimation uncertainty (Cont'd)**

Key sources of estimation uncertainty

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

Property, plant and equipment

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

The carrying amount of the Group's property, plant and equipment at the end of the reporting period are RMB129,485,000 (2014: RMB294,028,000).

Trade and other receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's trade and other receivables at the end of the reporting period are disclosed in Note 18 and Note 19 respectively to the financial statements. If the present value of estimated future cash flows differ from management's estimates, the Group's allowance for impairment for trade and other receivables and the trade and other receivables balance at the end of the reporting period will be affected accordingly.

Projects work-in-progress

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. Income is recognised based on management's estimate of contribution margin expected to be achieved on the construction contracts and past experience with similar contracts. The stage of completion is assessed by reference to the completion of physical proportion of the contract work. The carrying amounts of assets and liabilities arising from construction contracts at the end of the reporting period are disclosed in Note 17.

2. Summary of significant accounting policies (Cont'd)

(aa) **Critical accounting judgment and key source of estimation uncertainty (Cont'd)**

Key sources of estimation uncertainty (Cont'd)

Income taxes

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

The carrying amount of the Group's income tax liability at the end of the reporting period are approximately RMB2,348,000 (2014: RMB210,000).

Information about other assumptions and estimation uncertainties regarding tax expense and liability that have a significant risk of resulting in a material adjustment within the next financial year are included in Note 9.

Critical judgments in applying accounting policies

Impairment of financial assets

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

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

Deferred tax liability arising from undistributed profits

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

The carrying amount of the Group's deferred tax liability at the end of the reporting period are approximately Nil (2014: RMB5,030,000).

3. Revenue

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

4. Other income

	Group	
	2015	2014
	RMB'000	RMB'000
Repairing service income	**7**	316
Disposal of scrap materials	**68**	303
Government grants received	**1,086**	932
Bank interest income	**549**	2,198
Rental income	**535**	391
Reversal of accrual in prior year	**300**	–
Others	**51**	52
	2,596	4,192

5. Finance costs

	Group	
	2015	2014
	RMB'000	RMB'000
Bank charges	**298**	3,257
Interest expense	**11,418**	10,838
Guarantor fees	**–**	264
	11,716	14,359

6. Exceptional loss

	Group	
	2015	2014
	RMB'000	RMB'000
		(Revised)
Reversal of non-existence of sales and cost of sales:		
- Decrease in revenue	–	(544,190)
- Decrease in cost of sales	–	415,035
Reduced in gross profit	–	(129,155)
Exceptional loss from reversal of transactions below:		
Output value added tax ("VAT") written off	–	(92,512)
Project work in progress written off	–	(9,799)
Write off of cash received from non-existence customers, net of tax	–	370,332
Write off of cash paid to non-existence suppliers, net of tax	–	(415,035)
Total exceptional (loss)/gain recognised in profit or loss	–	(147,014)
Net loss arising from non-existence of sales	–	(276,169)

As disclosed in Note 38, in view of the Advisory Letter received from the Accounting And Corporate Regulatory Authority, management has performed a revision for the current and prior year's consolidated statement of profit or loss, statements of financial position, consolidated statement of changes in equity and consolidated statement of cash flows, the effects of which are disclosed in Note 38.

7. Loss before tax

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

	Group	
	2015	2014
	RMB'000	RMB'000
Amortisation of land use rights (Note 12)	**1,141**	793
Audit fees payable/paid to auditors of the Company	**612**	679
Changes in inventories and projects work-in-progress	**(4,413)**	7,961
Commission	**7,331**	13,660
Delivery charges	**2,799**	4,599
Depreciation of property, plant and equipment (Note 11)	**7,197**	5,146
Impairment loss on property, plant and equipment (Note 11)	**157,701**	–
Impairment loss on trade receivables	**155,028**	–
Fees for non-audit services payable/paid to auditors of the Company	**6**	7
Foreign exchange gains	**(4,569)**	(2,733)
Personnel expenses (Note 8)	**28,327**	34,680
Purchases of inventories and construction materials	**192,540**	346,960
Rental on land and buildings	**1,008**	1,479
Research expenses	**3,085**	4,651
Processing fees and installation fees	**–**	77,009
Output value added tax ("VAT") written off	**47,602**	–

8. Personnel expenses

	Group	
	2015	2014
	RMB'000	RMB'000
Directors of the Company		
- Directors' fees	**725**	776
- Salaries and bonuses	**3,804**	2,526
- Defined contribution benefits	**120**	118
- Share-based payments (Employee Share Option Scheme) [Note 29(b)]	**–**	5,963
Other director of subsidiaries		
- Salaries and bonuses	**248**	248
- Defined contribution benefits	**106**	106
Key management personnel (non-directors)		
- Salaries and bonuses	**970**	1,256
- Defined contribution benefits	**183**	211
- Share-based payments (Employee Share Option Scheme) [Note 29(b)]	**–**	994
Other personnel		
- Salaries, wages and bonuses	**19,540**	19,495
- Defined contribution benefits	**2,486**	2,485
Other personnel related expenses	**145**	502
	28,327	34,680

9. Tax expense

Tax expense attributable to profits is made up of:

	Group	
	2015	2014
	RMB'000	RMB'000
Current income tax		
- Current tax - PRC	**7,483**	14,462
- Tax credit received for prior years' taxation - PRC	**–**	(5,856)
- Overprovision of tax in prior year	**(296)**	(2,023)
	7,187	6,583
Deferred tax expense		
- Reversal of deferred tax expense arising from distributable profits of foreign subsidiary	**(5,030)**	–
	2,157	6,583

9. Tax expense (Cont'd)

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

	Group	
	2015	2014
	RMB'000	RMB'000
		(Revised)
Loss before tax	**(448,627)**	(200,162)
Tax calculated at domestic statutory tax rate	**(111,423)**	(30,719)
Expenses not deductible for tax purposes	**119,269**	45,325
Non-taxable items	**(363)**	(144)
Overprovision of tax in prior year	**(296)**	(2,023)
Tax credit received for prior year's taxation due to approval of "high-tech enterprise" status of a PRC subsidiary	**–**	(5,856)
	7,187	6,583
Reversal of deferred tax expense arising from distributable profits from foreign subsidiary	**(5,030)**	–
	2,157	6,58

The domestic statutory tax rates for Singapore and PRC entities are 17% (2014: 17%) and from 25% (2014: 15% to 25%) respectively for the financial year ended 31 December 2015.

The Group has unutilised tax losses of approximately RMB 4,186,000 (2014: RMB 4,186,000) available for offsetting against future taxable income of the Group. The utilisation of the tax losses is subject to the agreement of the relevant tax authorities and compliance with required provisions of the tax legislation of the respective countries in which the companies in the Group operates.

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

10. Loss per share

Basic loss per share amounts are calculated by dividing loss attributable to equity holders of the Company by the number of weighted average number of ordinary shares outstanding during the financial year.

Diluted loss per share are calculated by dividing loss, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares (i.e. 72.5 million unlisted warrants which have been allotted to the subscriber on 7 January 2015).

These 72.5 million unlisted warrants grant the subscriber the rights to subscribe for one new share for each warrant (i.e. total 72,500,000 shares) (the "Warrant Shares") at the issue price of S$0.104 per Warrant Share, for an aggregate amount of S$7,540,000 [Note 29(a)]. The warrants may only be exercised in whole by the subscriber at any time, but in any event no later than the date falling 18 months from the issue date of the warrants.

As the exercise price of S$0.104 is higher than the market price of the Company's shares at S$0.05 as at 31 December 2015, these warrants are anti-dilutive.

The Group also has 3.5 million (31 December 2014: 3.5 million) share options granted to employees under the employee share option plan that have not been included in the calculation of diluted loss per share as they are anti-dilutive.

Diluted loss per share is same as basic loss per shares as there were no potential dilutive ordinary shares for the current financial year ended 31 December 2015 and 31 December 2014.

The following tables reflect the loss and share data used in the computation of basic and diluted loss per share for the years ended 31 December:

	Group	
	2015	2014
	RMB'000	RMB'000
		(Revised)
Loss for the year attributable to shareholders	**(450,407)**	(206,609)
Weighted average number of ordinary shares for basic loss per share computation	**811,239,824**	735,520,646
Basic and diluted loss per share (RMB cents/share)	**(55.52)**	(28.10)

11. Property, plant and equipment

	Leasehold buildings RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Machinery RMB'000	Renovation RMB'000	Construction work-in-progress RMB'000	Total RMB'000
Group							
Cost							
At 1 January 2014	–	714	1,426	6,828	53	291,679	300,700
Additions	–	365	260	–	26	2,136	2,787
Reclassification	263,904	–	–	–	–	(263,904)	-
Write off	–	–	(31)	–	–	–	(31)
Currency alignment	–	–	(6)	–	(2)	–	(8)
At 31 December 2014	263,904	1,079	1,649	6,828	77	29,911	303,448
Additions	–	–	77	–	–	279	356
Write off	–	–	(15)	–	–	–	(15)
Currency alignment	–	–	(1)	–	(1)	–	(2)
At 31 December 2015	**263,904**	**1,079**	**1,710**	**6,828**	**76**	**30,190**	**303,787**
Accumulated depreciation							
At 1 January 2014	–	592	858	2,807	53	–	4,310
Depreciation charges (Note 7)	4,178	101	214	649	4	–	5,146
Write off	–	–	(31)	–	–	–	(31)
Currency alignment	–	–	(3)	–	(2)	–	(5)
At 31 December 2014	4,178	693	1,038	3,456	55	–	9,420
Depreciation charges (Note 7)	6,268	73	200	648	8	–	7,197
Write off	–	–	(15)	–	–	–	(15)
Currency alignment	–	–	–	–	(1)	–	(1)
At 31 December 2015	**10,446**	**766**	**1,223**	**4,104**	**62**	–	**16,601**
Accumulated Impairment							
At 1 January 2015	–	–	–	–	–	–	–
Impairment loss (Note 7)	146,968	–	–	–	–	10,733	157,701
At 31 December 2015	**146,968**	**–**	**–**	**–**	**–**	**10,733**	**157,701**
Carrying amount							
At 31 December 2015	**106,490**	**313**	**487**	**2,724**	**14**	**19,457**	**129,485**
At 31 December 2014	259,726	386	611	3,372	22	29,911	294,028

11. Property, plant and equipment (Cont'd)

	Office equipment RMB'000	Renovation RMB'000	Total RMB'000
Company			
Cost			
At 1 January 2014	81	53	134
Additions	80	26	106
Write off	(31)	–	(31)
Currency alignment	(6)	(2)	(8)
At 31 December 2014	124	77	201
Additions	18	–	18
Currency alignment	(1)	(1)	(2)
At 31 December 2015	**141**	**76**	**217**
Accumulated depreciation			
At 1 January 2014	81	53	134
Depreciation charges	13	4	17
Write off	(31)	–	(31)
Currency alignment	(3)	(2)	(5)
At 31 December 2014	60	55	115
Depreciation charges	36	8	44
At 31 December 2015	**96**	**63**	**159**
Carrying amount			
At 31 December 2015	**45**	**13**	**58**
At 31 December 2014	64	22	86

Construction work-in-progress comprised costs incurred for construction of office building, steel fabrication plant, electronic control assembly plant and warehouse on the land of 16,536 square meters in Fujian Province and 193,493 square meters in Anhui Province (Note 12). These are extension to the existing leasehold building.

During the financial year, the Group recognised an impairment loss of RMB 146,968,000 (2014: Nil) and RMB 10,733,000 (2014: Nil) on its two leasehold buildings and construction work-in progress respectively.

The impairment loss of its leasehold building and construction in progress was based on an independent valuation report dated 16 September 2015 and 13 March 2015 which valued the leasehold building and construction work-in progress amounting to RMB 106,490,000 and RMB 14,353,100 respectively.

11. Property, plant and equipment (Cont'd)

These leasehold building and construction in progress with carrying amount of RMB 106,490,000 and RMB 14,353,100 respectively were individually pledged to 2 different banks in AHDY and FJDY for the short-term borrowings (Note 26).

Subsequent to the financial year and as at the date of this report, the Group was unable to fulfil its financial obligation to the 2 banks which the leasehold building and construction in progress were being pledged. Consequently, the leasehold building in AHDY with carrying amount of RMB 106,490,000 along with its land use rights (for a land area of 193,493 square meters) with carrying amount of RMB 47,407,092 [see Note 12] were valued by the Court for the auction at RMB 135 million but was eventually successfully auctioned off at RMB 60.56 million [see Note 36(viii)(i)].

In addition, the construction in progress in FJDY with carrying amount of RMB 14,353,100 along with its land use rights (for a land area of 16,536 square meters) with carrying amount of RMB 4,300,437 [see Note 12] were valued by the Court for the auction at RMB 21.5 million but was eventually successfully auctioned off at RMB 14.4 million [see Note 36(viii)(k)].

Based on PRC Taobao auction website, it was noted that the extension of these 2 mentioned leasehold buildings which was classified under construction in progress, one located in FJDY and the other in AHDY, were completed in 2012 and 2013 respectively. However, management of the New Board is unable to explain why these extension for the 2 leasehold buildings in AHDY and FJDY are classified as construction in progress in 2013 and 2014 by the management of the Former Board.

12. Land use rights

	Group	
	2015	2014
	RMB'000	RMB'000
Cost		
At 1 January	**53,930**	4,780
Reclassified from prepayment land use rights (Note 13)	**–**	49,150
At 31 December	**53,930**	53,930
Accumulated amortisation		
At 1 January	**1,081**	288
Amortisation for the year (Note 7)	**1,141**	793
At 31 December	**2,222**	1,081
Carrying amount	**51,708**	52,849
Amount to be amortised:		
- Not later than one financial year	**1,142**	1,142
- Later than one year but not later than five financial years	**4,567**	4,567
- Later than five financial years	**45,999**	47,140

12. Land use rights (Cont'd)

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

These land use rights of the Group with carrying amount of RMB 47,407,092 and RMB 4,300,437 respectively were individually pledged to 2 different banks in AHDY and FJDY for the short -term borrowings (Note 26).

Subsequent to the financial year and as at the date of this report, the Group was unable to fulfil its financial obligation to the 2 banks which the land use rights were being pledged. Consequently, the land use right in AHDY with carrying amount of RMB 47,407,092 along with its leasehold building with carrying amount of RMB 106,490,000 [see Note 11] were valued by the Court for the auction at RMB 135 million but was eventually successfully auctioned off at RMB 60.56 million [see Note 36(viii)(i)].

In addition, the land use right in FJDY with carrying amount of RMB 4,300,437 along with its the construction in progress with carrying amount of RMB 14,353,100 [see Note 11] were valued by the Court for the auction at RMB 21.5 million but was eventually successfully auctioned off at RMB 14.4 million [see Note 36(viii)(k)].

13. Prepayment for land use rights

	Group	
	2015	2014
	RMB'000	RMB'000
At 1 January	**–**	49,150
Reclassified to land use rights (Note 12)	**–**	(49,150)
At 31 December	**–**	–

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

In the previous financial year, the PRC subsidiary obtained the land use rights certificate. Accordingly, the prepayment has been capitalised and reclassified as land use rights (Note 12).

14. Investment in subsidiaries

	Company	
	2015	2014
	RMB'000	RMB'000
Unquoted equity shares, at cost	**699,460**	699,460
Impairment on investment	**(8,593)**	(8,593)
Currency alignment	**(25,861)**	(17,400)
	665,006	673,467

(a) Details of subsidiaries held by the Company:

Name of subsidiary	Principal activities	Country of incorporation	Equity holding 2015 %	Equity holding 2014 %
Held by the Company				
China Dongyuan Environment Pte. Ltd. (1) (3)	Investment holding company	Singapore	100	100
Gates Engineering Pte. Ltd. (1) (3)	Inactive	Singapore	*-	100
Xiamen Gongyuan Environmental Protection Technology Co., Ltd. (2) (4)	Providing environmental protection products and services	PRC	80	80
Held by subsidiaries				
Fujian Dongyuan Environmental Protection Co., Ltd. (2) (4)	Waste gas treatment solutions provider - Design and construct waste gas treatment systems	PRC	100	100
Anhui Dongyuan Environmental Protection Co., Ltd. (2) (4)	Waste gas treatment solutions provider – Design and construct waste gas treatment systems	PRC	100	100

<u>FY2015</u>:

(1) Audited by RT LLP

(2) Audited by RT LLP for the purpose of expressing an opinion on the consolidated financial statements

<u>FY 2014:</u>

(3) Audited by Baker Tilly TFW LLP

(4) Audited by Baker Tilly TFW LLP for the purpose of expressing an opinion on the consolidated financial statements

* This subsidiary has been struck off during the financial year.

14. Investment in subsidiaries (Cont'd)

(a) Details of subsidiaries held by the Company: (Cont'd)

Significant restrictions

Cash and cash equivalents of RMB62,789,000 (2014: RMB47,902,000) are held in the People's Republic of China and are subject to PRC foreign exchange control regulations. These regulations place restrictions on the amount of currency being exported from the country, other than through dividends and repayment of overseas loans

(b) Interest in subsidiaries with material non-controlling interest (NCI)

The Group has the following subsidiaries that have NCI that are material to the Group.

Name of subsidiary	**Principal place of business**	**Proportion of ownership interest held by noncontrolling interest**	**Profit/(Loss) allocated to NCI during the reporting period RMB'000**	**Accumulated NCI at the end of reporting period RMB'000**
31 December 2015				
Xiamen Gongyuan Environmental Protection Technology Co., Ltd	PRC	20%	231	9,633

Summarised financial information about subsidiaries with material NCI.

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

<u>Summarised balance sheets</u>

	Xiamen Gongyuan Environmental Protection Technology Co., Ltd	
	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
Current		
Assets	41,952	11,612
Liabilities	6,053	2,446
Net current assets	35,899	9,166
Non-current		
Assets	121	153
Liabilities	–	–
Net non-current assets	121	153
Net assets	36,020	9,319

14. Investment in subsidiaries (Cont'd)

(b) Interest in subsidiaries with material non-controlling interest (NCI) (Cont'd)

Summarised statement of comprehensive income

	Xiamen Gongyuan Environmental Protection Technology Co., Ltd	
	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
Revenue	21,111	28,470
Loss before tax	(1,160)	(677)
Income tax expense	4	(4)
Other comprehensive income	–	–
Total comprehensive income	(1,156)	(681)

Other summarised information

	Xiamen Gongyuan Environmental Protection Technology Co., Ltd	
	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
Net cashflow used in operations	(24,974)	(9,280)
PPE	–	(153)
Shares issued	27,858	10,000

15. Investment in associated company

	Group	
	2015 **RMB'000**	2014 RMB'000
Unquoted equity investment		
Balance at beginning of the financial year	**2,450**	2,450
Acquisition during the financial year	**–**	–
Balance at end of the financial year	**2,450**	2,450

15. Investment in associated company (Cont'd)

Details of the associated company are as follows:

Name and Country of incorporation	Principal activities	Percentage of equity held by the Company 2015 %	2014 %
Beijing Gongdao Environmental Protection Technology Co., Ltd (PRC) [1][2]	Research and development, industrialisation and commercialisation of industrial waste gas treatment technology and other environmental protection technologies	**83**	49

FY2015

(1) Audited by RT LLP for the purpose of expressing an opinion on the consolidated financial statements for financial year ended 31December 2015 of the consolidated financial statements.

FY2014

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

Management of the New Board discovered that the Group's actual equity interest held in Beijing Gongdao Environmental Protection Technology Co., Ltd ("BGDEPT") should be 83% instead of the 49% as indicated in the audited financial statements for FY 2013 and FY 2014 by the predecessor auditor.

However, the New Board is unable to determine whether the 83% held equity investment in BGDEPT would constitute an element of control. Control is defined as being exposed to, or has the rights to, variable returns from the Group's involvement in BGDEPT and has the ability to affect those returns through its power over BGDEPT. To be conservative, the current Board has decided not to reclassify the investment from associated company to investment in subsidiaries.

Information about the Group's investments in associate that are not individually material are as follows:

	Group 2015 RMB'000	2014 RMB'000
Loss from operations	**(542)**	(277)

16. Inventories

	Group 2015 RMB'000	Group 2014 RMB'000
Raw materials, at cost	**8,135**	12,449

The cost of inventories recognised as an expense and included in cost of sales amounted to RMB192,540,000 (2014: RMB354,921,000).

17. Projects work-in-progress

	Group 2015 RMB'000	Group 2014 RMB'000 (Revised)
Projects work-in-progress	**–**	106
Aggregate costs incurred recognised to date on uncompleted projects work-in-progress	**1,775**	4,422
Attributable profits recognised to date on uncompleted projects work-in-progress	**941**	6,137
	2,716	10,559
Progress billing	**–**	(4,325)
	2,716	6,234
Presented as:		
Due from customers on construction contracts (Note 18)	**2,716**	6,234

18. Trade and bill receivables

	Group		Company	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Revised)		
Trade receivables*				
- Billed & Unbilled	**9,522**	175,606	**52**	27
- Due from customers on construction contracts (Note 17)	**2,716**	6,234	**–**	–
	12,238	181,840	**52**	27
Bill receivables	**50**	3,395	**–**	–
	12,288	185,235	**52**	27
*Retention monies included in trade receivables	**1,200**	23,719	**–**	–

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

The bill receivables have an average maturity date of 6 (2014: 6) months.

19. Other receivables, deposits and prepayments

	Group		Company	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances to sub-contractor	**–**	127,382	**–**	–
Advance payments to suppliers	**12,452**	26,959	**–**	–
Other receivables	**14,394**	12,906	**–**	–
Deposits	**123**	174	**122**	122
Prepayments	**36**	13	**37**	13
	27,005	167,434	**159**	135

The advances to the sub-contractor is unsecured, non-interest bearing and repayable on demand.

Advances to sub-contractor 2015: RMB Nil (2014: RMB 127,382,000) refer to payments made to Bengbu Xingyuan Environmental Protection Technology Co., Ltd.

20. Amount due from subsidiaries

The Company	2015 RMB'000	2014 RMB'000
Loan receivable	**79,149**	41,627
Dividends receivable	**20,674**	20,927
	99,823	62,554
Less: Impairment	**(99,823)**	–
	–	62,554

Loans receivable from subsidiaries – Company

Included in loan receivable is an amount of RMB27,858,000 arising from the proceeds for the placement of 72,500,000 new ordinary shares [Note 29(a)].

The loans receivable are unsecured, non-interest bearing and repayable on demand. Management of Current Board has fully impaired the entire balance of loans receivable from subsidiaries during the year as they are of the view that these amount would not be recoverable.

Dividends receivable from a subsidiary – Company

Dividend receivable relates to dividends amounting to S$ 4,505,637 (equivalent RMB 20,674,116) from its Singapore's subsidiary, China Dongyuan Environment Pte. Ltd., which was a brought forward balances since FY 2012.

China Dongyuan Environment Pte. Ltd. similarly has a dividend receivable from its subsidiary namely Fujian Dongyuan Environmental Protection Co., Ltd. for an amount of RMB 22,000,000. However, there was no payment from this subsidiary since FY 2012. Accordingly, management of the Current Board has decided to impair these dividends receivable.

21. Cash and bank balances

	Group		Company	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
Cash in hand and at banks *	**63,517**	48,306	**640**	**230**
Less: bank balances pledged	**(52,888)**	(39,500)	**–**	–
Representing cash and cash equivalents in statement of cash flows	**10,629**	8,806	**640**	**230**

21. Cash and bank balances (Cont'd)

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

	Group	
	2015	2014
	RMB'000	RMB'000
Issuance of bill payables (Note 23)	**–**	42,500
Short-term bank borrowings (Note 26)	**52,888**	–
	52,888	42,500

The bank balances pledged earned interest at effective rate of 3.0% - 3.3% (2014: 3.5%) per annum.

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

	Group		Company	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Singapore dollar	**711**	–	**–**	–
United States dollar	**18**	45	**17**	16

22. Deferred tax liability - Group

Deferred tax liability arose from the PRC subsidiaries' distributable earnings generated from 1 January 2008 which will be subjected to tax at 5% (2014: 5%) when the PRC subsidiaries declares and remits dividend to its foreign investor. The directors expect that no more than 30% of the PRC subsidiaries' earnings each year will be distributed to the Company in the foreseeable future and accordingly the deferred tax liability is provided on this amount since FY 2012.

Prior years deferred tax liability was accrued for dividend payable from PRC subsidiary.

As at 31 December 2014, deferred tax liability has not been recognised on the PRC subsidiaries' earnings totalling RMB 335,977,000 (2014: RMB 283,337,000) as the Company is able to control the timing of the reversal of this temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

In current financial year, management of the Current Board has decided to reverse the entire deferred tax liability of RMB 5,030,000 given that no dividends have been remitted by the PRC subsidiaries since FY 2013 as the PRC subsidiaries are currently in cashflow deficit and facing legal suits from external parties and banks as disclosed in Note 36 (viii).

22. Deferred tax liability – Group (Cont'd)

The movement in deferred income tax liability is as follows:

	Group		Company	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
At beginning of financial year	**5,030**	5,030	**–**	–
Tax charged to profit or loss	**(5,030)**	–	**–**	–
At end of financial year	**–**	5,030	**–**	–

23. Trade and bill payables

	Group	
	2015	2014
	RMB'000	RMB'000
Trade payables - third parties	**13,451**	5,195
Value-added tax payables	**2,195**	4,806
Bill payables	**–**	42,500
	15,646	52,501

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

Bill payables have an average maturity date of 6 months. Certain bill payables are secured by bank balances pledged to financial institutions as disclosed in Note 21.

24. Other payables and accruals

	Group		Company	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accruals for construction costs	**5,104**	5,104	**–**	–
Accruals for sub-contractor processing costs	**–**	2,626	**–**	–
Accruals for sales commission	**–**	9,893	**–**	–
Advance receipts from customers	**3,458**	1,230	**–**	–
Accruals for staff social welfare contributions	**609**	7,375	**135**	54
Salary payables	**874**	1,522	**409**	844
Other tax payables	**2,417**	292	**15**	–
Other payables	**60,209**	16,813	**1,449**	1,889
	72,671	44,855	**2,008**	2,787

25. Amount due to a director (non-trade) - Group and Company

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

26. Short-term borrowings

	Group	
	2015	2014
	RMB'000	RMB'000
Bank borrowings		
- secured	**146,611**	75,000
- unsecured	**27,000**	94,904
	173,611	169,904

For financial year ended 31 December 2015

Secured borrowings

1. USD8.0 million (approximately RMB50.0 million) of the short-term borrowings was secured by bank deposits of RMB52.8 million (Note 21).

2. RMB96.7 million of the short-term borrowings was secured by the Group's land use rights and property title deeds, as detailed below:

   a) RMB60.0 million of the short-term borrowings was secured by the Group's land use rights and plant in Anhui and guaranteed by one of the Company's directors, his spouse and one of the subsidiaries of the Company; and

   b) RMB36.7 million of the short-term borrowings was secured by the Group's land use rights and plant in Fujian, one of the trade receivables of a subsidiary and guaranteed by one of the Company's former directors, his spouse and one of the subsidiaries of the Company.

Unsecured borrowings

3. RMB27 million of the short-term borrowings were not secured by the Company's assets. These short-term borrowings were guaranteed by one of the Company's former directors and secured by the land use rights and leasehold buildings of a former related party, Fujian Mintai Environmental Protection Co., Ltd.

For financial year ended 31 December 2014

Secured borrowings

Short-term borrowings of RMB70.0 million were secured by land use rights (Note 12) and leasehold buildings (Note 11) from a PRC subsidiary and guaranteed by one of the Company's former director, former director's spouse and a PRC subsidiary. Remaining RMB5.0 million short-term borrowings were secured by land use rights of a PRC subsidiary (Note 12).

26. Short-term borrowings (Cont'd)

For financial year ended 31 December 2014 (Cont'd)

Unsecured borrowings

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

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

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

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

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

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

	Group	
	2015	2014
	RMB'000	RMB'000
United States dollar	**49,941**	–
Hong Kong dollar	–	9,904

These bank borrowings are repayable within the next twelve months and bear fixed interest rates ranging from 2.06% to 6.44% (2014: 5.50% to 8.40%) per annum.

27. Amounts due to subsidiaries (non-trade)

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

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

	Company	
	2015	2014
	RMB'000	RMB'000
Chinese Renminbi	**2,535**	2,320

28. Amounts due to related parties (non-trade)

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

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

	Group	
	2015	2014
	RMB'000	RMB'000
Singapore dollar	**–**	23,397

29. Share capital

(a) *Share capital*

	2015		2014	
	Number of issued shares	**Issued share capital RMB'000**	Number of issued shares	Issued share capital RMB'000
Group				
At 1 January	**735,520,646**	**352,241**	735,520,646	352,241
Issue of new shares pursuant to share placement	**107,500,000**	**49,060**	–	–
Share issuance expenses	**–**	**(693)**	–	–
At 31 December	**843,020,646**	**400,608**	735,520,646	352,241
Company				
At 1 January	**735,520,646**	**773,549**	735,520,646	773,549
Issue of new shares pursuant to share placement	**107,500,000**	**49,060**	–	–
Share issuance expenses	**–**	**(693)**	–	–
At 31 December	**843,020,646**	**821,916**	735,520,646	773,549

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

29. Share capital (Cont'd)

(a) Share capital (Cont'd)

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

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

As at the date of this report, these warrants were not exercised and has been expired as disclosed in Note 36(vi).

On 9 November 2015, the Company received approval-in-principle ("AIP") from the SGX-ST for the listing and quotation of the 35,000,000 Placement Shares on the Main Board of the SGX-ST.

On 16 November 2015, Company announced that the Proposed Placement has been completed today, pursuant to which the 35,000,000 Placement Shares were allotted and issued to the Places at the issue price of $0.092 per shares, and the issued share capital of the Company has increased by 35,000,000 Shares. Following completion of the Proposed Placement, the total number of issued Shares of the Company has increased from 808,020,646 to 843,020,646 Shares. The 35,000,000 Placement Shares rank pari passu in all respects with the existing Shares and were issued free from all claims, charges, liens and other encumbrances whatsoever, save that they do not rank for any dividend, rights, allotments or other distributions the Record Date of which falls on or before 16 November 2015.

Reverse acquisition

<u>At Group level</u>

As informed by the New Board, the acquisition of Gates Electronics Limited in 2009 has been accounted for as a reverse acquisition in the consolidated financial statements of the Group. Gates Electronics which is the legal subsidiary the ("Acquired Group") is considered the acquirer for accounting purposes. Accordingly, the balance sheets, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group have been prepared as a continuation of Gates Electronics Limited's financial statements, in accordance with the Group accounting policies as described in Note 2(e).

29. Share capital (Cont'd)

(b) Share options

	Group and Company	
	2015	2014
	RMB'000	RMB'000
At 1 January	**8,128**	1,171
Share-based payments (Note 8)	–	6,957
At 31 December	**8,128**	8,128

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

Other information regarding the Scheme is set out below:

- The subscription price for each share in respect of which a market price option is exercised shall be a price equal to the average of the last dealt prices for a share for the five consecutive market days immediately preceding the offering date of the option.
- The subscription price for each share in respect of which an incentive option is exercised can be set at a discount to the market price not exceeding 20% of the market price.
- The options can be exercised 1 year after the grant for market price options and 2 years for discounted options.
- The options granted will expire after 5 years for participants not holding a salaried office or employment in the Group and participants holding salaried office or employment in an associated company; and 10 years for the employees of the Company and its subsidiaries.

On 11 November 2013, the Company granted 3,500,000 options to subscribe for total of 3,500,000 ordinary shares of the Company at an exercise price of S$0.59 per share. Of these 3,500,000 options, 3,000,000 were granted to a former director of the Company, Mr Wu Jida whilst the remaining 500,000 options were granted to a former Chief Financial Officer of the Company, Mr Chiar Choon Teck.

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

On 28 April 2015, the Scheme was approved and adopted by shareholders at an Extraordinary General Meeting held on 28 April 2015.

29. Share capital (Cont'd)

(b) Share options (Cont'd)

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

Date of grant option	Exercise price per share S$	Aggregate options outstanding at 1.1.2015	Options granted/ (expired)	Aggregate options outstanding at 31.12.2015	Exercise period
11 November 2013	0.59	3,500,000	(500,000)	3,000,000	12 November 2014 to 11 November 2024

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

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

The inputs to the model used are shown below:

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

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

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

30. Other reserves

	Group	
	2015	2014
	RMB'000	RMB'000
General reserve fund	**60,901**	60,901
Enterprise expansion reserve fund	**30,451**	30,451
	91,352	91,352

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

General reserve fund (statutory)

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

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

Enterprise expansion reserve fund (non-statutory)

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

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

31. Related parties transactions

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

	Group	
	2015	2014
	RMB'000	RMB'000
Group's operating expenses paid on behalf by a director	**–**	62,520
Repayment to a director	**–**	62,520
Advances from a director	**–**	325
Repayment of advances from a director	**–**	57,821
Advances from related parties	**12,220**	108,397
Repayment to related parties	**67,000**	21,800
Rental expenses charged by a related party	**2,660**	639

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

32. Commitments

(a) Capital commitments

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

	Group	
	2015	2014
	RMB'000	RMB'000
Commitments in respect of construction work-in-progress	**–**	31,368

32. Commitments (Cont'd)

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

The operating lease payments include rental from lease of land and buildings from a related party. The remaining non-cancellable lease term at 31 December 2015 for land and buildings is between 12 to 19 (2014: 12 to 19) months.

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

	Group	
	2015	2014
	RMB'000	RMB'000
Not later than one financial year	**1,294**	1,342
Later than one financial year but not later than five financial years	**822**	1,218
	2,116	2,560

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

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

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

	Group	
	2015	2014
	RMB'000	RMB'000
Not later than one financial year	**449**	336
Later than one financial year but not later than five financial years	**449**	26
	898	362

33. Financial instruments

(a) Categories of financial instruments

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

	Group		Company	
	2015	2014	**2015**	2014
	RMB'000	RMB'000 (Revised)	**RMB'000**	RMB'000
Financial assets				
Loans and receivables	**90,322**	374,003	**814**	62,933
Financial liabilities				
Financial liabilities at amortised cost	**281,867**	352,885	**5,379**	5,993

(b) Financial risk management

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

Foreign currency risk

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

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

	2015			2014		
Denominated in:	**SGD**	**USD**	**HKD**	SGD	USD	HKD
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Group						
Cash and bank balances	**711**	**18**	**–**	–	45	–
Other payables and accruals	**(2,020)**	**–**	**–**	–	–	(308)
Amount due to related parties	**–**	**–**	**–**	(23,397)	–	–
Short-term borrowings	**–**	**(49,941)**	**–**	–	–	(9,904)
Net financial assets/(financial liabilities) denominated in foreign currencies	**(1,309)**	**(49,923)**	**–**	(23,397)	45	(10,212)

33. **Financial instruments (Cont'd)**

(b) **Financial risk management (Cont'd)**

Foreign currency risk (Cont'd)

	2015			2014		
Denominated in:	**SGD**	**USD**	**HKD**	SGD	USD	HKD
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Company						
Cash and bank balances	**–**	**17**	**–**	–	16	–
Other payables and accruals	**–**	**–**	**–**	–	–	(308)
Net financial assets/(financial liabilities) denominated in foreign currencies	**–**	**17**	**–**	–	16	(308)

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

		Group Increase/(decrease) in profit after tax	
		2015	2014
		RMB'000	RMB'000
SGD/RMB	-strengthened 5% (2014: 5%)	**(65)**	(994)
	-weakened 5% (2014: 5%)	**65**	994
USD/RMB	-strengthened 5% (2014: 5%)	**(2,496)**	2
	-weakened 5% (2014: 5%)	**2,496**	(2)
HKD/RMB	-strengthened 5% (2014: 5%)	**–**	(434)
	-weakened 5% (2014: 5%)	**–**	434

Company

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

33. Financial instruments (Cont'd)

(b) **Financial risk management (Cont'd)**

Interest rate risk

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

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

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

Credit risk

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

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

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

Trade receivables due from third parties in the PRC amounted to RMB12,186,000 (2014: RMB181,813,000) of the Group's trade receivables. The Group's trade receivables comprise 3 debtors (2014: 1 debtors) that represented approximately 85% (2014: 18%) of the Group's trade receivables.

Financial assets that are neither past due nor impaired

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

Trade receivables that are not past due amounted to Nil (2014: RMB112,067,000).

33. Financial instruments (Cont'd)

(b) **Financial risk management (Cont'd)**

Credit risk (Cont'd)

Financial assets that are past due and/or impaired

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

	Group	
	2015	2014
	RMB'000	RMB'000
		(Revised)
Past due less than 30 days	**–**	444
Past due 30 days to 60 days	**–**	2,250
Past due 61 days to 90 days	**–**	4,395
Past due more than 90 days	**12,186**	72,482
	12,186	79,571

Liquidity and cash flow risk

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

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

	2015			2014		
	RMB'000			RMB'000		
	1 year or less	**1 to 5 years**	**Total**	1 year or less	1 to 5 years	Total
Group						
Trade and other payables	**88,268**	**–**	**88,268**	96,059	–	96,059
Amount due to a director	**321**	**–**	**321**	325	–	325
Amount due to related parties	**27,688**	**–**	**27,688**	86,597	–	86,597
Short-term borrowings	**179,074**	**–**	**179,074**	173,405	–	173,405
Company						
Other payables and accruals	**1,993**	**–**	**1,993**	2,741	–	2,741
Amount due to a director	**321**	**–**	**321**	325	–	325
Amount due to subsidiaries	**3,065**	**–**	**3,065**	2,927	–	2,927

33. Financial instruments (Cont'd)

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

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

The Group and Company has no other financial instruments.

34. Capital management

The Group's objectives when managing capital are:

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

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

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

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

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

As disclosed in Note 30, the Group's subsidiaries in the PRC are required to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the subsidiaries for the financial years ended 31 December 2015 and 2014.

35. Segment information

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

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

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

35. Segment information (Cont'd)

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

	Construction contracts	
	2015	2014
	RMB'000	RMB'000
		(Revised)
Segment revenue	**36,655**	39,572
Segment loss	**(442,029)**	(190,734)
Depreciation and amortisation	**8,338**	5,939
Segment assets	**231,071**	714,551
Unallocated assets	**63,517**	48,306
Total assets	**294,588**	762,857
Segment liabilities	**88,317**	97,356
Unallocated liabilities	**203,968**	262,066
Total liabilities	**292,285**	359,422

Segment results

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

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

	Group	
	2015	2014
	RMB'000	RMB'000
		(Revised)
Segment loss	**(442,029)**	(190,734)
Interest income	**549**	2,198
Foreign exchange gains	**4,569**	2,733
Finance costs	**(11,716)**	(14,359)
Loss before tax	**(448,627)**	(200,162)

35. Segment information (Cont'd)

Segment assets

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

Segment liabilities

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

Geographical information

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

	Sales to external customers		**Non-current assets**	
	2015	2014	**2015**	2014
	RMB'000	RMB'000 (Revised)	**RMB'000**	RMB'000
PRC	**36,655**	39,572	**183,585**	349,241
Singapore	**–**	–	**58**	86
	36,655	39,572	**183,643**	349,327

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

Information about major customer

Revenue of approximately RMB 30,117,400 (2014: RMB 10,853,000) are derived from 1 (2014: 1) major external customer who solely contributed 10 percent or more of the Group's revenue.

36. Events occurring after reporting period

(i) Proposed Change of Auditors

On 3 June 2016, the Company announced that the Company had on 4 February 2016 requested the auditors of the Company, Baker Tilly TFW LLP, Singapore's ("Baker Tilly") to resign as auditors of the Company pursuant to difficult working relationship between Baker Tilly's component auditor (i.e. Baker Tilly China) with the Company's management team in China ("management team").

The Board, after rounds of discussion with the management team and due consideration of all circumstances, included but not limited to requesting Baker Tilly to either deploy its external audit team directly from Singapore or to engage another reputable Certified Public Accounting firm in China as its component auditor in China to complete the external audit of our China subsidiaries.

Baker Tilly did not agree to the management team's proposal. As they were of the view that a change of the entire team in January 2016, following the performance of the interim audit, may compromise on the effectiveness of the audit process. Baker Tilly were also of the view that the management team should not determine who the component auditors they were working with.

In the circumstances, the management team had proposed to change the Company's auditors. The Board was of the view that the change of Auditors was in the best interest of the Company and Shareholders and thus requested and accepted the resignation of Baker Tilly as auditors of the Company on 15 April 2016.

Baker Tilly had submitted its application to Accounting and Corporate Regulatory Authority ("ACRA") to resign as auditors of the Company under Section 205AB of the Companies Act on the same day.

ACRA had approved Baker Tilly to resign as auditor of the Company and its subsidiaries, accordingly Baker Tilly had also given notice to the Company on 20 May 2016. The Board would like to express their appreciation to Baker Tilly for the services rendered by Baker Tilly in the past since 23 July 2009.

The Board had identified a suitable independent auditor, i.e. RT LLP ("RT"), to be the new auditors of the Company. The Proposed Change of Auditors was also reviewed and recommended by the Company's Audit Committee. The process of appointing new auditors had commenced and a circular to shareholders together with a notice of the extraordinary general meeting was despatched.

The Company had on 3 June 2016 received RT's letter giving notice to the Company of their consent to act as auditors of the Company for the financial year ended 31 December 2015.

The Company confirmed that it was in compliance with Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited in relation to the proposed appointment of RT as its Auditors.

The Proposed Change of Auditors was subject to shareholders' approval and pursuant to Section 205(15) of the Companies Act (Chapter 50) of Singapore, the resignation of Baker Tilly as auditors of the Company will take effect upon the appointment of another auditor at a general meeting. As such, the appointment of RT as auditors of the Company in place of Baker Tilly took effect upon the approval of the same by shareholders of the Company at an extraordinary general meeting ("EGM") to be convened.

36. Events occurring after reporting period

(ii) <u>Findings of PRC legal firm</u>

On 21 September 2016, the Company announced the findings of a PRC Legal firm appointed by the Company to investigate into the existence of trade receivables due from Anhui Shengyun Mechnical Co. Ltd and Nanning Youji Technology Co Ltd. The Company had previously announced on 12 August 2016 the impairment of these trade receivables in its Half Yearly Results Announcement.

The PRC Legal firm was of the opinion that the trade receivables due from Anhui Shengyun Mechnical Co. Ltd and Nanning Youji Technology Co Ltd are non-existent. On 28 September 2016, the Company announced it had issued a Writ of Summons against its former Executive Chairman Huang Min for the purported non-existent receivables announced on 21 September 2016.

(iii) <u>Site Visits by Auditor</u>

On 6 January 2017, the Company announced that pursuant to the Findings of PRC Legal firm announced on 21 September 2016, the Company's Statutory Auditor, RT LLP ("Auditors RT") had conducted surprise site visits, on the request of the Board, to ascertain the existence and validity of receivables due from Anhui Shengyun Mechanical Co. Ltd ("AHSY") and Nanning Youji Technology Co Ltd ("NNYJ").

From the procedures performed during the site visits, the Auditors RT were unable to locate NNYJ's physical place of operations based on the address furnished by the previous Finance Department, which is the same address indicated in the confirmation received by Auditors RT during their audit. The confirmation was received by Auditors RT without any exception, that is, the balance was confirmed by NNYJ without any disagreement. The inconsistency between the confirmation received by Auditors RT and the inability to identify the physical location and existence of NNYJ has led the Board to conclude that the trade receivables due from NNYJ amounting to RMB 341 Million in the unaudited Group financials for FY2015 is likely to be non-existent.

The Company had also found discrepancies on the RMB 163 million amount of trade receivables due by the other customer, AHSY during the site visit. AHSY had subsequently confirmed that no amount is owing to the Company.

The Group had previously impaired the amount due from NNYJ and AHSY in its 2016 half year result announcement on 12 August 2016.

The Company had filed a CAD report and served a writ of summons on the former Executive Chairman Huang Min for these non-existent receivables.

36. Events occurring after reporting period

(iv) <u>2nd site visits by auditors</u>

On 13 January 2017, the Company's Statutory Auditor, RT LLP ("Auditors RT") had conducted more surprise site visits, on the request of the Board, to ascertain the existence and validity of receivables due from Shanxi Electric Environment Engineering ("Shanxi"), Changshu City Environment ("Changshu") and Chongmei International Engineering ("Chongmei").

From the procedures performed during the site visits, the Auditors RT was able to locate Shanxi's physical place of operations based on the address furnished by the previous Finance Department, which is the same address indicated in the confirmation received by Auditors RT during their audit. The confirmation was received by Auditors RT without any exception, that is, the balance was confirmed by Shanxi without any disagreement. However, when Auditors RT reached Shanxi, the Shanxi finance manager when asked about the confirmation, replied that the figure confirmed was not correct. The Shanxi Finance manager also informed that the correct amount should be approximately RMB 22 million instead of RMB 70 million. Based on the findings from the site visit, the Board is of the view that the trade receivables due from Shanxi Electric amounting to 70 Million RMB in its subsidiary Fujian Dongyuan Environmental Protection Co., Ltd financials for FY2015 is likely to be grossly overstated by 48 Million in the unaudited Group financials for FY2015. These trade receivables make up to approximately 8.91% of the total gross receivables of RMB 786 million before impairment.

The Company was unable to confirm the amount of trade receivables due by the other 2 customers Changshu amounting to RMB44 million and Chongmei amounting to RMB16 million from the site visits. Further investigations for this 2 customers are still in progress. Both Changshu and Chongmei make up approximately 5.72% and 2% respectively of the total gross receivables of RMB 786 million before impairment.

The Group would assess and make adjustments into its FY2015 accounts in view of the above findings.

The 1st and 2nd site visits together had covered an approximate amount of RMB 646 million which make up approximately 82% out of the total gross receivables of RMB 786 million before impairment. Out of the total gross receivables of RMB 786 million before impairment, approximately 43.5% is concluded to be non-existent, 30.8% concluded to be overstated; an overstatement of RMB 211 million and 7.7% is still under investigations.

The Company would write to the former Executive Chairman Huang Min and the Ex-CFO to query on these non-existent and overstated trade receivables identified during the 1st and 2nd surprise site visits.

(v) <u>Update on landlord lockout</u>

On 19 October 2016, the Company's wholly-owned subsidiary, Fujian Dongyuan Environmental Protection Co., Ltd received a letter of demand dated 14 October 2016 ("Letter of Demand") from Fujian Mintai Environmental Protection Co., Ltd (wholly-owned by the Group's Major Shareholder Mr Huang Min and his spouse, "Landlord") claiming the repayment of RMB 3,209,712 in alleged overdue rental arrears.

Notice was given in the Letter of Demand that, unless the overdue rental arrears are paid to the Landlord by 20 October 2016, the Landlord shall take litigation action though its lawyer.

36. Events occurring after reporting period

(v) Update on landlord lockout (Cont'd)

On 25 October 2016, the Company announced that pursuant to the Letter of Demand from Fujian Mintai Environmental Protection Co., Ltd (wholly-owned and controlled by the Group's Major Shareholder Mr Huang Min and his spouse, "Landlord") announced on 19 October 2016, the Landlord locked the premises of Fujian Dongyuan Environmental Protection Co., Ltd.

Due to the lock-out, the Company was unable to access the office and all the accounting and financial records that are housed in the premises.

In response to the Letter of Demand, the Company had through its Chinese solicitors, sent a reply to Fujian Mintai Environmental Protection Co., Ltd' s solicitors asking for a grace period and to move out its accounting and financial records by 11 November 2016.

Thereafter, the Company has informed its Chinese staff in Fujian Dongyuan Environmental Protection Co., Ltd to pack the accounting and financial records in preparation for the move on 11 November 2016. A logistics mover team was engaged and the logistics team arrived on 11 November 2016 at Fujian Dongyuan Environmental Co Ltd. However, the premises were locked on 11 November 2016 and the Company was unable to retrieve any accounting and financial records.

The Company had tried to contact the building management personnel to unlock the premises but was not able to.

As announced on 18 August 2017, pursuant to the judgment obtained by the China Construction Bank ("CCB") against the Company's wholly owned subsidiary Fujian Dongyuan Environmental Protection Co., Ltd ("FJDY") announced on 18 August 2017, CCB was entitled to sell off the land use rights and property assets of Fujian Mintai Environmental Protection Co. Ltd ("FJMT") pledged as security for this loan. As part of the handover requirements of the Longyan People Court in this regard, the Company's personnel were allowed to gain access to FJDY's office premises on 26 July 2017 to pack up and retrieve FJDY's documents from the office premises.

Upon gaining entry to the FJDY premises, it was discovered that the office was in a state of disarray, with evidence of ransacking. The Company is in the process of reviewing the documents retrieved from the premises. On preliminary review, documents appear to be missing, and the records of the FJDY's various departments are therefore likely incomplete.

(vi) Expiry of Warrants

On 12 August 2016, the outstanding 72,500,000 warrants allotted and issued on 7 January 2015 were not exercised or extended by the Subscriber before the expiry on 6 July 2016. The subscription rights in this warrants have lapsed and the warrants have ceased to be valid for any purpose whatsoever.

36. Events occurring after reporting period

(vii) <u>Loan Facilities Agreement of up to RMB10 million and S$0.5 million from Firstlink Investments Corporation Limited</u>

On 20 June 2016, the Company entered into a Loan Facilities Agreement (the "Loan Agreement") with Firstlink Investments Corporation Limited ("Firstlink").

The Company together with its wholly-owned subsidiaries, Fujian Dongyuan Environmental Protection Co., Ltd ("FJDY") and Anhui Dongyuan Environmental Protection Co., Ltd ("AHDY") collectively required some working capital for its operational use as well as for repayment of bank loan.

At the request of the Company, Firstlink has agreed to provide a short-term secured and interest-bearing loan of up to RMB10 million and up to S$0.5 million (collectively the "Loan") to the Company for the following purpose:

(i) FJDY – RMB4 million for repayment of outstanding loan owing to China Construction Bank, Long Yan First Branch
(ii) AHDY – RMB6 million for working capital purposes
(iii) The Company – S$0.5 million for working capital purposes

Firstlink has, as at to date, disbursed RMB4 million to FJDY, RMB4 million to AHDY and S$0.32 million to the Company. The Company has further requested Firstlink to disburse the remaining balance of the loan amount. Pursuant to the above, Firstlink has requested for the Company to enter into this Loan Agreement, to provide as security against any loss suffered by Firstlink in relation to the Loan Agreement and the Company has agreed to the request so as to formalise the loan facilities granted to the Group.

On 20 September 2016, the Company announced that the Company has on 16 September 2016, entered into a supplementary agreement with Firstlink Investments Corporation Limited ("Firstlink") ("Supplementary Agreement") pursuant to the Loan Facilities Agreement (the "Agreement") which the Company and Firstlink have entered into on 20 June 2016. The following are the salient terms of the Supplementary Agreement:

1) The term of the loan is extended by 2 months, i.e. up to 20 November 2016 ("Extended Term") with an option to further extend upon the expiry of the Extended Term subject to mutual agreement between the Company and Firstlink; and

2) In view of the Extended Term, the Company would procure the execution and delivery of a registration/deed of charge in respect of 100% of the issued shares of its wholly-owned subsidiary, Fujian Dongyuan Environmental Protection Co., Ltd., which in turn is the holding company of Anhui Dongyuan Environmental Protection Co., Ltd, as an added security for the payment of all amounts owing under the Agreement.

On 20 September 2018, the Company announced that the Company use of settlement sum from settlement agreement. Firstlink has agreed to the amount of S$400,000 as partial repayment for the outstanding loan amount due to date subject to a corporate guarantee by the PRC subsidiaries Anhui Dongyuan Environmental Protection Co; Ltd ("AHDY") and Fujian Dongyuan Environmental Protection Co; Ltd ("FJDY") being approved by the Company.

As of the date of this report, loan amount is still outstanding.

36. Events occurring after reporting period (Cont'd)

(viii) <u>Letters of Demand and Civil suits</u>

The following Letters of Demand and Civil suits were announced after financial year end;

a) Civil Suit by Longyan Dongxiao Construction Engineering Co. Ltd announced on 6 December 2016 against the Company's wholly-owned subsidiary Fujian Dongyuan Environmental Protection Co., Ltd ("FJDY") for a construction contract dispute

Judgement has been awarded to plaintiff in default of FJDY appearing, FJDY is liable for the RMB1.27million contract and shall pay within 10 days of the effective date of judgement specified by the Court with interest from 3 November 2015 calculated at the bank rate until the date of repayment. In the event of failure to make payment within time specified in this judgement, double interest shall accrue for the period of delay. The Court costs for this case of RMB8,465 shall be paid by FJDY.

b) Civil Suit by Fujian Tongyong Hengxin Electrical Engineering Co. Ltd announced on 6 December 2016 against FJDY for a construction contract dispute

Judgement has been awarded to plaintiff in default of FJDY appearing, FJDY is liable for the RMB53,000 contract and shall pay within 10 days of the effective date of judgement together with interest from 7 November 2014 calculated at the rate of 6% per annum until the date of repayment. In the event of failure to make payment within time specified in this judgement, double interest shall accrue for the period of delay. The Court costs for this case of RMB562 shall be paid by FJDY.

c) Civil Suit by Chen Bing against FJDY for alleged loan of RMB5,000,000 owing announced on 1 November 2016

On 1 November 2016, the Company announced that the Company's wholly-owned subsidiary, Fujian Dongyuan Environmental Protection Co., Ltd ("FJDY") has received a letter dated 24 October 2016 from the solicitor of Chen Bing (Brother-in-law of Group's former Executive Chairman Mr Huang Min) on an alleged amount of RMB 5,000,000 due to him. In the letter, the solicitor of Chen Bing informed FJDY that he shall take litigation action should this amount not be paid to him by 4 November 2016.

Judgement was awarded to plaintiff in the absence of FJDY. FJDY also did not receive the judgment until after the timeline for appeal had passed. The judgment provides that FJDY shall pay RMB5,000,000 within 20 days of the effective date of judgement together with interest from 15 November 2015 at the rate of 2% per month until the date of repayment. In the event of failure to make payment within time specified in this judgement, double interest shall accrue for the period of delay. The Court also ordered that costs of RMB27,880 shall be paid by FJDY.

36. Events occurring after reporting period (Cont'd)

(viii) Letters of Demand and Civil suits (Cont'd)

d) Civil Suit by Chen Wenzhong against FJDY for an alleged loan of RMB490,000 owing announced on 9 November 2016

On 9 November 2016, the Company announced that the Company's wholly-owned subsidiary, Fujian Dongyuan Environmental Protection Co., Ltd ("FJDY") has received a letter dated 25 October 2016 from the solicitor of Chen Wen Zhong on an alleged amount of RMB 490,000 due to him. In the letter, the solicitor of Chen Wen Zhong informed FJDY that he shall take litigation action should this amount not be paid to him by 5 November 2016.

Judgement was awarded to plaintiff in the absence of FJDY. FJDY also did not receive the judgment until after the timeline for appeal had passed. The judgment provides that FJDY shall pay within 15 days of the effective date of judgement together with interest from 23 November 2016 at the rate of 6% per annum until the date of repayment. In the event of failure to make payment within time specified in this judgement, double interest shall accrue for the period of delay. The Court also ordered that costs of RMB4,325 shall be paid by FJDY.

e) Civil Suit by Wuyi Jiufeng Anzhuang Engineering Co. Ltd against the Company's wholly-owned subsidiary, Anhui Dongyuan Environmental Protection Co., Ltd ("AHDY") for a payment dispute announced on 1 November 2016

On 1 November 2016, the Company's wholly-owned subsidiary, Anhui Dongyuan Environmental Protection Co., Ltd ("AHDY") has received a letter dated 19 October 2016 from the solicitor of Wuyi Jiufeng Anzhuang Engineering Co. Ltd ("WYJF") a subcontractor of AHDY on the alleged outstanding amount of RMB 1,455,590 due to WYJF. In the letter, the solicitor of WYJF informed AHDY that WYJF shall take litigation action should this amount not be paid to WYJF by 20 November 2016.

The Court has separated the civil suit into 4 separate suits. 4 separate settlements have been entered between the plaintiff and defendant.

AHDY shall pay for the contract sum of RMB817,630 and RMB637,380 in 5 and 4 monthly instalments respectively. The first instalment shall commence from 1 June 2017 and 20 May 2017 respectively. The Court costs for this case of RMB5,987 and RMB5,087 shall be paid by AHDY.

FJDY shall pay for the contract sum of RMB24,432 and RMB166,576 in 1 and 3 monthly instalments respectively. The first instalment shall commence from 30 June 2017 and 30 June 2017 respectively. The Court costs for this case of RMB220 and RMB1,899 shall be paid by FJDY.

36. Events occurring after reporting period (Cont'd)

(viii) Letters of Demand and Civil suits (Cont'd)

f) Letter of Demand by Fujian Mintai Environmental Protection Co., Ltd against FJDY for alleged rental arrears outstanding announced on 19 October 2016

On 19 October 2016, the Company's wholly-owned subsidiary, Fujian Dongyuan Environmental Protection Co., Ltd has received a letter of demand dated 14 October 2016 ("Letter of Demand") from Fujian Mintai Environmental Protection Co., Ltd (wholly-owned by the Group's Major Shareholder Mr Huang Min and his spouse, "Landlord") claiming the repayment of RMB 3,209,712 in alleged overdue rental arrears.

Notice is given in the Letter of Demand that, unless the overdue rental arrears are paid to the Landlord by 20 October 2016, the Landlord shall take litigation action though its lawyer.

On 25 October 2016, the Company announced that pursuant to the Letter of Demand from Fujian Mintai Environmental Protection Co., Ltd (wholly-owned and controlled by the Group's Major Shareholder Mr Huang Min and his spouse, "Landlord") announced on 19 October 2016, the Landlord has locked the premises of Fujian Dongyuan Environmental Protection Co., Ltd.

Due to the lock-out, the Company is unable to access the office and all the accounting and financial records that are housed in the premises.

In response to the Letter of Demand, the Company has through its Chinese solicitors, sent a reply to Fujian Mintai Environmental Protection Co., Ltd' s solicitors asking for a grace period and to move out its accounting and financial records by 11 November 2016.

Thereafter, the Company has informed its Chinese staff in Fujian Dongyuan Environmental Protection Co., Ltd to pack the accounting and financial records in preparation for the move on 11 November 2016. A logistics mover team was engaged and the logistics team arrived on 11 November 2016 at Fujian Dongyuan Environmental Co Ltd. However, the premises were locked on 11 November 2016 and the Company was unable to retrieve any accounting and financial records.

The Company has tried to contact the building management personnel to unlock the premises but was not able to.

As announced on 18 August 2017, pursuant to the judgment obtained by the China Construction Bank ("CCB") against the Company's wholly owned subsidiary Fujian Dongyuan Environmental Protection Co., Ltd ("FJDY") announced on 18 August 2017, CCB is entitled to sell off the land use rights and property assets of Fujian Mintai Environmental Protection Co. Ltd ("FJMT") pledged as security for this loan. As part of the handover requirements of the Longyan People Court in this regard, the Company's personnel were allowed to gain access to FJDY's office premises on 26 July 2017 to pack up and retrieve FJDY's documents from the office premises.

Upon gaining entry to the FJDY premises, it was discovered that the office was in a state of disarray, with evidence of ransacking. The Company is in the process of reviewing the documents retrieved from the premises. On preliminary review, documents appear to be missing, and the records of the FJDY's various departments are therefore likely incomplete.

As part of the settlement agreement announced on 30 July 2018, the above alleged outstanding rental arrears were waived.

36. Events occurring after reporting period (Cont'd)

(viii) <u>Letters of Demand and Civil suits (Cont'd)</u>

g) Civil Suit by Bank of China Bengbu against FJDY announced on 25 November 2016

On 25 November 2016, the Company announced that pursuant to the receipt of repayment notification from Bank of China ("Lender") announced on 24 August 2016, the Lender has filed a civil suit against the Company's wholly-owned subsidiary, Fujian Dongyuan Environmental Protection Co., Ltd ("FJDY") for the corporate guarantee FJDY allegedly entered into for Bangbu Xingyuan Environmental Protection Technology Co., Ltd.

The Anhui Bangbu People's Court has served an injunction on the Land and Property assets of FJDY, pending the outcome of the civil suit. Under this injunction, the Land and Property assets cannot be damaged, sold, pledged, transfer without the People's Court approval. The People's Court will hear the civil suit on 28 November 2016.

Judgement was awarded to plaintiff. The judgment provides that FJDY shall be liable for the RMB20 million corporate guarantee that FJDY allegedly entered into for Bengbu Xingyuan Environmental Protection Technology Co., Ltd ("BBXY"). The Court also ordered that costs of RMB144,536 shall be paid by BBXY and FJDY.

h) Civil Suit by Bank of China Longyan against FJDY announced on 19 October 2016

On 19 October 2016, the Company announced that the Company's wholly-owned subsidiary, Fujian Dongyuan Environmental Protection Co., Pte Ltd ("FJDY") has received a letter of demand dated 12 October 2016 ("Letter of Demand") from Bank of China ("Lender") claiming the repayment of RMB56,055,583 in overdue interest and loan principal for a working capital loan.

Notice is given in the Letter of Demand that, the Bank expects the Company to repay the overdue interest and loan principal upon receipt of the Letter of Demand.

Pursuant to the above Letter of Demand, the Lender has also delivered to the Company's wholly-owned subsidiary, Anhui Dongyuan Environmental Protection Co., Ltd ("AHDY") a notification letter reminding it on its legal obligations with regard to the corporate guarantee it has entered into with the Bank for the above working capital loan.

AHDY is obliged to repay the full sum on behalf of FJDY in the event of default.

Judgement has been awarded to plaintiff, FJDY is liable for the RMB55 million loan and interest owing of RMB805,898 and shall pay within 10 days of the effective date of judgement together with interest at the rate of 9% per annum from 25 September 2016. In the event, FJDY does not fulfil the above court decisions, the Bank of China has the right to sell off the land use rights and property assets of AHDY pledged for this loan. The carrying net book value of pledged asset that could be foreclosed is RMB295million, the remaining balance after deducting the bank loan, interest in arrears and other expenses from the sale of asset could not be determined in view that this is a foreclosure situation. The plaintiff legal costs of RMB80,000 shall be paid by FJDY, the Court costs of RMB322,697 shall be paid by FJDY, AHDY and the personal guarantors for this loan.

The auction for the land use rights and property assets of AHDY pledged for this loan was completed and announced on 13 March 2019. The land use rights and property assets were valued by the Court for the auction at RMB135 million and successfully auctioned off at 60.56 million.

36. Events occurring after reporting period (Cont'd)

(viii) <u>Letters of Demand and Civil suits (Cont'd)</u>

i) Civil Suit by China Construction Bank against FJDY announced on 26 September 2016

On 26 September 2016, the Company announce that the Company's wholly-owned subsidiary, Fujian Dongyuan Environmental Protection Co., Pte Ltd has received a letter of demand dated 21 September 2016 ("Letter of Demand") from China Construction Bank ("Lender") claiming the repayment of RMB85,801 in overdue interest for a working capital loan of RMB23,000,000.

Notice is given in the Letter of Demand that, unless the overdue interest and loan principal are paid to the Lender within 3 days of notice, the Lender shall take such further steps as it deems necessary under the law to protect its rights under the loan agreement.

On 24 October 2016, the Company announced that the Letter of Demand from China Construction Bank received by the Company's wholly-owned subsidiary, Fujian Dongyuan Environmental Protection Co., Pte Ltd announced previously on 26 September 2016 has been withdrawn as the overdue interest of RMB 85,801 has been paid.

As announced on 18 August 2017, judgement has been awarded to plaintiff on terms that FJDY is liable for the RMB23 million loan and interest in the sum of RMB104,218, and shall pay the same within 10 days of the effective date of judgement, together with punitive interest at the rate of 8.15625% per annum from 15 April 2017 up to the full settlement date.

In the event that FJDY does not make payment of the judgement sum (and interest), CCB has the right to sell off the land use rights and property assets of Fujian Mintai Environmental Protection Co. Ltd ("FJMT") which had been pledged as security for this loan.

Huang Min, his wife (Chen Fen Hua), Anhui Dongyuan Environmental Protection Co., Ltd ("AHDY") and Xiamen Gongyuan Environmental Protection Technology Co., Ltd ("XMGY") shall be jointly liable for the balance amount in the event that the value of the FJMT pledged assets is insufficient to satisfy the amount due to CCB.

Judgement has been awarded to plaintiff on terms that FJDY is liable for the RMB23 million loan and interest in the sum of RMB104,218, and shall pay the same within 10 days of the effective date of judgement, together with punitive interest at the rate of 8.15625% per annum from 15 April 2017 up to the full settlement date. In the event that FJDY does not make payment of the judgement sum (and interest), CCB has the right to sell off the land use rights and property assets of Fujian Mintai Environmental Protection Co. Ltd ("FJMT") which had been pledged as security for this loan. Huang Min, his wife (Chen Fen Hua), Anhui Dongyuan Environmental Protection Co., Ltd ("AHDY") and Xiamen Gongyuan Environmental Protection Technology Co., Ltd ("XMGY") shall be jointly liable for the balance amount in the event that the value of the FJMT pledged assets is insufficient to satisfy the amount due to CCB. The total Court costs for the suit was RMB157,879, but after a 50% reduction the net amount payable is RMB78,939. It was ordered that CCB shall bear RMB2,000 and the remaining of RMB76,939 shall be collectively paid by FJDY, FJMT, XMGY, AHDY, Huang Min and Chen Fen Hua. It was discovered upon the Company's investigations that the corporate guarantees given to CCB by AHDY and XMGY had not been notified to or approved by the Board of Directors of the Company

36. Events occurring after reporting period (Cont'd)

(viii) Letters of Demand and Civil suits (Cont'd)

i) Civil Suit by China Construction Bank against FJDY announced on 26 September 2016 (Cont'd)

The total Court costs for the suit was RMB157,879, but after a 50% reduction the net amount payable is RMB78,939. It was ordered that CCB shall bear RMB2,000 and the remaining of RMB76,939 shall be collectively paid by FJDY, FJMT, XMGY, AHDY, Huang Min and Chen Fen Hua. It was discovered upon the Company's investigations that the corporate guarantees given to CCB by AHDY and XMGY had not been notified to or approved by the Board of Directors of the Company.

FJMT property was auctioned off after financial year end and the outstanding loan interest balance after settlement of the loan via auction proceeds is approximately RMB1.35 million.

j) Civil Suit by Zhongxin Bank against FJDY announced on 9 November 2016

On 9 November 2016, the Company announced that the Company's wholly-owned subsidiary, Fujian Dongyuan Environmental Protection Co., Ltd has received a letter of demand dated 2 November 2016 ("Letter of Demand") from Zhongxin Bank ("Lender") claiming the repayment of RMB386,973 in overdue interest for a working capital loan.

Notice is given in the Letter of Demand that, the Bank expects the Company to repay the overdue interest within 2 weeks upon receipt of the Letter of Demand.

On 10 October 2017, the Company announced that judgement has been awarded to plaintiff ZXB. FJDY is liable for the RMB36.67 million loan and loan interest of RMB563,870. FJDY shall pay within 10 days of the effective date of judgement, together with punitive interest at the rate of 9.46125% per annum from 19 Dec 2016 up to the full settlement date. In the event, that FJDY does not make payment of the judgement sum (and interest), ZXB has the right to sell off the land use rights and property assets of FJDY which had been pledged as security for this loan. ZXB will be entitled to priority claim on the first RMB21.4 million sales proceeds received and also priority claim on the RMB19.65 million of trade receivables FJDY has pledged to ZXB for this loan.

The guarantors Huang Min, his wife (Chen Fen Hua), shall be liable for the balance amount in the event that the value of the FJDY pledged assets is insufficient to satisfy the amount due to ZXB. The guarantors have right to claim compensation against FJDY.

FJDY shall pay ZXB legal fees of RMB99,500 and property preservation fee of RMB5,000 within 10 days of effective date of judgement. The court costs of RMB229,234 should be borne by FJDY, Huang Min and his wife.

The auction for the land use rights and property assets of FJDY pledged for this loan has been completed and announced on 5 November 2018. The land use rights and property assets were valued by the Court for the auction at RMB21.5 million and successfully auctioned off at 14.4 million.

36. Events occurring after reporting period (Cont'd)

(viii) Letters of Demand and Civil suits (Cont'd)

k) Arbitration decision on labor dispute

On 25 September 2017, the Company has received Arbitration Decision Letter for the following Labor dispute with 25 Employees of FJDY ("Employees") by the Longyan Labor Dispute Arbitration Committee ("Committee") due to the closure of FJDY.

The Committee decision is that the salaries due to the Employees by FJDY should cover only the months September 2016 and October 2016 which amount to RMB168,176. The Committee also find that the Employees employment relationship with FJDY is terminated as of 25 July 2017 and severance payment of RMB 645,598 is due to the employees.

The Company disputes the arbitration decision and has engaged a PRC lawyer for the appeal.

The final result of the PRC Court is that the salaries due to the Ex-Employees should cover only the months September 2016 and October 2016 which amount to RMB159,445. The PRC Court find that the Employees employment relationship with FJDY is terminated as of 25 July 2017 and severance payment of RMB 670,594 is due to the employees. The PRC Court also find that the Company is additionally liable for talent referral subsidy of RMB120,000. FJDY shall pay the Ex-Employees within 15 days of effective date of judgement. The Company has accepted the Court judgement.

l) Receipt of Statutory Demand from Shook Lin & Bok LLP

On 13 January 2017, the Company announced that they received a letter of demand dated 6 January 2017 from Shook Lin for payment pursuant to Section 254 of the Companies Act (CAP. 50) of the sum of approximately S$19,676, in respect of tax invoices issued by Shook Lin to the Company for services rendered and disbursements incurred.

The amount has been settled as of the date of this report.

On 20 April 2018, the Company has announced the following enforcement orders taken out against the PRC subsidiaries in the People's Republic of China.

Fujian Dongyuan Environmental Protection Co; Ltd Case No.	RMB
2017闽8执330	40,781,888
2017闽802执4864号	53,000
2017闽802执4654号	300,885
2017闽8执225号	61,264,128
2017闽981执1068号	88,352
2017闽802执2999号	23,104,220
2017闽802执1780号	5,000,000
2017闽3执20号	20,547,128

36. Events occurring after reporting period (Cont'd)

(viii) <u>Letters of Demand and Civil suits (Cont'd)</u>

l) Receipt of Statutory Demand from Shook Lin & Bok LLP (Cont'd)

Anhui Dongyuan Environmental Protection Co; Ltd Case No.	RMB
2017闽8执225号	61,264,128
2017闽802执2999号	23,104,220

Xiamen Gongyuan Environmental Protection Technology Co; Ltd Case No.	RMB
2017闽802执2999号	23,104,220

(ix) <u>Investigation on Trade receivable balances & Writ of Summons</u>

On 21 September 2016, the Company announced the findings of a PRC Legal firm appointed by the Company to investigate into the existence of trade receivables due from Anhui Shengyun Mechnical Co. Ltd and Nanning Youji Technology Co Ltd. The Company has previously announced on 12 August 2016 the impairment of these trade receivables in its Half Yearly Results Announcement.

The PRC Legal firm is of the opinion that the trade receivables due from Anhui Shengyun Mechnical Co. Ltd and Nanning Youji Technology Co Ltd are non-existent.

On 28 September 2016, the Company has issued a Writ of Summons against its former Executive Chairman Huang Min for the purported non-existent receivables announced on 21 September 2016.

On 24 October 2016, the Company's announcement on 28 September 2016 in relation to the Writ of Summons (the "Writ") issued against its former Executive Chairman Huang Min and his family for the purported non-existent receivables.

The Board wishes to announce that pursuant to the hearing by the High Court of the Republic of Singapore (the "Court") on 19 October 2016, the following undertakings were recorded in the Order of Court in respect of the Application:

a) Huang Lu (Eldest daughter of the former Executive Chairman Huang Min) undertakes to pay to Rajah & Tann LLP (as stakeholders, pending further order from the court) S$2.2 million (less escrow agents and legal fees, estimated at no more than S$100,000) which she will receive on 20 October 2016 from the sale of her shares in China Star Food Group Limited.

b) Huang Lu further undertakes to the Court that she will not deal with or dispose of the sum of approximately RMB 6 million being the balance of the first tranche of the sale proceeds aforesaid which she will receive in the PRC on 20th October 2016, pending further order from the court.

c) The former Executive Chairman Huang Min and Huang Wen (2nd daughter of the former Executive Chairman Huang Min) undertake to the court that they will not do anything which will prevent or otherwise interfere with Huang Lu's compliance with the undertakings above.

36. Events occurring after reporting period (Cont'd)

(x) <u>CAD report against former executive Chairman</u>

On 21 December 2016, the Company has lodged a report to the Commercial Affairs Department of the Singapore Police Force against its former Executive Chairman Huang Min and its former Chief Financial Officer in respect of the non-existent receivables, as announced on 21 September 2016.

(xi) <u>Update on Injunction application against Huang Min</u>

On 6 December 2017, with reference to the announcements released on 21 September 2016, 28 September 2016 and 24 October 2016 in relation to the legal proceedings in the Singapore High Court commenced by the Company and its subsidiary Fujian Dongyuan Environmental Protection Co. Ltd ("FDJY") against the former Executive Chairman of the Company, Huang Min. The additional defendants to these proceedings are Huang Min's wife and two daughters, Chen Fen Hua, Huang Lu and Huang Wen, respectively.

The Company and FDJY's primary claim is in relation to the defendants' breach of fiduciary duties and/or fraud in relation to alleged false/non-existent trade receivables recorded in FDJY's accounts as due from Anhui Shengyun Mechanical Co. Ltd and Nanning Youji Technology Co Ltd. In addition, the Company and FDJY also claim a sum of RMB 25,000,000 (about SGD 5.1 million) which they say were misappropriated by the defendants from the Company's subsidiary, Xiamen Gongyuan Environmental Protection Technology Co. Ltd, and an account of the various interested party transactions which they and/or their associates concluded with FDJY over the years.

On 4 December 2017, the Singapore High Court granted the Company and FDJY's application for a Worldwide Mareva Injunction Order to restrain and prohibit them from in any way using, dealing with, disposing of or diminishing the value of their assets (whether solely or jointly owned, and whether located in Singapore or outside of Singapore) up to the value of USD7,000,000 (United States Dollars Seven Million).

(xii) <u>Settlement of Legal Proceedings between China Environment Ltd. and Huang Min</u>

The Board refers to the Update on Injunction Application against Huang Min dated 6 Dec 2017 in relation to the pending litigation proceedings in the Singapore High Court between the Company and its subsidiary Fujian Dongyuan Environmental Protection Co. Ltd ("FJDY") against the former Executive Chairman of the Company, Huang Min, his wife and two children (the "Suit").

The Board wishes to announce that the Company and FJDY have concluded a settlement with Huang Min and the other defendants, and the pending litigation will shortly be discontinued by consent.

The terms of settlement include payment by the Huang Min (and his family) to the Company of a settlement sum of S$1.2million and a full and final settlement of all claims between the parties, not only in relation to the claims and disputes in the Suit, but also in relation to any and all claims, complaints or issues that the parties and/or their associates may have against each another (howsoever arising, whether now or in future). In particular, the following claims (not–exhaustive) have also been settled:-

(a) Claims by the Defendants and/or their associates (including their relatives and/or extended family and the companies owned or controlled by any one of them) against the Company and/or its subsidiaries;

36. Events occurring after reporting period (Cont'd)

(xii) <u>Settlement of Legal Proceedings between China Environment Ltd. and Huang Min (Cont'd)</u>

(b) Claim of RMB47 million made by Fujian Mintai Environmental Protection Co. Ltd (referred to in the General Announcement: Receipt of Letter of Demand dated 14 November 2017);

It is also a term of the settlement that Mr Yang Meng Yang, Huang Min's son-in-law, resign from his position on the Company's Board. Mr Yang Meng Yang is accordingly no longer a director of the Company, effective 25 July 2018.

The Board is of the view that the settlement of the Suit is in the best interests of the Company, and will allow the Company's limited resources to be better channelled toward rebuilding the Company and reviving and diversifying its operations and businesses.

(xiii) <u>Voluntary liquidation at Beijing Gongdao Environmental Protection Technology Co., Ltd</u>

On 3 July 2018, the Board of Directors of China Environment Ltd. (the "Company") announced that Beijing Gongdao Environmental Protection Technology Co., Ltd ("BGDEPT") incorporated in the People's Republic of China, a dormant company in the Group has formed a liquidation committee on 29 June 2018 to look into the liquidation of BGDEPT. The voluntary liquidation of BGDEPT is not expected to have any material impact on the Group's earnings per share or net tangible assets per share for the financial year ending 31 December 2018.

On 29 March 2019, the Company announced that it has notified of the official completion of deregistration of BGDEPT on 27 March 2019.

(xiv) <u>Update on PRC subsidiaries</u>

The Company Auditors and Singapore management believe that there may have been possible misappropriation of rental income monies at AHDY. The Singapore management has subsequently requested that the Anhui PRC management hand over the AHDY company seals entrusted to them pending the resolution of the possible misappropriated rental income monies issue.

The Anhui PRC management has refused to hand over the AHDY company seals and escorted Singapore management off AHDY premises. The Company is in the process of resolving this dispute amicably before taking any further action.

A meeting was subsequently arranged between the AHDY PRC management and Singapore management to amicably resolve the issue. The AHDY PRC management has during the meeting claim that they did not misappropriate any rental monies but would not allow the Company control of AHDY's funds due to pressure from PRC creditor Li Qun Bin 李群彬 in Anhui, China. AHDY allegedly owes Li Qun Bin loan of RMB6,468,000.

The ex-employees at Xiamen Gongyuan Environmental Protection Technology Co., Ltd ("XMGY") have refused to provide the accounting records for XMGY or hand over the XMGY company seals pending the resolution of their unpaid salaries and retrenchment benefits.

36. Events occurring after reporting period (Cont'd)

(xv) <u>Use of settlement sum from settlement agreement</u>

On 20 September 2018, the Company provided the following update on the use of the settlement sum:

	Amount allocated $'000
Payment of S$275,000 to Dentons Rodyk as partial payment of outstanding legal fees to date	275
Partial Repayment of loan from Firstlink Investments Corporation Ltd and/or its Associates ("Firstlink")	400
Audit, staff cost, directors' fee and other professional, and administrative expenses	525

Firstlink has agreed to the amount of S$400,000 as partial repayment for the outstanding loan amount due to date subject to a corporate guarantee by the PRC subsidiaries Anhui Dongyuan Environmental Protection Co; Ltd ("AHDY") and Fujian Dongyuan Environmental Protection Co; Ltd ("FJDY") being approved by the Company.

The Board believes that it is to the best interests of the Shareholders given it needs more time to repay the loans as it need to focus on meeting outstanding regulatory obligations and find new businesses for the Company.

(xvi) <u>Update on Anhui Dongyuan Environmental Protection Co, Ltd</u>

On 1 October 2018, the Board of Directors (the "Board") of China Environment Ltd (the "Company") refers to the Company's announcement dated 21 June 2018. The Company wishes to update on the situation in Anhui Dongyuan Environmental Protection Co; Ltd ("AHDY").

The Company's management has spoken with Lin Qun Bin ("Lin") on the alleged working capital loan of RMB6,468,000 due to Lin, which the AHDY management has shared supporting documents on. Lin claims he has yet to be paid any monies by the AHDY management. The Company's Legal Representative for AHDY has given Lin; who is based in Anhui, an authorisation letter to act on behalf of the Legal Representative in removing current AHDY management and taking over management of AHDY.

The preliminary scope of deliverables that Lin will undertake are:

i) Ascertain rental income for AHDY property in calendar year 2018
ii) Collection of rental income at AHDY Property As the Company do not have anyone to undertake the above work in Anhui and is unable to access the rental proceeds, the Management has authorised Lin to undertake the above tasks.

As the AHDY ex-management are not forthcoming on how much of the rental has been collected, the rental monies collected is still being investigated by Lin.

Lin has ascertained that the rental agreements still in duration amount to RMB265,000 per month, of which RMB115,000 per month has to paid as operating related expenditure.

The AHDY Legal representative and Lin has agreed that the net rental income sharing will be apportioned in RMB50,000 per month to the Company and RMB100,000 per month to Lin.

The Company will update the shareholders as and when there are further material developments.

36. Events occurring after reporting period (Cont'd)

(xvii) <u>Update on Report filed with PRC Authorities</u>

The Board of Directors of China Environment Ltd. ("The Company") refers to the announcement of the Company on 6 February 2017 for Legal Action in response to Civil Cases.

The Company wishes to update on the report filed with PRC authorities. The Company has on 29 June 2018 provided evidence from a PRC legal firm to the authorities, in which the PRC lawyer has in the due diligence investigation report issued opine that transactions made between the Company's subsidiaries and Bengbu Xingyuan Environmental Protection Technology Co., Ltd ("BBXY") are not genuine. BBXY refers also to Bengbu Xingyuan Environmental Protection Technology Co., Ltd mentioned in the announcements on 24 August 2016, 25 November 2016 and 7 June 2017.

The Company is still awaiting update from the PRC authorities on the legal firm findings and will update the shareholders as and when the Company receives further updates from the PRC authorities.

(xviii) <u>Update on Xiamen Gongyuan Environmental Protection Technology Co., Ltd</u>

On 1 November 2018, with reference to the Company announcement previously on 11 May 2018, the Board of Directors of China Environment Ltd. (the "Company") had announced that Xiamen Gongyuan Environmental Protection Technology Co., Ltd ("XMGY") were uncooperative in providing accounting records and the XMGY company seals. Since then, the management in Singapore had tried contacting the management of XMGY to persuade them to cooperate with the Company's instructions. However, the attempts remained unsuccessful.

Recently, the Company has been informed by a business partner that XMGY had formed a liquidation committee. The Company was not informed by XMGY Legal Representative Wu Jida on this and hence sought clarifications on this matter. The legal representative of XMGY hence represented to Singapore management that to date only a liquidation committee has been formed, XMGY has not commenced liquidation due to outstanding tax liabilities and financial inability to engage a liquidator. The XMGY management has represented to Singapore management that they will hand over accounting records once their unpaid salaries, compensation and claims amounting to RMB649,000 are paid.

(xix) <u>Announcement in relation to Regulatory Actions by SGX and/or Other Authorities</u>

On 13 December 2018, The Board of Directors of China Environment Ltd. (the "Company") announce that the Company's Directors ("Directors"), have received a letter dated 30 November 2018 from the Accounting and Corporate Regulatory Authority ("ACRA") on investigation into possible offence(s) under the Companies Act, Cap 50 with regard to the Company.

Pursuant to section 31(1) of the ACRA Act, Cap 2A, ACRA has required the attendance of the Directors for an interview to provide them with information on the case. The Directors will cooperate fully with ACRA in its investigation and will make announcement as and when there are further significant developments with regard to this matter.

37. Comparative figures

The new independent Auditor's report dated 26 April 2019 on the previously issued FY2014 financial statements audited by Baker Tilly TFW LLP, the auditor's report of which was unmodified and was dated 1 April 2015, contain a disclaimer of opinion. Below is the extract of the basis for disclaimer of opinion.

Extracted from the new independent Auditor's Report on the revised financial statements for the financial year ended 31 December 2014

"Basis for Disclaimer of Opinion"

(1) Opening balances

Our independent auditor's report dated 26 April 2019 on the revised financial statements for the financial year ended 31 December 2013 ("FY 2013") contained a disclaimer of opinion. The basis for disclaimer of opinion on our new Auditor's Report on the previously issued FY 2013 financial statements audited by Baker Tilly TFW LLP, the auditor's report which is dated 13 March 2014, is disclosed in Note 37 to the financial statements.

In view of the matters described in the basis for disclaimer of opinion paragraphs on the financial statements for FY 2013, we were unable to determine whether the opening balances as at 1 January 2014 are fairly stated.

Since the opening balances as at 1 January 2014 are entered into the determination of the financial position of the Group and of the Company as at 31 December 2014 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended 31 December 2014, we were unable to determine whether adjustments, if any, might have been found to be necessary in respect of the Group's and the Company's financial statements for the financial year ended 31 December 2014.

Our opinion on the current financial year's financial statements of the Group and the Company is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures.

(2) Non-existence of 5 major trade receivables as at 31 December 2015

i) *Findings of PRC legal firm on 2 significant trade receivables*

On 21 September 2016 and as disclosed in Note 37(iii), the New Board [see announced the findings of their appointed legal firm in PRC (Oudun Law Firm – 欧顿律师) on their investigation into the existence of the following two significant trade receivables:

a) Nanning Youji Technology Co Ltd (南宁市友济科技有限公司);
b) Anhui Shengyun Mechnical Co. Ltd (安徽盛运机械股份有限公司);

Based on the announcement, Oudun Law Firm were of the opinion that the trade receivables due from Nanning Youji Technology Co Ltd and Anhui Shengyun Mechnical Co. Ltd were non-existent.

37. Comparative figures (Cont'd)

"Basis for Disclaimer of Opinion" (Cont'd)

(2) Non-existence of 5 major trade receivables as at 31 December 2015 (Cont'd)

ii) *Significant findings from physical first site visit on 2 major trade receivables*

As disclosed in Note 37(iv), at the new Board's request, we, along with the Company's Group Financial Controller (who had resigned as at the date of this Report) and an Assistant General Manager of the Company's PRC subsidiary, Xiamen GongYuan Environmental Protection Technology Co., Ltd ("XMGY") [incorporated on 27 January 2014] had on 17 and 18 November 2016 performed a surprise site visit on the above 2 major trade receivables namely Nanning Youji Technology Co Ltd ("NNYJ") and Anhui Shengyun Mechnical Co. Ltd ("AHSY") ["1st Site Visit"].

During our 1st Site Visit, we were unable to locate NNYJ's physical place of operations based on the address furnished by the previous Finance Department of the Company's PRC subsidiary, Fujian Dongyuan Environmental Protection Co., Ltd ("FJDY"), which is the same address indicated in the confirmation request letter received by us from the previous Finance Department of FJDY during our audit for FY 2015.

We had received a confirmation from NNYJ via courier from PRC on 4 May 2016 without exception, that is, the balance which amounted to RMB 341.69 million as at 31 December 2015 was confirmed by NNYJ without any disagreement.

Based on our findings of this inconsistency between the confirmation received by us and the inability to identify the physical location and existence of NNYJ, the New Board had concluded that the balance of RMB 341.69 million due from NNYJ as at 31 December 2015 (the bulk of which was brought forward balance from FY 2014 and FY 2013) is likely to be non-existent.

Similarly, our surprise site visit to AHSY office also found discrepancies on the outstanding balance of RMB 163.84 million as at 31 December 2015. We were unable to locate AHSY's Financial Controller or any key finance personnel responsible for the confirmation we had received via courier from PRC on 19 April 2016 prior to our 1st Site Visit which indicated the confirmed balance of RMB 163.84 million as at 31 December 2015.

As an alternative procedure, we decided to leave a new confirmation request letter with AHSY's Finance Department and was surprised to receive a second confirmation after our 1st Site Visit indicating Nil balance owed to the Company as at 31 December 2015. This second confirmation from AHSY which was dated 2 December 2016 was received via courier from PRC.

Based on our findings, the New Board had concluded that the balance of RMB 163.84 million due from AHSY as at 31 December 2015 (the bulk of which was also brought forward balance from FY 2014 and FY 2013) was likely to be non-existent.

The New Board had also concluded that the trade balance of these 2 major trade receivables were also non-existent as at 31 December 2014 where the outstanding balances from NNYJ and AHSY stood at RMB 310.94 million and RMB 66.36 million respectively.

37. Comparative figures (Cont'd)

"Basis for Disclaimer of Opinion" (Cont'd)

(2) Non-existence of 5 major trade receivables as at 31 December 2015 (Cont'd)

ii) *Significant findings from physical first site visit on 2 major trade receivables (Cont'd)*

We have since reported our findings to the Audit Committee immediately after our 1st Site Visit on 18 November 2016 and after deliberation by the New Board, the Company filed a report with the Commercial Affairs Department ("CAD") and served a writ of summons on the former Executive Chairman, Mr Huang Min for these 2 non-existent trade receivables as announced by the Company on 6 January 2017.

iii) *Significant findings from physical second site visit on 3 major trade receivables*

In view of the findings during the 1st Site Visit, and at the request of the New Board, we, along with the Company's Group Financial Controller (who had resigned as at the date of our Report) and a personnel from the Marketing Department of the Company's PRC subsidiary, XMGY (incorporated on 27 January 2014) had on 28 and 29 December 2016 conducted another surprise site visit ("2nd Site Visit") on the following major trade receivables:

a) Shanxi Electric Environment Engineering ("Shanxi Electric") [山西省电力环保设备工程有限公司];
b) Changshu City Environment ("Changshu") [常熟市华能环保工程有限公司];
c) Chongmei International Engineering ("Chongmei") [中煤国际工程集团北京华宇工程有限公司]

For details, please refer to Note 37(v) on the Company's announcement.

Based on the procedures we had performed during our 2nd Site Visit, we were able to locate Shanxi Electric's physical place of operations based on the address furnished by the previous Finance Department of FJDY, which is the same address indicated in the confirmation we had received during our audit for FY 2015.

The confirmation was received without exception, that is, the balance of RMB 70.04 million outstanding as at 31 December 2015 was confirmed by Shanxi Electric without any disagreement.

However, when we approached the Finance Manager of Shanxi Electric to verify the confirmed balance, we were informed that the correct amount should be RMB 22 million as at 31 December 2015 instead of RMB 70.04 million. When we queried on the reason for the discrepancy, we were informed by the Finance Manager that she was informed by management of the Company's PRC subsidiary, FJDY to inflate the outstanding balance as her company was facing financial difficulties and she had not been paid her salaries for the past 4 months.

Based on our findings, the Board was of the view that the trade balance due from Shanxi Electric amounting to RMB 70.04 million in the Company's PRC subsidiary, FJDY's financials for FY 2015 is likely to be grossly overstated.

37. Comparative figures (Cont'd)

"Basis for Disclaimer of Opinion" (Cont'd)

(2) Non-existence of 5 major trade receivables as at 31 December 2015 (Cont'd)

iii) *Significant findings from physical second site visit on 3 major trade receivables (Cont'd)*

For Changshu, we were able to locate the physical place of operation based on the address furnished by the previous PRC Finance Department of FJDY, which is the same address indicated in the confirmation we had received during our audit for FY 2015. The confirmation was received without exception, that is, the balance of RMB 44.97 million outstanding as at 31 December 2015 was confirmed by Changshu without any disagreement.

However, the company's name at the address during our site visit was indicated as 江苏鑫華能環保工程股份有限公司 instead of 常熟市华能环保工程有限公司.

For Chongmei, we were able to locate the physical place of operation based on the address furnished by the previous PRC Finance Department of FJDY, which is the same address indicated in the confirmation we had received during our audit for FY 2015. The confirmation was received without exception, that is, the balance of RMB 16.03 million outstanding as at 31 December 2015 was confirmed by Chongmei without any disagreement.

We were also able to locate the operation and marketing manager who had confirmed the balance to us. However, he was surprised to see us with the confirmation and denied confirming the balance of RMB 16.03 million as at 31 December 2015. He also denied that he had signed on the confirmation and claimed that it was a fraudulent act.

In view of the above, we were unable to verify the confirmations that we had received during our 2nd Site Visit for Changshu and Chongmei.

Our above findings were communicated to the Audit Committee and the New Board on 3 January 2017.

Based on our findings, and upon further investigation by the Company, the New Board had concluded that both Changshu and Chongmei, which made up approximately 5.72% and 2.04% respectively of the total trade receivables of RMB 786.13 million as at 31 December 2015 before impairment, are non-existent. For Shanxi Electric, the outstanding amount of RMB 70.04 million which constituted 8.91% of the total trade receivables as at 31 December 2015 before impairment had been overstated by RMB 48 million.

The New Board had also concluded that the trade balance of these 3 major trade receivables were also non-existent as at 31 December 2014 where the outstanding balances from Shanxi Electric, Changshu and Chongmei stood at RMB 2.43 million, RMB 63.34 million and RMB 22.04 million respectively.

Arising from the findings of these 5 major trade receivables from our 1st Site Visit and 2nd Site Visit, the New Board had concluded that the instances of severe non-compliance as stated in ACRA's Advisory Letter dated 23 October 2015 were a result of these non-existent trade receivables as at 31 December 2015, 31 December 2014 and 31 December 2013.

37. Comparative figures (Cont'd)

"Basis for Disclaimer of Opinion" (Cont'd)

(2) Non-existence of 5 major trade receivables as at 31 December 2015 (Cont'd)

iii) *Significant findings from physical second site visit on 3 major trade receivables (Cont'd)*

Accordingly, the revision on the FY 2014 consolidated financial statements performed by the New Board were based on the reversal of revenue, costs of sales, trade receivables and the monies received and paid arising from sales made to these 5 major trade receivables, which were non-existent.

For this revision exercise, the starting reference point were all the related entries in relation to the 5 major trade receivables as at 31 December 2015 and thereafter, management rolled backwards those numbers till 31 December 2014.

The effects of the revision on the FY 2014 consolidated financial statements arising from these non-existent trade receivables are disclosed in Note 37(i).

Our FY 2015 audit findings on the discrepancies noted between our surprise site visits and the confirmation received for these 5 major trade receivables which amounted to RMB 636,576,000 constituted approximately 81% of the trade receivables as at 31 December 2015 before impairment.

The New Board had concluded that those 5 major trade receivables which amounted to RMB 465.10 million as at 31 December 2014 and which constituted to approximately 71% of the trade receivables as at 31 December 2014 were also non-existent. These may have also affected many related accounts as at 31 December 2014 such as:

- Revenue; costs of sales and related expenses;
- Cash and cash equivalents;
- Trade and bill receivables;
- Trade and bill payables
- Revenue reserves

In addition, we were faced with limitation of scope arising from i) the loss of accounting records and supporting documents as detailed in point (3) below; ii) lack of access to the working papers of the predecessor auditor, Baker Tilly TFW LLP and we were not the statutory auditor for the FY 2014 financial statements other than to issue this new Auditor's Report on the previously issued FY 2014 financial statements audited by Baker Tilly TFW LLP, the auditor's report of which is dated 1 April 2015.

Consequently, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves on the carrying amounts of the trade receivables as at 31 December 2014 and the related affected accounts mentioned above, including existence, valuation, completeness, presentation, and disclosures.

37. Comparative figures (Cont'd)

"Basis for Disclaimer of Opinion" (Cont'd)

(3) Loss of Partial Accounting Books and Records and Supporting Documents

As disclosed in Note 37(vi), the New Board announced on 18 August 2017 that pursuant to the judgment obtained by China Construction Bank ("CCB") against the Company's wholly owned subsidiary FJDY, CCB is entitled to sell off the land use rights and property assets of a related company, Fujian Mintai Environmental Protection Co. Ltd ("FJMT") [which is owned by former executive Chairman, Mr Huang Min] which was previously pledged as security for this loan. As part of the handover requirements of the Longyan People Court in this regard, the Company's personnel were allowed to gain access to FJDY's office premises on 26 July 2017 to pack up and retrieve FJDY's documents from the office premises.

Upon gaining entry to the FJDY premises, it was discovered that the office was in a state of disarray, with evidence of ransacking. The Company is in the process of reviewing the documents retrieved from the premises. It was announced that based on preliminary review, documents appear to be missing, and the records of the FJDY's various departments were therefore likely incomplete.

For the purpose of the revision of the FY 2014 financial statements, the financial statements were reconstructed by management based on information and supporting documents that were made available to the New Board after the change of legal representative in the principal subsidiary, FJDY from Mr Huang Min to Mr Norman Winata on 15 August 2016.

Based on information obtained to-date, management had made adjustments to the FY 2014 financial statements as stated in Note 37(i) arising from those non-existent trade receivables.

In view of the limitation of scope imposed on us due to the loss of accounting records and supporting documents, consequently, we were unable to satisfy ourselves as to the appropriateness of the adjustments/ revision for the FY 2014 financial statements.

38. Comparative Information

As stated in Note 36(iii) and (iv), arising from the findings of those 5 major trade receivables from our 1st Site Visit and 2nd Site Visit, the New Board had concluded that the instances of severe non-compliance as stated in ACRA's Advisory Letter dated 23 October 2015 were a result of these non-existent trade receivables as at 31 December 2015, 31 December 2014 and 31 December 2013.

38. Comparative Information (Cont'd)

Effects of Revision

The effects of the revision on the statements of financial position of the Group and the Company as at 31 December 2014 and 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flow of the Group for the financial year ended 31 December 2014 are summarised below.

	As previously stated RMB'000	Adjustments RMB'000	As Revised RMB'000
For the Financial Year ended 31 December 2014:			
Consolidated Statement of Profit or Loss and Other Comprehensive Income			
Revenue	583,762	(544,190)	39,572
Cost of sales	(444,741)	415,035	(29,706)
Gross profit	139,021	(129,155)	9,866
Exceptional loss	–	(147,014)	(147,014)
Tax expense	(6,583)	–	(6,583)
Profit/(loss) for the year	69,424	(276,169)	(206,745)
Total comprehensive income for the year	67,674	(276,169)	(208,495)
Earnings per share for profit attributable to equity holders of the Company (RMB cents per share)			
- Basic and diluted	9.5	(37.61)	(28.11)
Statements of Financial Position			
Trade and bill receivables	660,133	(474,898)	185,235
Revenue Reserve/(Accumulated Losses)	(414,805)	474,898	60,093
Consolidated Statement of Cash Flows			
Profit before tax	76,007	(276,169)	(200,162)
Adjustments for:			
- Exceptional loss	–	147,014	147,014
Operating cash flow before movements in working capital:			
- Trade and other receivables	(251,899)	423,183	171,284

38. Comparative Information (Cont'd)

Effects of Revision (Cont'd)

	As previously stated	Adjustments	As Revised
	RMB'000	RMB'000	RMB'000
For the Financial Year ended 31 December 2013:			
Statements of Financial Position			
Trade and bill receivables	490,520	(198,729)	292,791
Revenue Reserve	(358,516)	198,729	(159,787)

39. Authorisation of financial statements

The revised consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors dated 9 May 2019.

STATISTICS
OF SHAREHOLDINGS
As at 29 April 2019

Number of Equity Securities	:	843,020,646
Number of Treasury Shares and Subsidiary Holdings	:	Nil
Class of Equity Securities	:	Ordinary Shares
Voting Rights	:	One vote per share

STATISTICS OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 – 99	2	0.12	109	0.00
100 – 1,000	52	3.06	28,786	0.00
1,001 – 10,000	298	17.53	2,073,101	0.25
10,001 – 1,000,000	1,281	75.35	178,732,920	21.2
1,000,001 and above	67	3.94	662,185,730	78.55
	1,700	**100.00**	**843,020,646**	**100.00**

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

	Direct Interest	%	Deemed Interest	%
Huang Min (1)	147,948,000	17.55	3,755,000	0.45
Ma Ong Kee (2)	–	–	118,262,100	14.03
Prosper Big International Limited (1)	3,775,000	0.45	–	–
Dharma Rustam Winata (3)	1,000,000	0.12	72,500,000	8.6
GlobalWin International Consultants Limited (4)	–	–	72,500,000	8.6

Notes:-

(1) Mr Huang Min has deemed interest in the:

i) 3,755,000 shares held by Prosper Big International Limited which is wholly-owned by him

(2) Mr Ma Ong Kee has deemed interest in the 115,907,100 shares held through OCBC Securities Private Limited and 2,355,000 shares held through Morgan Stanley.

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

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

STATISTICS
OF SHAREHOLDINGS
As at 29 April 2019

SHAREHOLDERS' INFORMATION

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HUANG MIN	147,948,000	17.55
2	OCBC SECURITIES PRIVATE LIMITED	134,517,600	15.96
3	DBS NOMINEES (PRIVATE) LIMITED	83,163,000	9.86
4	CITIBANK NOMINEES SINGAPORE PTE LTD	76,722,800	9.10
5	PHILLIP SECURITIES PTE LTD	20,362,100	2.42
6	ANDREW BEK	19,687,000	2.34
7	RAFFLES NOMINEES (PTE.) LIMITED	19,466,000	2.31
8	TAN KENG KOK	9,953,000	1.18
9	UOB KAY HIAN PRIVATE LIMITED	9,809,000	1.16
10	LAU CHEE HERNG (LIU ZHIHENG)	8,207,750	0.97
11	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	6,987,100	0.83
12	NG KHENG SIANG	6,143,000	0.73
13	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	5,108,900	0.61
14	GOOD BILLION GROUP LIMITED	5,000,000	0.59
15	GOH SEOK TOR	4,841,000	0.57
16	SHENTHILKUMAR S/O SRITHARAN NAIDU	4,506,000	0.53
17	MAYBANK KIM ENG SECURITIES PTE. LTD.	4,050,009	0.48
18	PROSPER BIG INTERNATIONAL LIMITED	3,755,000	0.45
19	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	3,605,021	0.43
20	HSBC (SINGAPORE) NOMINEES PTE LTD	3,605,000	0.43
	TOTAL	**577,437,280**	**68.50**

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

59.26% 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

NOTICE IS HEREBY GIVEN that the Annual General Meeting of China Environment Ltd. ("the Company") will be held at **Cassia Room, Level 2 , Metropolitan YMCA, 60 Stevens Road, Singapore 257854** on Friday, 24 May 2019 at 9.00 am for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the revised and re-audited Financial Statements of the Company for the financial year ended 31 December 2013 together with the Independent Auditor's Report thereon.
[See Explanatory Note (i)] **(Resolution 1)**

2. To receive and adopt the Directors' Report and the revised and re-audited Financial Statements of the Company for the financial year ended 31 December 2014 together with the Independent Auditor's Report thereon.
[See Explanatory Note (i)] **(Resolution 2)**

3. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2015 together with the Independent Auditor's Report thereon.
(Resolution 3)

4. To re-elect the following Directors of the Company retiring pursuant to Article 77 of the Constitution of the Company:

   Norman Winata **(Resolution 4)**
   Koit Ven Jee **(Resolution 5)**
   Lee Chia Sin **(Resolution 6)**

   Mr Norman Winata will, upon re-election as Director of the Company, remain as Group Executive Chairman and a member of the Nominating Committee and will be considered non-independent.

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

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

5. To approve the payment of Directors' Fees of up to S$84,945 to Non-Executive Directors for the financial year ended 31 December 2016 (FY2015: S$160,000).
(Resolution 7)

6. To approve the payment of Directors' Fees of S$90,000 to Non-Executive Directors for the financial year ended 31 December 2017.
(Resolution 8)

7. To approve the payment of Directors' Fees of S$89,260 to Non-Executive Directors for the financial year ended 31 December 2018.
(Resolution 9)

8. To approve the payment of Directors' Fees of S$77,425 to Non-Executive Directors for the financial year from 1 January 2019 to 31 December 2019, to be paid quarterly in arrears.

(Resolution 10)

9. To re-appoint Messrs RT LLP as the Independent Auditor of the Company and to authorise the Directors of the Company to fix their remuneration.

(Resolution 11)

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

AS SPECIAL BUSINESS

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

11. **Authority to issue shares in the share capital of the Company**

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

(i) Issue shares in capital of the Company (whether by way of rights, bonus or otherwise); and/or

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

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

provided that:

(a) The aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of the Instruments made or granted pursuant to the Ordinary Resolution and including shares which may be issued pursuant to any adjustment effected under any relevant Instruments) shall not exceed fifty per centum (50%) (or such other limit or limits and manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders shall not exceed twenty per centum (20%) (or such other limit or limits and manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company;

(b) For the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Ordinary Resolution, after adjusting for:

(i) New shares arising from the conversion or exercise of convertible securities or employee share options on issue as at the date of the passing of the Ordinary Resolution; and

(ii) Any subsequent consolidation or sub-division of shares.

(c) In exercising the power to make or grant Instruments (including the making of any adjustment under any relevant Instrument), the Company shall comply with the listing rules and regulations of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Constitution of the Company; and

(d) Unless revoked or varied by the Company in General Meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company following passing of the Ordinary Resolution, or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)] **(Resolution 12)**

By Order of the Board

Norman Winata
Group Executive Chairman

Singapore, 9 May 2019

Explanatory Notes:

(i) The Ordinary Resolutions 1 and 2 proposed in items 1 and 2 above, are to receive and adopt Directors' Reports and the revised and re-audited Financial Statements of the Company for the financial years ended 31 December 2013 and 31 December 2014 respectively. The revision of the financial statements for the financial years ended 31 December 2013 and 31 December 2014 were prompted by The Accounting and Corporate Regulatory Authority's Financial Reporting Surveillance Programme.

(ii) The Ordinary Resolution 12 in item 11 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a General Meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

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

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "Meeting").

   (b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 1 Phillip Street, #08-01 Royal One Phillip, Singapore 048692 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 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 Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 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, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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

IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I / We ________________________________ NRIC / Passport Number: ____________________

of ____

being a member/members of China Environment Ltd. (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Cassia Room, Level 2 , Metropolitan YMCA, 60 Stevens Road, Singapore 257854 on Friday, 24 May 2019 at 9:00 am and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	Number of Votes For(1)	Number of Votes Against(1)
	Ordinary Business		
1	Directors' Report and the revised and re-audited Financial Statements for the financial year ended 31 December 2013		
2	Directors' Report and the revised and re-audited Financial Statements for the financial year ended 31 December 2014		
3	Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2015		
4	Re-election of Norman Winata as Director of the Company		
5	Re-election of Koit Ven Jee as Director of the Company		
6	Re-election of Lee Chia Sin as Director of the Company		
7	Approval of Directors' Fees of up to S$89,945 to Non-Executive Directors for the financial year ended 31 December 2016		
8	Approval of Directors' Fees of up to S$90,000 to Non-Executive Directors for the financial year ended 31 December 2017		
9	Approval of Directors' Fees of S$89,260 to Non-Executive Directors for the financial year ended 31 December 2018		
10	Approval of Directors' Fees of S$77,425 to Non-Executive Directors for the financial year from 1 January 2019 to 31 December 2019		
11	Re-appointment of Messrs RT LLP as Independent Auditor of the Company		
	Special Business		
12	Authority to issue shares in the share capital of the Company		

(1) *If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate*

Dated this __________ day of __________ 2019

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

Notes:-

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 1 Phillip Street, #08-01 Royal One Phillip, Singapore 048692 not less than 48 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

PERSONAL DATA PRIVACY:-

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Seventeenth Annual General Meeting dated 9 May 2019.

General:-

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

China Environment Ltd.
Company Registration No: 200301902W

1 Phillip Street
#08-01, Royal One Phillip
Singapore 048692