



CHINA ENVIRONMENT LTD.
(Registration No.: 200301902W)

DIFFERENCES BETWEEN UNAUDITED AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The Board of Directors (the “Board”) of China Environment Ltd. (the “Company”) refers to the unaudited full year financial results announcements for the financial year ended 31 December 2015 (“FY2015”) released via the SGXNet on 29 February 2016 (the “Unaudited Financial Statements”).

Further reference is made to the Audited Financial Statements of the Company for FY2015 (the “Audited Financial Statements”) in the Auditor Comments for the Accounts for FY2015 released via SGXNet on 9 May 2019.

Pursuant to Rule 704(6) of the Listing Manual, the Board wishes to highlight and clarify the material differences between the Unaudited Financial Statements and Audited Financial Statements for FY2015. The material differences and the reasons for such material differences are set out in the explanatory notes below.

IN RESPECT OF THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Group	Audited	Based on Announced Results	Difference	Note
	RMB'000	RMB'000	RMB'000	
Revenue	36,655	316,664	(280,009)	1
Cost of sales	(23,317)	(227,012)	203,695	1
Gross profit	13,338	89,652	(76,314)	1
Other expenses	(408,559)	(145,944)	(262,615)	2
Loss before tax	(448,627)	(108,769)	(339,858)	1,2
Net loss for the year	(450,784)	(110,926)	(339,858)	1,2
Total comprehensive loss	(449,499)	(111,100)	(338,399)	1,2

IN RESPECT OF THE STATEMENTS OF FINANCIAL POSITION

Group	Audited	Based on Announced Results	Difference	Note
	RMB'000	RMB'000	RMB'000	
NON-CURRENT ASSETS				
Property, plant and equipment	129,485	276,453	(146,968)	2
CURRENT ASSETS				
Trade and bills receivables	12,288	677,774	(665,486)	1,2
TOTAL ASSETS	294,588	1,107,042	(812,454)	
NET ASSETS	2,303	815,600	(813,297)	

EQUITY				
Accumulated losses/Revenue reserve	(510,500)	304,111	(814,611)	1,2

IN RESPECT OF THE CONSOLIDATED STATEMENT OF CASH FLOWS

Group	Audited	Based on Announced Results	Difference	Note
	RMB'000	RMB'000	RMB'000	
Cash flows from operating activities				
Loss before tax	(448,627)	(108,769)	(339,858)	1,2
Impairment allowance on trade receivables	155,028	135,212	19,816	2
Impairment loss on property, plant and equipment	157,701	10,732	146,969	2
Operating cash flow before movements in working capital	(116,691)	56,383	(173,074)	1,2
Trade and other receivables	158,823	(11,948)	170,771	1,2

Explanation for the variances

- 1) As disclosed in Note 38, in view of the Advisory Letter received from the Accounting And Corporate Regulatory Authority, management has performed a restatement 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. As stated in Note 36(iii) and (iv), arising from the findings of those 5 major trade receivables from the incoming auditor 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.

- 2) Other expenses

Other expenses of RMB408.6 million in the audited financials mainly comprise impairment allowance of RMB155 million on trade receivables, RMB157.7 million on property, plant and equipment and RMB47 million loss derived from Note 1 above.

The Company has in its 4Q2015 and FY2015 results made a total impairment allowance of RMB145.9 million for trade receivables (RMB135.2 million) and property, plant and equipment (RMB10.7 million). For the audited financials, the Company has taken a prudent approach and further provided an additional impairment allowance of RMB 19.8 million for trade receivables and RMB 147 million for property, plant and equipment.

BY ORDER OF THE BOARD

China Environment Ltd

Norman Winata
Executive Chairman
9 May 2019