



中國環保
China Environment Ltd.

CHINA ENVIRONMENT LTD.

(Registration No.: 200301902W)

Financial Statements And Related Announcement
For First Quarter And Three Months Ended
31 March 2016



UNAUDITED FINANCIAL RESULT ANNOUNCEMENT FOR THE FIRST QUARTER AND THREE MONTHS ENDED 31 MARCH 2016

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

- 1.(a) **An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 3 months ended		Increase/ (Decrease)
	31.03.2016 RMB'000	31.03.2015 RMB'000	%
Revenue	-	45,319	(100.0)
Cost of sales	-	(35,668)	(100.0)
Gross profit	-	9,651	(100.0)
Other income	1,947	274	610.6
Other expense - realisation of translation reserve	(3,167)	-	N.M.
Selling and distribution expenses	(1,416)	(1,977)	(28.4)
Administrative expenses	(12,695)	(2,925)	334.0
Finance costs	(2,403)	(3,003)	(20.0)
(Loss) / Profit before tax	(17,734)	2,020	(977.9)
Tax (expense) / credit	(1)	4,532	N.M.
Net (loss) / profit for the period	(17,735)	6,552	(370.7)
Attributable to:			
Owners of the Company	(17,679)	6,626	(366.8)
Non-controlling interests	(56)	(74)	(24.3)
Net (loss) / profit for the period	(17,735)	6,552	(370.7)

UNAUDITED FINANCIAL RESULT ANNOUNCEMENT FOR THE FIRST QUARTER AND THREE MONTHS ENDED 31 MARCH 2016

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

- 1.(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

	Unaudited		Increase/ (Decrease) %
	3 months ended		
	31.03.2016 RMB'000	31.03.2015 RMB'000	
Net (loss) / profit for the period	(17,735)	6,552	(370.7)
Other comprehensive (loss) / income:			
Currency translation differences arising from consolidation	6,058	(2,247)	(369.6)
Total comprehensive (loss) / income for the period	(11,677)	4,305	(371.2)
Attributable to:			
Owners of the Company	(11,603)	4,379	(365.0)
Non-controlling interests	(74)	(74)	-
Total comprehensive (loss) / income for the period	(11,677)	4,305	(371.2)
(Loss)/ profit before tax is arrived at after charging/(crediting):			
Depreciation of property, plant and equipment	2,048	1,809	13.2
Amortisation of land use rights	286	285	0.4
Property, plant and equipment written off	48	-	N.M.
Research and development costs	264	163	62.0
Realisation of translation reserve	3,167	-	N.M.
Foreign exchange loss / (gain)	5,549	(2,307)	(340.5)
Interest expense	1,963	2,774	(29.2)
Interest income	(1,712)	(27)	6,240.7

N.M. - Not meaningful

1.(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

STATEMENTS OF FINANCIAL POSITION

	Unaudited Group As at		Unaudited Company As at			
	31.03.2016 RMB'000	31.12.2015 RMB'000	31.03.2016 RMB'000	31.12.2015 RMB'000		
NON-CURRENT ASSETS						
Property, plant and equipment	274,357	276,453	(2,096)	-0.76%	-	59
Land use rights	51,422	51,708	(286)	-0.55%	-	-
Investment in subsidiaries	-	-	-		722,007	692,864
Investment in associated company	2,450	2,450	-		-	-
	<u>328,229</u>	<u>330,611</u>	<u>(2,382)</u>	<u>-0.72%</u>	<u>722,007</u>	<u>692,923</u>
CURRENT ASSETS						
Inventories	10,223	8,135	2,088	25.67%	-	-
Trade and bills receivables	669,754	677,774	(8,020)	-1.18%	17	52
Other receivables, deposits and prepayments	26,811	27,005	(194)	-0.72%	298	209
Loan to subsidiaries	-	-	-		53,448	51,292
Dividend receivable from a subsidiary	-	-	-		21,544	20,674
Cash and cash equivalents	4,359	63,517	(59,158)	-93.14%	20	639
	<u>711,147</u>	<u>776,431</u>	<u>(65,284)</u>	<u>-8.41%</u>	<u>75,327</u>	<u>72,866</u>
TOTAL ASSETS	<u>1,039,376</u>	<u>1,107,042</u>	<u>(67,666)</u>	<u>-6.11%</u>	<u>797,334</u>	<u>765,789</u>
CURRENT LIABILITIES						
Trade and bill payables	14,732	14,941	(209)	-1.40%	-	-
Other payables and accruals	78,176	72,533	5,643	7.78%	3,364	1,870
Short-term borrowings	114,523	173,611	(59,088)	-34.03%	-	-
Amount due to subsidiaries (non-trade)	-	-	-		3,307	3,115
Amount due to a director (non-trade)	-	321	(321)	-100.00%	335	321
Amount due to related parties (non-trade)	28,022	27,688	334	1.21%	-	-
Tax payable	-	2,348	(2,348)	-100.00%	-	-
	<u>235,453</u>	<u>291,442</u>	<u>(55,989)</u>	<u>-19.21%</u>	<u>7,006</u>	<u>5,306</u>
NET ASSETS	<u>803,923</u>	<u>815,600</u>	<u>(11,677)</u>	<u>-1.43%</u>	<u>790,328</u>	<u>760,483</u>
EQUITY						
Share capital	400,608	400,608	-	0.00%	821,916	821,916
Statutory reserves	91,352	91,352	-	0.00%	-	-
Currency translation reserve	7,827	1,769	6,058	342.45%	4,143	(27,788)
Share option reserve	8,128	8,128	-		8,128	8,128
Revenue reserve	286,432	304,111	(17,679)	-5.81%	(43,859)	(41,773)
	<u>794,347</u>	<u>805,968</u>	<u>(11,621)</u>	<u>-1.44%</u>	<u>790,328</u>	<u>760,483</u>
Non-controlling interests	9,576	9,632	(56)	-0.58%	-	-
TOTAL EQUITY	<u>803,923</u>	<u>815,600</u>	<u>(11,677)</u>	<u>-1.43%</u>	<u>790,328</u>	<u>760,483</u>



1.(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 31.03.2016 (RMB'000)		As at 31.12.2015 (RMB'000)	
Secured	Unsecured	Secured	Unsecured
91,670	22,853	146,611	27,000

Amount repayable after one year

As at 31.03.2016 (RMB'000)		As at 31.12.2015 (RMB'000)	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

As at 31.03.2016

- The details of the secured short-term borrowings of RMB91.7 million are as follows:
 - RMB55.0 million of the short-term borrowings was secured by the Group's land use rights and plant in Anhui and guaranteed by the Company's former director, Mr Huang Min, his spouse and one of the subsidiaries of the Company.
 - RMB36.7 million of the short-term borrowings was secured by the Group's land use rights and plant in Fujian, account receivables of one of the subsidiaries and guaranteed by the Company's former director, Mr Huang Min, his spouse and one of the subsidiaries of the Company.
- RMB22.9 million of the short-term borrowings were not secured by the Company's assets. These short-term borrowings were guaranteed by the Company's former director, Mr Huang Min and secured by the land use rights and leasehold buildings of Fujian Mintai Environmental Protection Co., Ltd ("FJMT"), a company wholly owned by Mr Huang Min and his spouse.

All the securities and guarantees mentioned above were provided free-of-charge to the Group except subsequent to the period end, the Company has entered into a conditional indemnity deed with FJMT on 15 April 2016, as announced through SGXNet on 16 April 2016.

As at 31.12.2015

- USD8.0 million (approximately RMB50.0 million) of the short-term borrowings was secured by bank deposits of RMB52.9 million.
- The details of the secured short-term borrowings of RMB96.7 million are as follows:
 - RMB60.0 million of the short-term borrowings was secured by the Group's land use rights and plant in Anhui and guaranteed by the Company's former director, Mr Huang Min, his spouse and one of the subsidiaries of the Company; and
 - 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 the Company's former director, Mr Huang Min, his spouse and one of the subsidiaries of the Company.
- RMB27 million of the short-term borrowings were not secured by the Company's assets. These short-term borrowings were guaranteed by the Company's former director, Mr Huang Min and secured by the land use rights and leasehold buildings of Fujian Mintai Environmental Protection Co., Ltd., a company wholly owned by Mr Huang Min and his spouse.

All the securities and guarantees mentioned above were provided free-of-charge to the Group.

1.(c) **A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 3 months ended	
	31.03.2016 RMB'000	31.03.2015 RMB'000
Cash flows from operating activities		
(Loss) / Profit before tax	(17,734)	2,020
Adjustment for:-		
Depreciation of property, plant and equipment	2,048	1,809
Amortisation of land use rights	286	285
Interest expense	1,963	2,774
Interest income	(1,712)	(27)
Property, plant and equipment written off	48	-
Realisation of translation reserve	3,167	-
Operating cash flow before movements in working capital	<u>(11,934)</u>	<u>6,861</u>
Inventories	(2,088)	(1,183)
Project work-in-progress	-	(28)
Trade and other receivables	8,483	59,176
Trade and other payables	6,066	566
Currency translation adjustment	2,900	(2,120)
Cash generated from operations	<u>3,427</u>	<u>63,272</u>
Interest received	1,712	27
Income tax paid	(2,619)	(882)
Net cash generated from operating activities	<u>2,520</u>	<u>62,417</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(2)
Increase in construction work-in-progress	-	(45)
Net cash used in investing activities	<u>-</u>	<u>(47)</u>
Cash flows from financing activities		
Net proceeds from new shares placement	-	34,362
Bank borrowing proceeds	-	91,941
Bank borrowing repayments	(59,088)	(58,451)
Repayment to advances from related parties (non-trade)	-	(57,800)
Decrease / (Increase) in deposits restricted-in-use	52,888	(52,888)
Interest paid	(2,594)	(2,774)
Net cash used in financing activities	<u>(8,794)</u>	<u>(45,610)</u>
Net (decrease)/Increase in cash and cash equivalents	(6,274)	16,760
Cash and cash equivalents at beginning of financial period	10,629	8,806
Effect of exchange rate changes on cash equivalents	4	(137)
Cash and cash equivalents at end of financial period (Note A)	<u>4,359</u>	<u>25,429</u>

Note A:

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Unaudited 3 months ended	
	31.03.2016 RMB'000	31.03.2015 RMB'000
Cash on hand and at banks	4,359	117,817
Less: Deposits restricted-in-use	-	(92,388)
	<u>4,359</u>	<u>25,429</u>

1.(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

STATEMENTS OF CHANGES IN EQUITY

Unaudited Group	← Equity attributable to owners of the Company →					Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Statutory reserves RMB'000	Currency translation reserve RMB'000	Share option reserve RMB'000	Revenue reserve RMB'000			
Balance at 1 January 2016	400,608	91,352	1,769	8,128	304,111	805,968	9,632	815,600
Net loss for the period	-	-	-	-	(17,679)	(17,679)	(56)	(17,735)
Other comprehensive income, net of tax - Currency translation differences arising from consolidation	-	-	6,058	-	-	6,058	-	6,058
Total comprehensive income/(loss) for the 3 months ended 31 March 2016	-	-	6,058	-	(17,679)	(11,621)	(56)	(11,677)
Balance at 31 March 2016	400,608	91,352	7,827	8,128	286,432	794,347	9,576	803,923
Balance at 1 January 2015	352,241	91,352	1,943	8,128	414,805	868,469	9,864	878,333
Net profit/(loss) for the period	-	-	-	-	6,626	6,626	(74)	6,552
Other comprehensive loss, net of tax - Currency translation differences arising from consolidation	-	-	(2,247)	-	-	(2,247)	-	(2,247)
Total comprehensive (loss) / income for the 3 months ended 31 March 2015	-	-	(2,247)	-	6,626	4,379	(74)	4,305
Proceeds from new shares placement	34,645	-	-	-	-	34,645	-	34,645
Share issue expenses	(282)	-	-	-	-	(282)	-	(282)
Transfer to statutory reserves	-	368	-	-	(368)	-	-	-
Balance at 31 March 2015	386,604	91,720	(304)	8,128	421,063	907,211	9,790	917,001

1.(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

Unaudited Company	Share capital RMB'000	Currency translation reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
As at 1 January 2016	821,916	(27,788)	8,128	(41,773)	760,483
Net loss for the period	-	-	-	(2,086)	(2,086)
Other comprehensive income, net of tax - Currency translation differences arising from consolidation	-	31,931	-	-	31,931
Total comprehensive profit / (loss) for the 3 months ended 31 March 2016	-	31,931	-	(2,086)	29,845
Balance at 31 March 2016	821,916	4,143	8,128	(43,859)	790,328
As at 1 January 2015	773,549	(19,142)	8,128	(32,075)	730,460
Net loss for the period	-	-	-	(1,806)	(1,806)
Other comprehensive loss, net of tax - Currency translation differences arising from consolidation	-	(30,932)	-	-	(30,932)
Total comprehensive loss for the 3 months ended 31 March 2015	-	(30,932)	-	(1,806)	(32,738)
Proceeds from new shares placement	34,645	-	-	-	34,645
Share issue expenses	(282)	-	-	-	(282)
Balance at 31 March 2015	807,912	(50,074)	8,128	(33,881)	732,085

- 1.(d)(ii) **Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no movements in the Company's share capital for the financial period ended 31 March 2016

- 1.(d)(iii) **To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	Company	
	As at 31.03.2016	As at 31.12.2015
Total number of shares issued	843,020,646	843,020,646

The Company does not have any treasury shares at the end of the current financial period (as at 31 March 2016) and at the end of the immediately preceding year (as at 31 December 2015).

- 1.(d)(iv) **A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

2. **Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the auditors.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation in the financial information for the current financial period as those used in the unaudited financial statements for the financial year ended 31 December 2015, except for the adoption of certain revised Financial Reporting Standards ("FRS") which are effective for the financial period commencing 1 January 2016. The adoption of these FRS has no material impact on the Group's and the Company's financial statements.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Please refer to Paragraph 4.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group 3 months ended	
	31.03.2016	31.03.2015
(Loss) / Profit attributable to the shareholders for the period (RMB	(17,791)	6,626
(a) EPS based on weighted average number of shares in issue (RMB cents/share)	(2.1)	0.8
(b) EPS based on fully diluted basis (RMB cents/share)	(1.9)	0.8
Weighted average number of shares applicable to earnings per share	843,020,646	796,187,313
Weighted average number of shares fully diluted basis	915,520,646	856,853,979

Basic earnings per share is calculated by dividing earnings for the period attributable to the equity holders of the Company by the weighted average number of ordinary shares issued during the financial period under review.

Diluted earnings per share is calculated on the same basis as the basic earnings per share except that the weighted average number of shares issued during the financial period under review is adjusted for the effects of all dilutive potential ordinary shares (i.e. 72.5 million unlisted warrants which have been allotted to the subscriber on 7 January 2015). The 3.5 million (31 March 2015: 3.5 million) share options granted to employees under the employee share option plan have not been included in the calculation of diluted earnings per share as they are anti-dilutive.

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-
(a) current financial period reported on; and
(b) immediately preceding financial year.**

	Group As at		Company As at	
	31.03.2016	31.12.2015	31.03.2016	31.12.2015
Net asset value per share (RMB cents) based on issued share capital as at the end of period reported on	94.2	95.6	90.6	90.2
Number of shares used in calculating net asset value per share ('000)	843,021	843,021	843,021	843,021

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Review of Financial Performance

a) Revenue

There was no revenue for current period and it is temporary.

The Group achieved a total revenue of RMB45.3 million in the three months ended 31 March 2015. In 1Q2015, the Group completed two dust collectors projects (i.e. 83.6% and 16.4% of our revenue were generated from power generation and metallurgy industry customers respectively) as compared to nil project in 1Q2016.

b) Cost of Sales

There was no cost of sales in 1Q2016. Depreciation and rental charges were allocated to administrative expenses during the period.

c) Other Income

Other income increased by more than 6 folds or RMB1.7 million from RMB0.3 million in 1Q2015 to RMB1.9 million in 1Q2016. This was mainly due to the increase in interest income of RMB1.7 million in 1Q2016 mainly derived from bank deposit of RMB52.9 million.

d) Operating Expenses

Total operating expenses in 1Q2016 amounted to RMB19.7 million, which was approximately RMB11.8 million higher than the RMB7.9 million incurred in 1Q2015.

Other expense – realisation of translation reserve of RMB3.2 million arising from de-registration of a subsidiary from the register of companies.

Selling and distribution expenses in 1Q2016 totalled RMB1.4 million, which was 28.4% or RMB0.6 million lower than RMB2.0 million in 1Q2015. The decrease was mainly due to the decrease in sales commission of RMB1.06 million. The decrease was partially offset by increase in travelling and entertainment expenses by RMB0.4 million for sales team to visit customers for debts collection.

Administrative expenses increased by RMB9.8 million from RMB2.9 million in 1Q2015 to RMB12.7 million in 1Q2016. The increase was mainly due to increase in unrealised foreign exchange loss of RMB5.5 million as opposed to unrealised foreign exchange gain of RMB3.7 million as the strengthening of Singapore dollars against Chinese Reminbi. The increase was further caused by the increase in depreciation of RMB1.9 million which was previously charged as cost of sales now allocated to administrative expenses as there was no revenue generated for the period.

Finance costs decreased by 20.0% or RMB0.6 million from 1Q2015 to 1Q2016. The decrease was mainly due to the monthly average bank loan balance for 1Q2016 was lower than that in 1Q2015.



Review of Financial Performance (cont'd)

e) Tax (expense)/credit

For 1Q2016, there was approximately to NIL tax expenses as there was no revenue during the 1Q2016. In 1Q2015, the income tax was provided at an income tax rate of 15% based on Fujian Dongyuan's 1Q2015 profit before tax. The income tax expense of RMB0.5 million is offset by the reversal of the over-provision of deferred tax expense of RMB5.0 million in prior years.

f) Net (loss) / profit for the period

The Group's net loss for the period for 1Q2016 was RMB17.7 million. As compared to profit for the period in 1Q2015 of RMB6.6 million, this period result was decreased by RMB24.3 million. The net loss for the period was mainly due to there was no revenue in the first quarter of FY2016.

Review of Financial Position

Non-Current Assets

The decrease in property, plant and equipment and land use rights of RMB2.4 million in 1Q2016 was due to the amortisation and depreciation charges incurred in 1Q2016.

Current Assets

Current assets comprise inventories, trade and other receivables, and cash and bank equivalents. Total current assets amounted to RMB711.1 million as at 31 March 2016, which was about 8.4% or RMB67.7 million lower than that as at 31 December 2015.

As at 31 March 2016, inventories stood at RMB10.2 million, which was 25.6% or RMB2.1 million higher than RMB8.1 million as at 31 December 2015. The increase in inventories mainly due to the inventories ordered for the projects remained unused as at 31 March 2016.

Trade and bills receivables balance amounted to RMB669.8 million as at 31 March 2016, decreased by 1.2% or RMB8.0 million from RMB677.8 million as at 31 December 2015. Included in the trade and bills receivables was retention monies from completed projects, which amounted to RMB110.5 million (31 December 2015: RMB110.5 million). This slight decrease was mainly due to collection from customers during 1Q2016. The high level of trade and bills receivables is mainly due to overall slower payment from customers.

Other receivables, deposits and prepayments amounted to RMB26.8 million as at 31 March 2016, which was 0.7 % or RMB0.2 million lower than RMB27.0 million as at 31 December 2015

Review of Financial Performance (cont'd)

As at 31 March 2016, the Group has cash and cash equivalents of RMB4.4 million, approximately 93.1% or 59.2 million lower than RMB63.5 million as at 31 December 2015. The decrease was mainly due to the deposits restricted-in-use of RMB52.9 million which were pledged with financial institutions as security deposits was uplifted to repay short-term borrowings.

Current Liabilities

Current liabilities comprise of trade and bills payables, other payables and accruals, short-term borrowings and amount due to related parties (non-trade).

Trade and bills payables amounted to RMB14.7 million as at 31 March 2016, which had marginally decreased by 1.4% or RMB0.2 million from RMB14.9 million as at 31 December 2015.

Other payables and accruals amounted to RMB78.2 million as at 31 March 2016, which had increased by 7.8% or RMB5.6 million from RMB72.5 million as at 31 December 2015. The increase mainly arose from advance receipt from customer amounting to RMB1.0 million and advance from a third parties of RMB4.0 million bearing an interest of 2.0% per month for a 3-month term.

The Group's short-term borrowings from banks decreased by 34.0% or RMB59.1 million from RMB173.6 million as at 31 December 2015 to RMB114.5 million as at 31 March 2016. The decrease was mainly arose from repayment using the bank deposit restricted-in-use of RMB52.9 million. Please refer to Paragraph 1(b)(ii) for the details of the collaterals.

Amount due to related parties (non-trade) has been increased by 1.2% or RMB0.3 million from RMB27.7 million as at 31 December 2015 mainly due to reclassification of amount owing due to a director of RMB0.3 million following the resignation of the former Executive Chairman.

Review of Cash Flows

For 1Q2016, the Group incurred pre-tax loss of RMB17.3 million. After adjusting for non-cash flow items, interest expense and interest income, cash outflow from operating profits before working capital changes was RMB11.9 million. The Group's cash flow was improved by the decrease in trade and other receivables (RMB8.5 million) and increase in trade and other payables (RMB6.1 million). The increase in operating cash flow was partially offset by the increase in inventories (RMB2.1 million) and payment of income tax (RMB2.6 million). As a result, the Group had a net cash generated from operating activities of RMB2.5 million in 1Q2016.

There was no cash flow movement in the investing activities.

Net cash used in financing activities amounted to RMB8.8 million in 1Q2016. This was mainly due to repayment of bank borrowings of RMB59.1 million and interest paid of RMB2.6 million, offset by decrease in deposits restricted-in-use of RMB52.9 million.

The Group had a net decrease in cash and cash equivalents of RMB6.3 million for 1Q2016. Cash and cash equivalents stood at RMB4.4 million as at 31 March 2016.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The Company has not previously disclosed any forecast or a prospect statement to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group has recently re-organized its management team. The new management's immediate focus is to improve the Group's financial position through better collection of outstanding trade receivables, and ensuring that the Group conducts business with creditworthy customers only.

The new management will also explore and identify new business models for the Group including developing and investing in infrastructure projects with state-owned companies and strategic partners, as well as seeking new sources of funding.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared or recommended for the financial period ended 31 March 2016.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No IPT mandate has been obtained from shareholders.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
Fujian Mintai Environmental Protection Co., Ltd. (wholly-owned by the Group's major shareholder Mr Huang Min and his spouse)	RMB639,000

14. Negative confirmation by the Board pursuant to Rule 705(5)

We, Wu Jida and Yang Meng Yang, being two of the directors of China Environment Ltd. (the “Company”), do hereby confirm on behalf of the directors of the Company that, to the best of our knowledge, nothing has come to the attention of the board of directors of the Company which may render the financial statements for first quarter and three months ended 31 March 2016 to be false or misleading in any material aspect.

15. Confirmation Pursuant to Rule 720(1) of the Listing Manual

China Environment Ltd confirms that undertakings under Rule 720(1) have been obtained from all its directors and executive officers in the format set out in Appendix 7.7.

BY ORDER OF THE BOARD

Norman Winata
Executive Chairman

13 May 2016