SinoEnv

SINO-ENVIRONMENT TECHNOLOGY GROUP LIMITED
9 Temasek Boulevard
#32-02 Suntec Tower Two
Singapore 038989

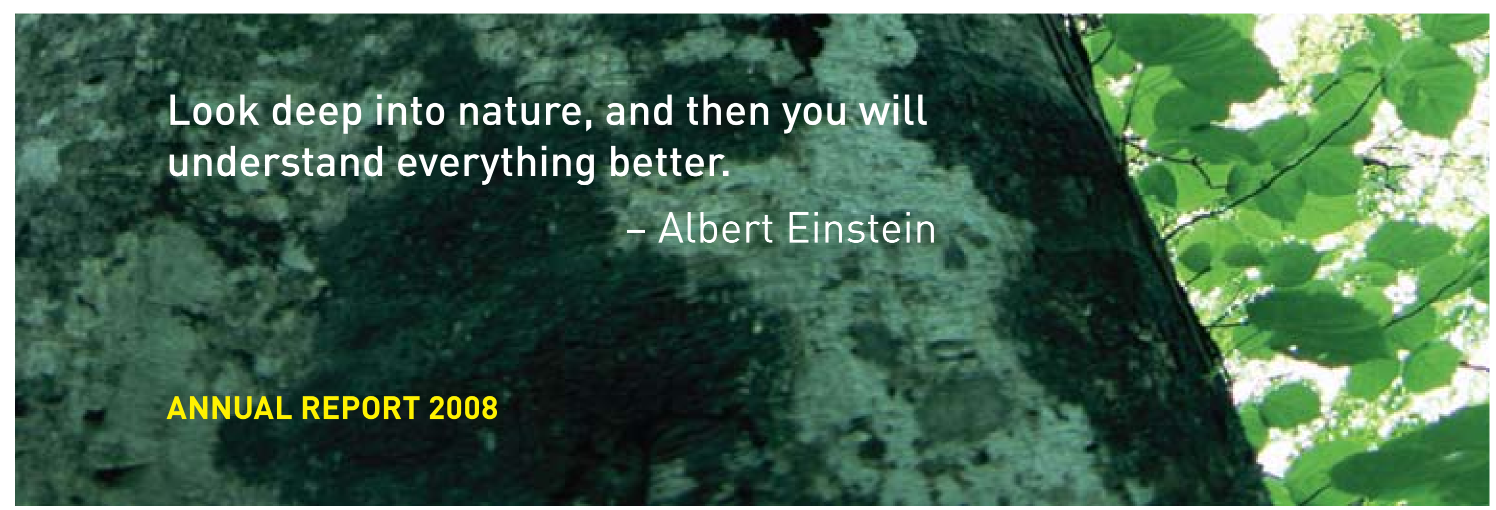
Tel: (+65) 6820 8888
Fax: (+65) 6820 8868
www.sino-env.com

FORT
ENGAGE
+65 6773 0887

SINO-ENVIRONMENT TECHNOLOGY GROUP LIMITED | Annual Report 2008

SinoEnv

THRIVING ON RENEWAL



Look deep into nature, and then you will understand everything better.
– Albert Einstein

ANNUAL REPORT 2008


SinoEnv


CONTENTS

ANNUAL REPORT 2008

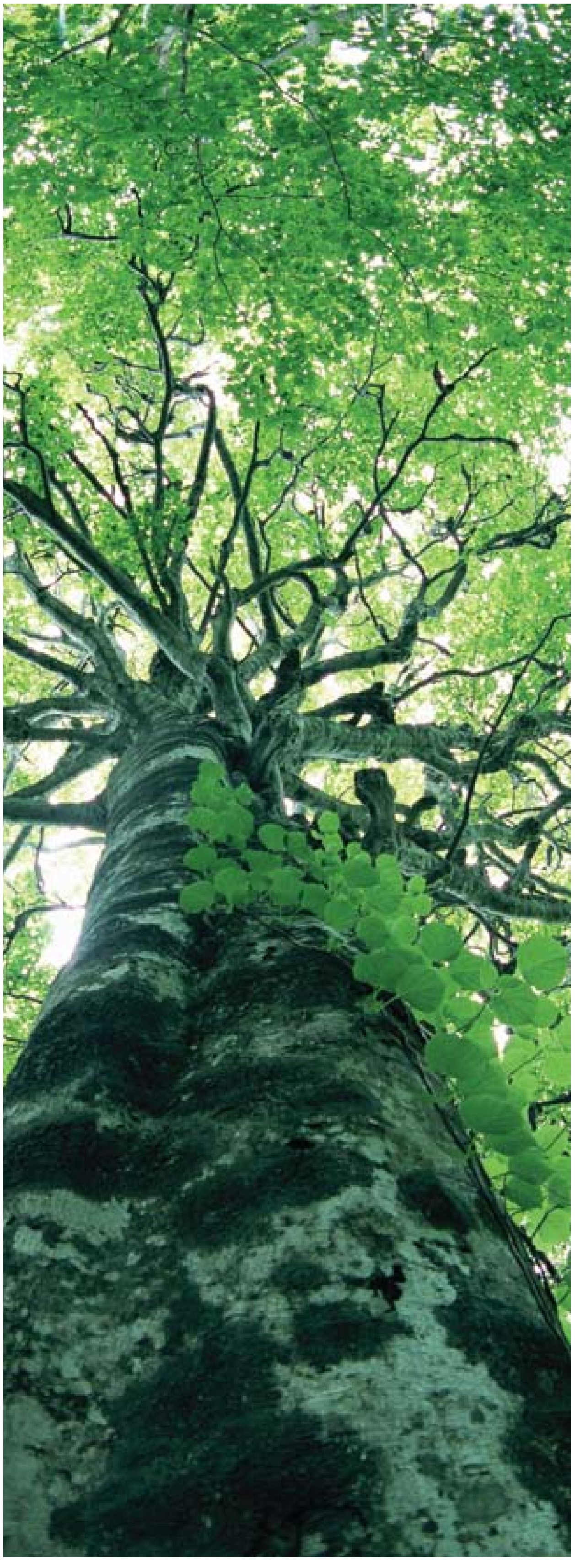
CORPORATE PROFILE

THRIVING ON RENEWAL

As a leading environmental protection and waste recovery solutions specialists, Sino-Env remains focused on value creation in achieving our vision and demonstrating strength in this challenging environment. Testament to its successful growth strategies, the Group has shown significant business growth for the year under review and is on track to tapping new markets and sustainable returns for its associates, customers, stakeholders and most importantly, the environment.

The Group's business comprises the following main segments:

1) Industrial waste gas treatment, management and recovery of volatile organic compounds ("**VOC**"), in particular toluene
2) Industrial & municipal waste water treatment and management
3) Dust elimination
4) Industrial Waste Gas Treatment and Management of Sulphur Dioxide (Desulphurisation or "**deSOx**") and Oxidised forms of Nitrogen (De-nitrogenation or "**deNOx**")



SINO-ENV TECHNOLOGY GROUP AT A GLANCE

SGX-listed Sino-Environment Technology Group Limited (the "**Company**") and its subsidiaries ("**Sino-Env**" or the "**Group**") is an environmental solutions specialist in the People's Republic of China ("**PRC**").

The business thrives on the unique eco-play and increasing number and scale of environmental protection activities in the PRC. Striving to stay at the forefront of technological competition, the Group collaborates with reputable universities for skilled manpower recruitment to augment our strong research and development capabilities. Continually looking to upgrade our technological and innovative applications into projects of larger scale, our mission is to provide value and sustainable returns to our shareholders via organic growth, entry into new industries, as well as targeted acquisitions.

The Group's strategy for long-term growth is based on a technological-driven advantage that is global in scope. The Group provides turnkey solutions in environmental protection and waste recovery in the following core divisions:-

1. **Industrial Waste Gas Treatment, Management and Recovery of Volatile Organic Compounds ("VOC")** in particular, Toluene. The Group undertakes the design, fabrication, installation and commissioning of its VOC Automatic Recycling Device, which is a fully automated environmental protection device developed to treat and recover various types of VOC. The Group's customers are mainly from the chemical and petrochemical, pharmaceutical and textile industries. With a patented VOC Automatic Recycling Device, the Group is a technological leader in the treatment,


management and recovery of Volatile Organic Compounds in particular Toluene from waste gas, in the PRC.

2. **Industrial & Municipal Waste Water Treatment and Management.** The Group undertakes the design, assembly, installation, testing and commissioning of various equipment relating to industrial waste water treatment and management systems for industries such as electro-plating, printing and dyeing, paper manufacturing, pharmaceutical, chemical and food industries.

3. **Dust Elimination.** The Group manufactures and installs industrial dust-elimination facilities for independent power plants and heavy industries like steel mills. Under its wholly-owned subsidiary Fujian Weidong EPT Co., Ltd., it is fast expanding on the forefront of innovative, technology-based systems in Dust Elimination.

4. **Industrial Waste Gas Treatment and Management of Sulphur Dioxide (Desulphurisation or "deSOx") and Oxidised forms of Nitrogen (De-nitrogenation or "deNOx")** from independent power plants, in particular coal-fired power plants. The Group also undertakes the **manufacturing of deNOx Catalysts.** The Group is a dominant player in a niche business for the production and manufacture of deNOx honeycomb-type catalysts that is based on a Japanese technology in the PRC. It provides for a large PRC market that is presently dependent mainly on imports from the U.S., Germany and Japan. The Group holds capabilities to become a leading solutions provider of Engineering, Procurement and Commissioning (EPC) projects with its own in-house line of deNox honeycomb catalysts.

Sino-Env has more than 600 employees in the PRC with direct operations and sales support offices located nation-wide in Shandong, Jiangsu, Fujian, Sichuan, Yunnan and Xinjiang. With a growing emphasis on environmental protection in PRC, the Group's products are now used in diverse sectors and industries where manufacturing emissions have to be managed with a view to protect the environment.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Sun Jiangrong	*Executive Chairman and Chief Executive Officer*
Mr You Shengquan	*Executive Director and Chief Operating Officer*
Professor Li Shouxin	*Executive Director and Chief Technical Officer*
Mr Tan Tar Wuei	*Executive Director and Chief Financial Officer*
Mr Goh Chee Wee	*Lead Independent Director*
Dr Wong Chiang Yin	*Independent Director*
Mr Pan Jinquan	*Independent Director*

EXECUTIVE COMMITTEE

Mr Sun Jiangrong *Chairman*
Mr You Shengquan
Professor Li Shouxin
Mr Tan Tar Wuei

AUDIT COMMITTEE

Mr Goh Chee Wee *Chairman*
Dr Wong Chiang Yin
Mr Pan Jinquan

REMUNERATION COMMITTEE

Mr Goh Chee Wee *Chairman*
Dr Wong Chiang Yin
Mr Pan Jinquan

NOMINATING COMMITTEE

Dr Wong Chiang Yin *Chairman*
Mr Goh Chee Wee
Mr Pan Jinquan

COMPANY SECRETARY

Mr Lim Heng Chong Benny, LL.B (Hons); LL.M
Mr Low Wai Cheong, LL.B (Hons); LL.M

ESOS AND PSP COMMITTEES

Mr Goh Chee Wee *Chairman*
Dr Wong Chiang Yin
Mr Pan Jinquan
Mr Tan Tar Wuei

SINGAPORE SHARE REGISTRAR AND SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte. Ltd.
3 Church Street
#08-01 Samsung Hub
Singapore 049483

AUDITORS

PricewaterhouseCoopers LLP
8 Cross Street
#17-00 PWC Building
Singapore 048424
Audit Partner: Mr Tham Tuck Seng
Year of appointment: 2007

PRINCIPAL BANKER

HSBC Bank
Xiamen International Bank

REGISTERED OFFICE

9 Temasek Boulevard
#32-02 Suntec Tower Two
Singapore 038989

COMPANY REGISTRATION NUMBER

200106480Z

CORPORATE STRUCTURE

- 中华环保科技集团有限公司 Sino-Environment Technology Group Limited (Singapore)
  - 中华环保洁能科技有限公司 Sino-Environment Clean Power Technology Pte. Ltd. (Singapore) — 100%
    - 福建卫东环保科技有限公司 Fujian Weidong EPT Co., Ltd. (PRC) — 100%
      - 龙岩市卫东工程环保有限公司 Fujian Weidong Environmental Engineering Co., Ltd. (PRC) — 100%
    - 创东能源环保科技（福建）有限公司 Chuang-Dong Energy & Env-Tech (Fujian) Co., Ltd. (PRC) — 100%
  - 大拇指环保设备（福建）有限公司 Fujian Thumb Environmental Facilities Co., Ltd. (PRC) — 100%
  - 大拇指环保科技集团（福建）有限公司 Thumb Env-Tech Group (Fujian) Co., Ltd. (PRC) — 100%
    - 福建福大德塞环保产业有限公司 Fujian Fuda Desai Environmental Protection Co., Ltd. (PRC) — 100%
      - 大拇指固废环保科技（南平）有限公司 Thumb Waste Management Technology (Nanping) Co., Ltd. (PRC) — 100%
    - 重庆大拇指环保工程有限公司 Chongqing Thumb Environmental Engineering Co., Ltd. (PRC) — 100%
  - 中华环保废弃物管理科技有限公司 Sino-Environment Waste Management Technology Pte. Ltd. (Singapore) — 100%

BOARD OF DIRECTORS







From top, left to right:
Mr Sun Jiangrong
Mr You Shengquan
Professor Li Shouxin
Mr Tan Tar Wuei
Mr Goh Chee Wee
Dr Wong Chiang Yin
Mr Pan Jinquan

MR SUN JIANGRONG
Executive Chairman and Chief Executive Officer
Mr Sun Jiangrong is our Executive Chairman and CEO, and was appointed to the Board on 30 September 2004. Mr Sun is responsible for overseeing and managing our day-to-day operations as well as implementing our business strategies and policies, and has approximately seven years of experience in the environmental protection industry. He is also non-executive chairman of Radiance Electronics Limited, a company listed in Singapore.

Since September 1998, he has been the president of Fujian Thumb Enterprise Co., Ltd. and is in charge of its overall operation and management, and the formulation of its corporate strategies.

He obtained a Master of Business Administration from the Hong Kong Business Administration College in October 2004 and holds a Graduate Certificate of Executive Master in Business Administration (EMBA Advanced Study) from the Beijing University, obtained in November 2004. Mr Sun has been the vice-president of the Council of the China International Chamber of Commerce (Fujian Branch) since March 2001 and the vice-president of the Fujian Sino-Western Business Enterprise since October 1999. He was also awarded the title of “Trustworthy Entrepreneur” in March 2003 by the Government of Fujian Province and the title of “National Township Entrepreneur” in November 2001 by the Ministry of Agriculture of the PRC.

MR YOU SHENGQUAN
Executive Director and Chief Operating Officer
Mr You Shengquan is our COO and was appointed to the Board as an Executive Director on 14 March 2006. As our COO, Mr You assists our Executive Chairman and CEO, Mr Sun Jiangrong, in the overall business management and development of our Group. He has over ten years of experience in the environmental protection industry. From November 1990 to May 1995, Mr You was the Manager of Shenzhen Nanchun Economic & Trade Development Co., Ltd., responsible for its day-to-day trading operations. From June 1995 to May 2001, he was the deputy General-Manager of Xiamen Luhai Technology Engineering Co., Ltd. and was in charge of the design and implementation of waste water treatment projects and product development. From June 2001 onwards, Mr You became the General Manager of Thumb Env-Tech Group (Fujian) Co., Ltd. ("Fujian Thumb") where he was responsible for the overall business operations.

He obtained a Bachelor of Science majoring in Chemistry from Xiamen University, PRC in July 1987 and a Master in Research specialising in marine chemistry from the PRC Bureau of Oceanography No. 3 Research Institute in October 1990.

PROFESSOR LI SHOUXIN

Executive Director and Chief Technical Officer

Professor Li Shouxin is our CTO and was appointed to the Board as an Executive Director of our Company on 14 March 2006. As our CTO, Professor Li is in charge of overseeing the overall design and technological development, production and after-sales technological aspects of our business. Professor Li has over 30 years of experience in the R&D of environmental protection technologies, especially relating to harmful waste gas treatment. From August 1967 to December 1974, he was a member of the technological team of the Railway Department in Qingdao Sifang Engine Factory and was involved in electroplating technological work. From January 1975 to December 1982, Professor Li was the head of science and technology research for the Hebei Baoding Science and Technology Committee. From January 1983 to December 2001, he was appointed as the Professor of Environmental Protection and Research of the Environmental Science and Engineering Faculty of North China Electric Power University. Professor Li then joined Fujian Thumb in January 2002 where he became its CTO responsible for the design and technology development of its environmental projects.

Professor Li obtained a graduate certification in chemical engineering from the Tianjin University, PRC in July 1967. Professor Li has since been the author of numerous articles and publications on topics related to environmental protection, such as the use of ACF and the recovery of VOC from waste gases. Professor Li has been a Research Fellow at the China Management Science Research Institute since October 2004. He has also been a member of the Editorial Committee of the examination and training materials for the PRC National Registered Environmental Protection Engineers since June 2004.

MR TAN TAR WUEI

Executive Director and Chief Financial Officer

Mr Tan Tar Wuei was appointed to the Board as an Executive Director on 6 June 2006. Mr Tan joined our Group in November 2005 as our Chief Financial Officer ("CFO") and is responsible for overseeing our Group's accounting and financial matters as well as for the investor relations and legal functions of our Group. He is also a non-executive director of Radiance Electronics Limited, a company listed in Singapore. Between July 1997 and October 2001, when he left as Assistant Manager, Mr Tan was employed by Price Waterhouse Singapore (now known as PricewaterhouseCoopers LLP Singapore) in its Assurance and Business Advisory Services division, where his main responsibilities included statutory, compliance and special audits. From December 2001 to December 2003, Mr Tan was the General Manager and Finance Director of Wan Wuei Investment Pte. Ltd. where he oversaw investment decisions. From November 2002 to December 2003, he was also the General Manager and Finance Director of Pagi Soreh Cuisine Pte. Ltd. (Singapore) and was responsible for the day-to-day operations of food outlets operated by the company. From January 2004 to March 2005, Mr Tan was the Group Financial Controller of Ceylon Grain Elevators Limited and Three Acre Farm Ltd., two listed groups of companies on the Colombo Stock Exchange. He subsequently became the Financial Controller of a PRC company from June 2005 to October 2005 where he played a leading role in preparing that company for its proposed listing on the SGX-ST.

Mr Tan obtained a Bachelor's degree in Accountancy from Nanyang Technological University, Singapore in 1997. Mr Tan has also been a member of the Institute of Certified Public Accountants of Singapore since 2001.

MR GOH CHEE WEE

Lead Independent Director

Mr Goh Chee Wee is the Lead Independent Director of our Company and was appointed to the Board on 14 March 2006. He is currently a director of a number of public listed companies, including AGVA Corporation Ltd., Beng Kuang Marine Ltd., Chip Eng Seng Corporation Ltd., Financial One Corp, Keda Communications Ltd., King Wan Corporation Ltd., Sinotel Technologies Ltd., Stamford Tyres Corporation Ltd. and Yaan Security Technology Ltd. From 1980 to 2001, he was elected as a Member of Parliament and from 1993 to 1997, he served as the Minister of State for Trade and Industry, Labour and Communications. From 1997 to 2003, he was the Group Managing Director and Chief Executive Officer of Comfort Group Ltd.

He obtained a Bachelor of Science (First Class Honours) from the University of Singapore (now known as the National University of Singapore) in 1969, a Master of Science (Engineering) from the University of Wisconsin in 1975 and a Diploma in Business Administration from the National University of Singapore in 1980.

DR WONG CHIANG YIN

Independent Director

Dr Wong Chiang Yin is an Independent Director of our Company and was appointed to the Board on 14 March 2006. He is currently the Executive Director for Hospital Division and CEO of the Pantai

Hospitals, Pantai Holdings Berhad and the President of the Singapore Medical Association. He is also an independent director of two listed companies in Singapore, Beng Kuang Marine Ltd. and Ouhua Energy Holdings Ltd. From 1998 to April 2006, he held various senior positions, including the Chief Operating Officer of Changi General Hospital and the Singapore General Hospital, Director of the Projects Office of the Singapore Health Services and Assistant Director in the Ministry of Health. He has previously held the position of Secretary-General of the Medical Associations of ASEAN.

He obtained a Master of Medicine (Public Health) from the National University of Singapore in 1999 and a Master of Business Administration (Finance) from the University of Leicester in 2001.

MR PAN JINQUAN

Independent Director

Mr Pan Jinquan is an Independent Director of our Company and was appointed to the Board on 5 February 2007. From December 1971 to October 1979, he was the Department Deputy Secretary of Ninghua County Planning Committee in the PRC. From November 1979 to February 1982, he was the Head of Department of the Ninghua County Statistics Department in the PRC. From March 1982 to October 1983, he was the Deputy Secretary of Party Committee and Acting Director of Management Committee of Anyuan People's Committee of the Ninghua County in the PRC. From November 1983 to October 1984, he was the Director of the Standing Committee and Economic Committee of the Chinese Communist Party of Ninghua County. From November 1984 to October 1987, he was appointed as the Deputy Secretary of the Chinese Communist Party for Ninghua County and the County Head of the People's Government of Ninghua County. From November 1987 to December 1992, he was the Deputy Secretary of the Chinese Communist Party for Yong'an City and Mayor of People's Government of Yong'an City. He was also the Secretary of the Chinese Communist Party for Yong'an City. From December 1992 to December 1995, he was the Deputy Mayor of the People's Government of Sanming City in the PRC. From December 1995 to August 2004, he was the Deputy Secretary and Vice-Chairman of the leading Party member's group in the PRC. He was also the specially appointed investigator of state-owned enterprises under the People's Government of Trade Promotion Committee of Fujian Province between November 1998 and March 2003. In August 2004, he was appointed as the Inspector of Trade Promotion Committee of Fujian Province, PRC. He has since retired in August 2006. From May 1988, he was a Researcher on special engagement in the Economic Research Centre in the Fujian Province. From January 1997, he was a Professor by special invitation with the Economic Management Cadre Institute in the Fujian Province. From June 1997, he was a Researcher on special engagement with the Government Development Research Centre in the Fujian Province.

Mr Pan obtained a Bachelor's degree in Economics from Xiamen University, PRC in July 1968.

KEY MANAGEMENT

MR LIN WENQIAO
Vice President
Mr Lin Wenqiao oversees the operations and management of the Group. Mr Lin was the Head of Communications Department of Hong Kong Fujian Group Ltd. from March 1993 to December 1999. He was in-charged of handling public relations and communications and statutory compliance matters of the company. He then became the Deputy General Manager of Hong Kong Huanuo Holdings Group Ltd. from December 1999 to March 2002. He was responsible for general administrative matters of the company. From May 2002 to December 2003, he joined Fuzhou Century Star Pharmaceutical Co., Ltd. as the Deputy General Manager, and was in charged of internal affairs of the company. From January 2004 to December 2006, he was the Deputy General Manager of Hong Kong Everbest Century Water Development Holdings Co., Ltd. He was in charged of the operations of three of the subsidiaries within the group. In December 2006, he joined Fujian Thumb as the Head of Industrial Waste Water Treatment & Management Department. He subsequently joined the Group in March 2007 as the Vice President. Mr Lin obtained a Bachelor's degree in Chinese from Xiamen University, PRC in July 1986.

PROFESSOR WANG LIANGEN
Head of Research & Development
Professor Wang Liangen is responsible for the Group's R&D activities. Professor Wang was an academic member of the Fuzhou University from September 1964 to January 2002. He became a professor of its Chemical Engineering faculty from August 1995 to November 2003 and was the Dean of the same faculty from August 1987 to July 1999. Professor Wang then joined Fujian Thumb in January 2002 as R&D Director and was responsible for the Group's R&D activities. He obtained a Bachelor of Chemical Engineering from the Fuzhou University in January 1963. Professor Wang has been the committee member of the Fujian Province Natural Science Association since September 2001. He has also been appointed the Vice-Chairman of the Fujian Province Petroleum Society and Fujian Province Chemical Engineering Society since June 1998 and May 1999, respectively. He has also been appointed Vice President of the Fujian Province Environmental Protection Industry Association since March 2003. Since July 2004, Professor Wang has been an expert member of the Environmental Project Planning Group for the Fujian Province High Technology and its High Technology Industries, the 10th Five-Years and 2010 Planning, as well as an expert with special grant from the PRC National State Council since July 2004.

MR ZHENG YUNJIE
Chief Strategy Officer
Mr Zheng Yunjie is responsible for the Group's investment planning strategies and administrative functions. From August 1992 to December 1999, Mr Zheng was the Manager of Fujian Province Overseas Chinese Trust & Investment Co., Ltd. where he was responsible for financial lease and investment management. In June 2004, he joined Fujian Thumb as the Assistant to the Executive Chairman and Chief Executive Officer, Mr Sun Jiangrong. He was responsible for investment appraisal and management, and assisted Mr Sun with administrative matters and strategic planning. He then joined the Group in February 2007 as the Chief Strategy Officer. Mr Zheng obtained a Bachelor's degree in International Economic Law from Xiamen University, PRC in July 1992. He subsequently obtained a Master's degree in Finance from the Xiamen University in July 1997. In April 2001, he obtained a Master of Business Administration from the National University of Singapore. He also holds a Master of International Business, accredited by Ministry of Personnel, PRC.

MS PHOOI BOK LAN
Group Financial Controller
Ms Phooi Bok Lan is responsible for the Group's accounting and financial matters. In July 1997, she joined Price Waterhouse Singapore (now known as PricewaterhouseCoopers LLP Singapore). She was with the Assurance and Business Advisory Services division, where her main responsibilities included statutory, compliance and special audits. She left PricewaterhouseCoopers LLP Singapore as an Audit Senior in November 2000 and joined PricewaterhouseCoopers Bahamas in February 2001. She subsequently left PricewaterhouseCoopers Bahamas in July 2005 as an Audit Manager. From December 2005 to April 2006, she was working on a short-term contract assignment as the team lead for a risk reassessment team for ABN Amro, Singapore Branch. She then joined the Company in August 2006 as the Financial Controller. In February 2007, she was made Group Financial Controller of the Group. Ms Phooi obtained a Bachelor's degree in Accountancy (2nd Upper Honours) from Nanyang Technological University, Singapore in 1997. She is also a member of the Institute of Certified Public Accountants of Singapore since 2001.

MS LIN XIN
Financial Controller of PRC Subsidiaries
Ms Lin Xin is responsible for the accounting and financial matters of the PRC subsidiaries within the Group. From July 1985 to February 1992, she was the Senior Accountant of Fuzhou Pharmaceutical Co., Ltd. in PRC, where she was in-charged of management accounting and inventory control. From February 1992 to June 1999, she held the position of Senior Accountant of Indesen (H.K.) Co., Ltd. in Hong Kong. She was responsible for the accounting and financial matters of the group. From June 1999 to August 2003, she was the Deputy Financial Controller of Chaoda Modern Agriculture (Holdings) Limited in PRC, and was responsible for accounting and finance matters. In August 2003, she joined Fujian Thumb Env-Tech Co., Ltd. as the Deputy Financial Controller. She then joined the Group in February 2007 as the Financial Controller of PRC Subsidiaries. Ms Lin obtained Bachelor's degree in Fujian Broadcasting & Television University, PRC in 1995. She has been a certified accountant in PRC since 1973. In 2006, she obtained a Master in Business Administration in Southwest Communications University, PRC.

MR LIANG WEE LEONG
Financial Controller of Clean Power Group
Mr Liang Wee Leong is responsible for the accounting and financial matters of Clean Power Group and its subsidiaries. In July 1999, he joined IBM Singapore and spent 6 years with the organization taking on different challenges. He started out as an Accounting Analyst managing IBM Global Services accounting and financial analysis for Singapore. He progressed to take on regional responsibilities as a Senior Financial Analyst working closely with the worldwide headquarters team in US. He left IBM in April 2005 and joined Hyflux Ltd. in May 2005 as a Finance Manager. He was hired to set up a finance and planning team. The team's responsibilities are to implement budgets, forecasts and management reporting of the group. He was later promoted to Senior Finance Manager in September 2006. He left Hyflux after 3 years and joined the Company in July 2008 as a Financial Controller of Clean Power Group, a subsidiary of the Company. Mr Liang studied in Australia's University of Queensland and obtained a bachelor's degree in Commerce, majoring in Accounting in 1998.

GROWING IN A CHALLENGING ENVIRONMENT

Dear Shareholders,

These are tumultuous times for financial markets all over the world. But it is at this juncture that I am pleased to report Sino-Environment Technology Group Limited (the "**Company**") and its subsidiaries ("**Sino-Env**" or the "**Group**") has made good business progress in the financial year ended 2008 ("**FY2008**") towards achieving our vision and demonstrated strength in this challenging environment.

We have improved top-line performance across our core divisions namely, industrial waste gas treatment, management and recovery business ("**VOC**"), dust-elimination and industrial waste treatment and management. We also saw maiden contributions from our new segment in desulphurisation ("**deSOx**"). Breakthroughs were also made into the de-nitrogenation market ("**deNOx**") with early positive market responses to our expansion initiatives and the building of a new deNOx production plant that will be operational in 2Q2009.

To seize lucrative opportunities in these new markets, we managed to raise capital via the issuance of SGD149 million of Convertible Bonds ("**CB**") in July. Capital market conditions required provisions of a secure and cost efficient hedge in order to attract more bondholders, so SGD67.4 million or 45% of the Issue Proceeds was used as prepayment for 36,856,000 shares of the Company in a Total Return Equity Swap ("**Equity Swap**"). For the Group, the objectives of this unique financing structure were multipronged and beneficial at that time. The synthetic buyback of the 36,856,000 shares would not only reduce dilution effects associated with the CB; it also lowered the cost of financing and market risks related to conventional share buybacks whilst optimizing our balance sheet at the same time.

Paper Losses not Reflective of Real Growth

In accordance to Singapore Financial Reporting Standards, FRS39, such financial instruments are required to be marked to market for reporting purposes. Subject to the Company's share price fluctuations, there would typically be a paper loss if share price fell or a paper gain if share price rose. Within the last 9 months, economic upheavals caused the collapse of equity markets worldwide which translated into significant marked to market losses as seen in the Group's 3Q2008 and 4Q2008 reporting results.

Because these are noncash accounting losses, "Net Profit After Tax" figures in our case, is no longer reflective of the actual fiscal strength and real operating income of the business. This is clearly evidenced in the Company's solid operating income and higher revenues that have grown even during these times. The Company's financial and cash liquidity status continues to remain in the pink with a healthy cash position in excess of RMB700 million as at 31 December 2008. On this note, I am pleased to present our full year financial results for FY2008.

Solid Growth Amidst Challenging Environment

Since we went public 3 years ago, we have increased sales and earnings every year. The Group has maintained solid end-demand growth, short cash conversion cycles, high margins and steady business momentum. FY2008 has continued to show healthy operating profit growth and top-line revenue increases across all divisions.

Strong EBITDA growth of 34% to RMB 226.0 million in FY2008 (FY2007: RMB 168.9 million) on the back of a 67% revenue jump to RMB 775.8 million in FY2008 (FY2007: RMB 463.8 million) verifies real growth in the business. Owing to charges of marked to market losses of RMB 226.4 million relating to the Equity Swap and embedded derivatives associated with the CB, Net Profit after Tax has shown a loss of RMB 45.0 million (FY2007: profit of RMB 171.2 million).

Key revenue drivers under the VOC division and Dust-Elimination segments continued steady top-line growth Y-O-Y increasing 21% and 31% respectively whilst new contribution from the deSOx division made up a 19% of overall revenue.

With confidence of further growth prospects in the business, we actively undertook share buybacks throughout the year.

Milestone Developments Towards Our Vision

We continued to invest in organic growth in our primary VOC division, further improving the efficiency and earnings potential of this division. The new VOC plant with an increased production space has enabled us the flexibility to optimize our resources and develop larger and more complex projects. With higher Average Selling Prices ("**ASPs**"), revenues have returned far more lucratively on similar production volumes generated in the previous year.

Our wholly-owned subsidiary Thumb Env-Tech Group (Fujian) Co., Ltd. ("**Fujian Thumb**") has been awarded a Class A Project Design Certificate from the Ministry of Construction of the People's Republic of China ("**PRC**"), allowing us to now undertake the design, construction and implementation of waste water, waste gas treatment, deSOx and other environmental projects throughout the PRC without any limitation as to contract size or capacity.

With the completion of our acquisition in the remaining 40% of Fujian Weidong EPT Co., Ltd. ("**Weidong**"), the Group anchored its market position in the Dust-Elimination industry. For the deSOx market, testament to the Group adept expansion capabilities, within 2 years of penetrating the market, the Group managed to substantially complete 2 of 3 contracts secured during the year ahead of schedule.

Value Prospects for deNox Market in the PRC

I am particularly excited about our strategic foray into the deNOx market that offers vast potential for the Group. With only one other known manufacturer in the PRC, the Republic is currently highly dependent on imported catalysts from suppliers in the U.S., Germany and Japan that are already running at maximum capacity. Fueled by the heightened need and sensitivity towards environmental protection, the demand for deNOx catalysts is extremely high in the PRC.

Our prospects are bright in anchoring a leading position in this niche segment. We succeeded in securing the manufacturing rights to produce deNOx honeycomb catalysts earlier this year, and have already received orders in excess of RMB 300 million to supply to companies in the PRC. The manufacture & sale of honeycomb catalysts fits the Group's diversification strategy and allows for defensible and profitable growth while generating new retail revenue streams to significantly improve cash flow.

The Group is also able to directly supply to our internal deNOx Engineer, Procure & Construct ("**EPC**") projects that can translate into higher margin returns. Through our vertically integrated model, the Group is in a sweet spot to penetrate and command a leading position in the EPC deNox market in the PRC. Production capabilities will be managed in phases to meet the overwhelming demand.

Valued in Our Communities

Sino-Env has a bold and distinct vision to be a market leader in technological innovation, a progressive partner for our clients, provide a great environment for our people to work and to generate quality margins and sustainable returns for our shareholders. Underlying these objectives, we want to be valued in our communities through high ethical standards, appreciation and respect for our stakeholders, staffs and a commitment to corporate responsibility.

As part of our ongoing efforts to make a difference in helping more live a fuller life in the communities in the PRC, we donated towards the aid assistance of the Sichuan Earthquake victims earlier this year. Together with the consortium group, more than RMB10 million was raised in fund donations.

To retain and motivate our best talents, we initiated both the Sino-Env Employee Share Option Scheme and the Sino-Env Share Performance Plan Committees which will look into optimal allocation of staff compensation according to the firm's value.

With the global economic outlook remaining bleak for 2009, the environmental players will go through a phase of market consolidation and the Group with its superior business model is poised to benefit from it. Adding to that the Chinese government has committed to boost domestic demand through financial stimulus in infrastructure spending program and easing of credit market by calling on banks to extend lending which will support our forward plans for expansion in the environmental business.

Sino-Env has proven its commitment to enhance shareholder returns through consistent, steady financial progress in the past few years. The macro environment has favored our ventures across the divisions, given ever tightening PRC laws and increasing awareness of environmental protection in the PRC. Our strategic approach to expansion has always been collaborative in nature with established industry players in order to reduce execution risks, and to raise the barriers to entry from competition through technological innovation.

Hence, although financial markets have been turbulent, our customers, employees and stakeholders can be upbeat that the Group is aggressively capitalizing on its unique eco play to realize valuable opportunities available in China's ever increasing environmental protection activities.

Given the strong fundamentals of this business driven by a capable management team ever ready for a tour de force of strength and resilience, I am confident of Sino-Env's growth prospects going forward.

Corporate Governance

The Group continues to remain committed to maintaining our regime and high standards of Corporate Governance. We pledge to continue striving hard for the benefit of all stakeholders, providing transparent, timely and accurate information through announcements and proactive investor relations activities.

Acknowledgements

Lastly, I would like to thank all shareholders, business associates, partners and customers for their generous support. I would also like to express my heartfelt appreciation to the Group's board members, management team, staff and all employees for their determination and sheer dedication to the business. I look forward to your commitment and continued support as we chart new waters together.

Yours faithfully

SUN JIANGRONG
EXECUTIVE CHAIRMAN
AND CHIEF EXECUTIVE OFFICER

OPERATIONS REVIEW

THE YEAR IN REVIEW

Sino-Environment Technology Group Limited (the "**Company**") and its subsidiaries ("**Sino-Env**" or the "**Group**") kicked off the year clinching 2 desulphurisation contracts ("**deSOx**") amounting to RMB 181 million with Shanghai-Exchanged listed Huatai Group and Fujian Putian Power Plant in the People's Republic of China ("**PRC**").

The Group marked its breakthrough into the deNOx market in March when it secured rights from Catalysts and Chemical Industries Co., Ltd., ("**CCIC**") to manufacture deNOx honeycomb-type catalyst in the PRC. In May, the Group started to accept orders to supply deNOx catalysts to PRC companies and secured orders from the following companies:-

I. Harbin Boiler Co., Ltd., a large utility boiler manufacturer for their in-house projects;

II. Fuel Tech, a fully integrated company providing a broad array of technologically advanced solutions to energy-related facilities worldwide as well as technical services to the deNOx EPCs in the PRC;

III. Huaneng Power International as supplier to their installation capabilities to position our deNOx EPC capabilities worldwide;

IV. Mitsubishi Corporation China Co., Ltd. for re-export to Japan.

CCIC, part of the JGC Group in Japan, possesses one of the leading technologies in the world; a partnership with them will augur well for Sino-Env to becoming one of the leading EPC players in the PRC deNOx market. For this reason as well, approximately half of our plant's output will be allocated to third party sales and the remaining half would be retained for the Group's own deNOx EPC projects.

To cope with the overwhelming demand, initial production facilities at the Fuzhou plant will first provide the first production lines in 2Q2009 and a second production line in 3Q2009 to generate an annual production capacity of approximately 6,000m3 of deNOx catalysts. The plant caters to planned expansion of increased capacity of up to10,000m3 at a later stage.

In May, significant progress was made in the DeSOx division with the early delivery of maiden revenues from 3 deSOx projects that commenced in 1Q2008. These included the powerplant for Wei Hu Liang Xinjiang Huadian Power Plant valued around RMB 62 million; the deSOx facilities for Huatai Group valued around RMB 63 million; and Fujian Pacific Electric Power Co. Ltd. project of contract value approximating RMB 118 million.

Senior management of the Group were invited to visit the offices and operations of Euronext in Amsterdam and Paris in light of the Group's intention to list the Company's fully owned subsidiary Sino-Environment Clean Power Technolgy Pte. Ltd. (the parent of Fujian Weidong EPT Co., Ltd. ("**Weidong**")), on Euronext or another exchange within the next 12 months. With regards to this development, the Group had successfully acquired the remaining 15,200,000 shares representing 40% interest in Weidong later in August for a consideration of RMB 288 million based on nine times Weidong's guaranteed net profit after tax of RMB 80 million for FY 2008.

The acquisition is strategic to achieving operational synergies and greater economies of scale in the Group's expansion of its desulphurization business, such as, in the integration of environmental solutions offered to new industries in cement plants, coal mines and steel plants. At the same time, the Company also explored the acquisition of another dust-elimination company that specialized in dust-bag or arrestor technology of dust elimination. If successful, the Group would be restructuring these two dust-elimination companies for listing. Adding to that, on 18 August 2008, Sino-Env registered a wholly-owned subsidiary Chuang-Dong Energy & Env-Tech (Fujian) Co., Ltd. which brings on a new business segment for the Group : renewable energy.

In a fundraising exercise with Morgan Stanley in June, the Group adopted an innovative convertible bond

("**CB**") issue exercise, the first of its kind this year in Singapore, and raised SGD149 million. The Group issued the CBs at 100% of the principal amount bearing 4% interest per annum due 8 July 2013. At the option of the shareholders, the bonds are convertible at the initial conversion price of SGD 2.19 into approximately 68 million ordinary shares or 16.66% of the enlarged share base. To hedge investors' exposure to these shares, the Company entered into a cash settled Equity Swap for ordinary shares in the share capital of the Company for a value of approximately SGD 67 million. Focused on broadening the Group's capital base and improving the quality of its balance sheet, the net proceeds of SGD 76 million is to fund equipment purchases for the deNOx business, M&A activities and the Group's working capital.

In July, the Group won the tender for the first phase of a deSOx project valued at an estimated RMB 300 million with Xinjiang Tianshan Power Co., Ltd. The first phase of contract value approximating RMB 120 million, provides for the retrofitting of the Manasi 6 x 100 MW capacity power plant in Urumuqi, Xinjiang, PRC. Construction is slated for 2009. A bid for the second phase for a 2 x 300MW capacity power plant has also been submitted by the Group.

As part of the Group's ongoing capital management efforts amidst a backdrop of volatile financial markets, share buybacks were exercised throughout the year in a show of the Group's confidence in the business.

In August, four Directors namely Mr Goh Chee Wee, Dr. Wong Chiang Yin, Mr Pan Jinquan and Mr Tan Tar Wuei were appointed as members of the Sino-Env Employee Share Option Scheme Committee and the Sino-Env Share Performance Plan Committee – both set up to look into staff compensation and incentive schemes linked to the firm's value.

The Group's fully owned subsidiary Thumb Env-Tech Group (Fujian) Co., Ltd. ("**Fujian Thumb**") was in September, awarded Class A Project Design Certificate from the PRC Ministry of Construction. The certificate permits Fujian Thumb to undertake the design, construction and implementation of waste water, waste gas treatment, desulphurization and other environmental projects throughout the PRC without any limitation as to contract size or capacity.

In November, the Group substantially completed two deSOx projects ahead of scheduled completion date namely the Huadian Xinjiang Wei Hu Liang contract valued at approximately RMB 63 million and the Huatai Group contract valued at approximately RMB 63 million. The success of the two projects should augur well for future contract wins by the Group.

FINANCIAL SUMMARY

Operating Results (RMB'000)

	2008	2007	2006 Restated	2005 Proforma	2004 Proforma
Revenue	775,798	463,842	175,471	99,608	69,598
Gross profit	296,230	222,176	104,147	60,389	39,705
Gross profit margin	38%	48%	59%	61%	57%
Net (loss)/profit before taxation	(28,643)	171,885	91,137	52,278	33,169
Net (loss)/profit after taxation	**(44,994)**	**171,204**	**91,195**	**52,256**	**33,169**
Attributable to (assumed by):					
Shareholders of the Company	(44,994)	147,150	89,591	50,583	33,204
Minority interest	–	24,054	1,604	1,673	(35)
	(44,994)	171,204	91,195	52,256	33,169
(Loss)/Earnings per Share (RMB Cents)					
- basic	(13.21)	42.98	31.85	23.30	14.80

Revenue, Gross profit, Net (loss)/profit after taxation (RMB'000)

Financial Position (RMB'000)

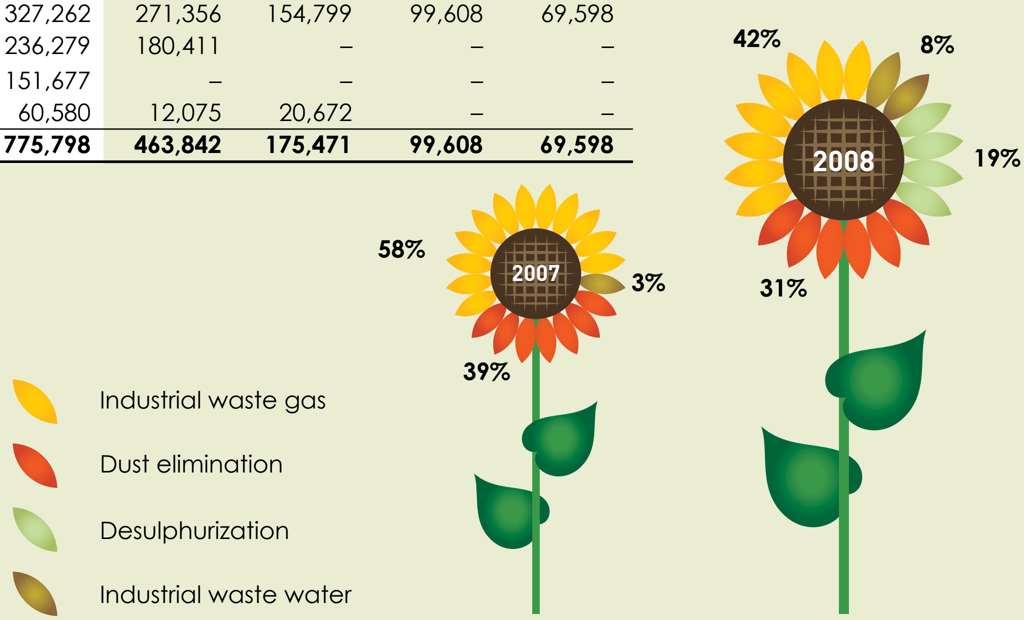
	2008	2007	2006	2005 Proforma	2004 Proforma
Non-current assets	517,080	328,394	19,593	17,375	14,932
Current assets	1,122,776	907,774	332,207	124,108	70,585
Total assets	**1,639,856**	**1,236,168**	**351,800**	**141,483**	**85,517**
Non-current liabilities	759,231	12,523	-	-	-
Current liabilities	129,527	88,630	14,194	7,540	14,250
Total liabilities	888,758	101,153	14,194	7,540	14,250
Net assets	**751,098**	**1,135,015**	**337,606**	**133,943**	**71,267**

Note: Proforma financial data has not been audited.

FINANCIAL SUMMARY

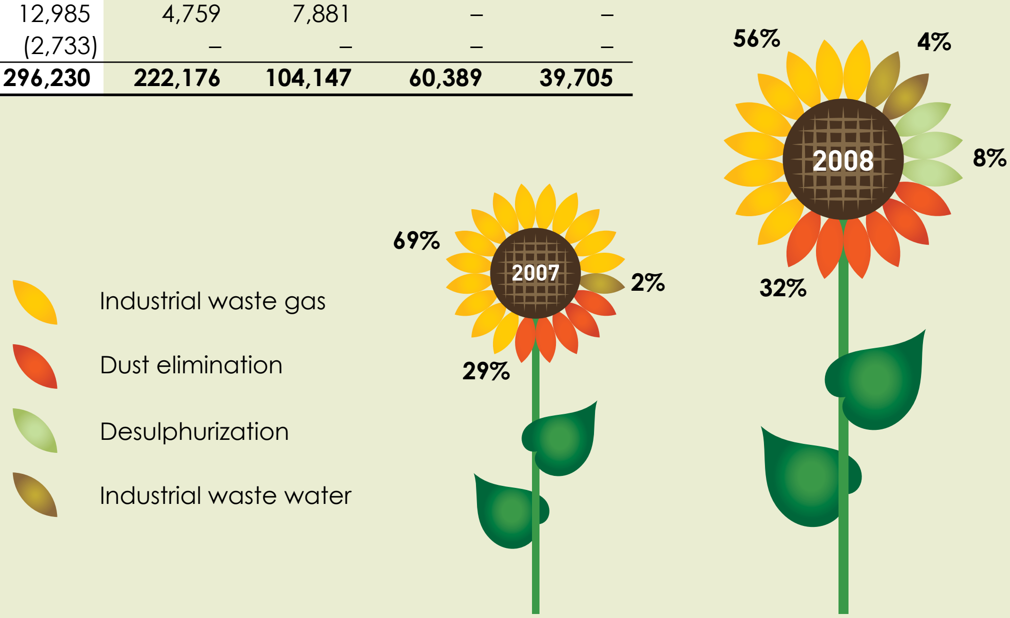
Revenue By Segments (RMB'000)

	2008	2007	2006	2005 Proforma	2004 Proforma
Industrial waste gas	327,262	271,356	154,799	99,608	69,598
Dust elimination	236,279	180,411	–	–	–
Desulphurisation	151,677	–	–	–	–
Industrial waste water	60,580	12,075	20,672	–	–
Total	**775,798**	**463,842**	**175,471**	**99,608**	**69,598**



Gross Profit By Segments (RMB'000)

	2008	2007	2006	2005 Proforma	2004 Proforma
Industrial waste gas	168,363	151,966	96,266	60,389	39,705
Dust elimination	96,334	65,451	–	–	–
Desulphurisation	21,281	–	–	–	–
Industrial waste water	12,985	4,759	7,881	–	–
Others	(2,733)	–	–	–	–
Total	**296,230**	**222,176**	**104,147**	**60,389**	**39,705**



CORPORATE GOVERNANCE

The Board and Management are committed to maintaining a high standard of corporate governance to ensure greater transparency and protection of shareholders' interests, and are pleased to confirm that the Company has adhered to the principles and guidelines of the Code of Corporate Governance (the "**Code**"), save for Guideline 3.1 (the Chairman and Chief Executive Officer should in principle be separate persons), the reason for which deviation is explained below.

This report outlines the Company's corporate governance processes and structure, with specific reference to the principles and guidelines of the Code. The Board and Management will continue to uphold the highest standards of corporate governance within the Company in accordance with the Code.

(A) BOARD MATTERS

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 success of the company. The Board works with the Management to achieve this and the Management remains accountable to the Board.

Role of the Board

The Board assumes responsibility for stewardship of the Group. Its primary role is to protect and enhance long-term value and returns for shareholders. It provides entrepreneurial leadership, oversees the business and affairs of the Group, and approves the Group's financial and strategic plans, key business initiatives, major investments and divestments proposals, and funding decisions.

Additionally, the Board has direct responsibility for decision-making in respect of the following corporate events and actions:

(a) ensure that necessary financial and human resources are in place for the Group to meet its objectives;

(b) oversee the processes of risk management, financial reporting and compliance, and evaluate the adequacy of internal controls;

(c) establish, together with Management, the strategies and financial objectives to be implemented by Management;

(d) review the performance of the Management, approve the nominations of the Board of Directors and appointment of key executives, as may be recommended by the Nominating Committee;

(e) review and endorse the framework of remuneration for the Board and key executives as may be recommended by the Remuneration Committee;

(f) set values and standards of the Group and ensure that obligations to shareholders are understood; and

(g) assume responsibility for corporate governance.

To assist the Board in the execution of the Board's responsibilities, certain functions of the Board have been delegated to 4 Board committees, comprising of an Executive Committee ("**EC**"), an Audit Committee ("**AC**"), a Nominating Committee ("**NC**") and a Remuneration Committee ("**RC**"). Each of these committees functions within clearly defined terms of reference and operating procedures which are reviewed on a regular basis. The effectiveness of each committee is also constantly being monitored.

The Board meets 4 times a year and as warranted by particular circumstances. Telephonic attendance and conference at Board meetings are allowed under the Articles of Association of the Company. The number of Board and Board committee meetings held during FY2008, as well as the attendance of each member at these meetings, are set out below:

Name of Directors	Board Meetings	Board Committee Meetings			
		Audit	Executive	Nominating	Remuneration
Mr Sun Jiangrong	3 of 4	*3 of 4	24	*1	*2
Mr You Shengquan	2 of 4	*2 of 4	24	*1	*2
Professor Li Shouxin	3 of 4	*3 of 4	24	*1	*1 of 2
Mr Tan Tar Wuei	3 of 4	*3 of 4	24	-	*1 of 2
Mr Pan Jinquan	3 of 4	3 of 4	-	-	1 of 2
Mr Goh Chee Wee	4	4	-	1	2
Dr Wong Chiang Yin	4	4	-	1	2
Total No. of Meetings Held	4	4	24	1	2

* By invitation

The Company has adopted internal guidelines setting forth matters which require Board approval. Matters which are specifically reserved to the full Board for decision are those involving interested person transactions (including, among others, conflict of interest issues in relation to substantial shareholders and directors of the Company), material acquisitions and disposal of assets, corporate or financial restructuring, share issuance and dividends, and financial results and corporate strategies. Each Board member makes decisions objectively in the interests of the Group.

The day-to-day operation and administration of the Company, on the other hand, is delegated to the EC, which is tasked with carrying out the policies and strategies set by the Board. The EC is responsible for the following recurring operational and non-material matters:-

Recurring Operational Matters

(a) reviewing financial performance of the Group and implementing policies relating to financial matters, including approving matters relating to the operation of bank accounts;

(b) approving the incorporation, acquisition and/or disposal of company or companies resulting from internal restructuring and reorganization of the Group;

(c) reviewing and approving yearly business plans and annual budgets of all operating companies within the Group, including amendments thereto;

(d) reviewing half yearly and monthly reports of all operating companies within the Group;

(e) reviewing and deciding on appropriate actions on major variances in budgets for operating companies within the Group; and

(f) reviewing and approving remuneration packages of all senior appointments (other than directors) of all companies within the Group.

Non-material Matters

(a) approving the incorporation and acquisition of companies other than those intended for material transactions; and

(b) approving the disposal, de-registration, application for striking-off or liquidation of companies with insignificant value.

All newly-appointed directors are briefed on the business activities of the Group and its strategic goals, and undergo an orientation program which includes visits to the Group's operating facilities to gain a better understanding of the Group's business operations and governance practices. Directors who are first-time directors, or who have no prior experience as directors of a listed company, also undergo briefings on the roles and responsibilities as directors of a listed company.

The directors are provided with continuing education in areas such as directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, as well as changes in the relevant provisions of the Companies Act, so as to update and refresh them on matters that affect or may enhance their performance as Board or Board committee members.

Board Composition and Balance

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

The NC determines annually whether or not a director is independent, bearing in mind the Code's definition of an "independent director" and guidance as to relationships the existence of which would deem a director not to be independent. In addition, in deciding whether or not a director is independent, the NC also takes into consideration whether a director has business relationships with the Company or any of its related companies, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent judgment with a view to the best interests of the Company. The NC is of the view that based on the Code's definition of an "independent director" and guidance as to relationships, the 3 current independent directors are independent, and no individual or small group of individuals dominates the Board's decision-making process.

The Board presently comprises 7 directors, of whom 3 are independent directors. The present composition of the Board complies with the Code's guidelines that independent directors make up at least one-third of the Board. The nature of the current directors' appointments and membership on the Board committees are as follows:

Name of Directors	Position held on the Board	Committee Membership			
		Audit	Executive	Nominating	Remuneration
Mr Sun Jiangrong	Executive Chairman and Chief Executive Officer	-	Chairman	-	-
Mr You Shengquan	Executive Director and Chief Operating Officer	-	Member	-	-
Professor Li Shouxin	Executive Director and Chief Technical Officer	-	Member	-	-
Mr Tan Tar Wuei	Executive Director and Chief Financial Officer	-	Member	-	-
Mr Goh Chee Wee	Lead Independent Director	Chairman	-	Member	Chairman
Dr Wong Chiang Yin	Independent Director	Member	-	Chairman	Member
Mr Pan Jinquan	Independent Director	Member	-	Member	Member

The size and composition of the Board is reviewed annually by the NC which is of the view that the current Board size of 7 directors, 3 of whom are independent directors, is appropriate and facilitates effective decision-making, taking into account the nature and scope of the Company's operations.

The NC is also satisfied that the Board comprises directors who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge, which are required for the Board to be effective.

The independent directors discuss regularly without the presence of management matters such as the changes that they like to see in Board processes, corporate governance initiatives, and matters which they wish to discuss during the Board meetings.

Chairman and Chief Executive Officer

Principle 3 : There should be a clear division of responsibilities at the top of the company - the working of the Board and the executive responsibility of the company's business - which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

Mr Sun Jiangrong is currently both the Chairman ("**Executive Chairman**") and Chief Executive Officer ("**CEO**") of the Company. Mr Sun has played an instrumental role in developing the business of the Group and has provided the Group with strong leadership vision. The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure where the Executive Chairman and CEO is the same person, so that the Board, and in particular, the independent directors, can have the benefit of a chairman who is knowledgeable about the business of the Group, and is therefore better able to guide discussions on business affairs of the Company, whilst at the same time have the benefit of objective and independent views from the independent directors.

The Board confirms that this arrangement has not concentrated power in the hands of one individual or compromised accountability and independent decision-making for the following reasons:

(a) the independent directors actively participate during Board meetings and challenge the assumptions and proposals of Management unreservedly, both during and outside of Board meetings on pertinent issues affecting the affairs and business of the Group;

(b) all major decisions made by the Executive Chairman and CEO of the Company are reviewed and approved by the Board; and

(c) to enhance the independence of the Board, a Lead Independent Director has been appointed to coordinate the activities of the independent directors and to act as the principal liaison party between the independent directors and the Executive Chairman on sensitive issues. The Lead Independent Director will also be available to shareholders where they have concerns which contact through the normal channels of the Executive Chairman and CEO, and the Chief Financial Officer has failed to resolve or for which such contact is inappropriate.

Notwithstanding the above, the Board retains the right to review the current status as facts and circumstances change.

As the CEO, Mr Sun is responsible for the overall management, strategic direction and growth of the Group. As the Executive Chairman, Mr Sun sets guidelines on and is responsible for the exercise of control over the quantity and quality, and the timeliness of the flow of information between the Management and the Board, so that the directors receive accurate, timely and clear information for them to make sound decisions. He also schedules Board meetings and oversees the preparation of the meeting agenda to enable the Board to perform its duties effectively and responsibly.

The Executive Chairman and CEO also encourages constructive relations between the Board and the Management, and between the executive directors and independent directors, as well as effective communication with shareholders. To facilitate effective contribution of directors, and in particular, the independent directors, the Executive Chairman and CEO ensures that relevant information on business initiatives, industry developments and press commentaries on matters relating to the Company or the industries in which it operates are circulated to the Board members on a continuous basis so as to enable them to be updated and thereby enhance the effectiveness of the non-executive directors and the Board as a whole.

The Executive Chairman and CEO takes a leading role in the Company's drive to achieve and maintain a high standard of corporate governance with the support of the directors, Management and the Company Secretary.

Board Membership

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

The Company has established a NC to, *inter alia*, make recommendations to the Board on all Board appointments. The NC currently comprises the following independent directors:

Dr Wong Chiang Yin	-	Chairman
Mr Goh Chee Wee	-	Member
Mr Pan Jinquan	-	Member

Role of the NC

The role of the NC is to establish a formal and transparent process for the appointment of new directors and the re-appointment of directors retiring by rotation, as well as to assess the effectiveness of the Board and the overall contribution of each director towards the effectiveness of the Board.

The principal functions of the NC, as set out in its terms of reference, include the following:

(a) to make recommendations to the Board on all Board appointments, including re-nominations having regard to that director's contribution and performance (such as attendance, preparedness, participation and candour);

(b) to review the independence of the directors annually;

(c) to decide whether the director is able to and has been adequately carrying out his duties as director, in particular, where a director has multiple board representations;

(d) to review and make recommendations to the Board on all candidates nominated (whether by the Board, shareholders or otherwise) for appointment to the Board, taking into account the candidate's track record, age, experience, capabilities and other relevant factors;

(e) to identify and nominate candidates for the approval of the Board to fill vacancies in the Board as and when they arise;

(f) to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval; and

(g) to assess the effectiveness of the Board as a whole.

The basis of the NC's annual determination as to whether a director is or is not independent is set out on page 19 of this Annual Report.

The NC has also adopted internal guidelines addressing competing time commitments that are faced when directors serve on multiple boards. The NC also determines annually whether a director with multiple board representations is able to and has been adequately carrying out his duties as a director of the Company. The NC has taken into account the respective director's actual conduct and effectiveness on the Board, and the time and attention given by each of them to the affairs of the Company, in making this determination, and is satisfied that all the directors having multiple board representations have been able to and have adequately carried out their duties as director.

Process for appointment of new directors

The NC has recommended, and the Board has approved, a formal process for the selection of new directors as follows:

(a) The NC evaluates the balance of skills, knowledge and experience on the Board and, in the light of such evaluation and in consultation with Management, prepares a description of the role and the essential and desirable competencies for a particular appointment;

(b) Directors and Management may suggest suitable potential candidates. If necessary, the NC may enlist external help (for example, from the Singapore Institute of Directors, search consultants, advertisements) to source for potential candidates;

(c) The NC assesses suitability of short-listed candidates and discusses with them, if necessary, to ensure that the candidate(s) are aware of the expectations and the level of commitment required; and

(d) The NC makes recommendations to the Board for approval.

Criteria for appointment of new directors

All new appointments are subject to the recommendation of the NC based on, *inter alia*, the following objective criteria:

(a) Integrity;

(b) Independent mindedness;

(c) Possess core competencies which meet the current needs of the Company and complement the skills and competencies of the existing directors on the Board;

(d) Able to commit time and effort to carry out duties and responsibilities effectively;

(e) Experience in the relevant field of business of the Company or industries in which it operates; and

(f) Financially literate.

All directors are to submit themselves for re-nomination and re-election at regular intervals of at least once every 3 years. Under the Company's existing Articles of Association, one-third of the directors (except for the managing director, if any) for the time being (or if their number is not a multiple of 3, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting ("**AGM**") of the Company. A newly appointed director must also submit himself for re-election at the AGM immediately following his appointment.

The following key information regarding directors is set out in the following pages of this Annual Report:

(a) pages 33 to 34 – Academic and professional qualifications, date of first appointment as director, date of last re-election as director, directorships or chairmanships both present and those held over the preceding 3 years in other listed companies and other major appointments, whether appointment is executive or non-executive, or considered by the NC to be independent; and

(b) page 37 – Shareholding in the Company and its subsidiaries.

Board Performance

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

The Board has implemented a formal process for assessing the effectiveness of the Board as a whole, as well as the contribution by each director to the effectiveness of the Board.

The Board assessment exercise provided an opportunity to obtain constructive feedback from each director on whether the Board's procedures and processes allowed him to discharge his duties effectively and the changes that should be made to enhance the effectiveness of the Board as a whole.

The individual director's assessment exercise allowed each director to reflect upon his own performance on the Board so that the overall quality of the board members may be improved upon and enhanced. It also assisted the NC in determining whether to re-nominate directors who are due for retirement at the next AGM, and in determining whether directors with multiple board representations are nevertheless able to and have adequately discharged their duties as directors of the Company.

The NC determines how the Board's performance may be evaluated and proposes objective performance criteria. Such performance criteria is approved by the Board and addresses how the Board has enhanced long-term shareholders' value.

Evaluation processes

(a) Board

Each Board member is required to complete a Board Assessment Checklist ("**Checklist**"). Based on the returns from each of the directors, the Chairman of the NC prepares a consolidated report and thereafter presents the report to the Board for discussion on the changes which should be made to help the Board discharge its duties more effectively.

(b) Individual directors

In the case of the assessment of individual directors, each director is required to complete a director's assessment form by way of a self-assessment of his contribution to the effectiveness of the Board. Based on the returns from each of the directors, the Chairman of the NC prepares a consolidated report and thereafter presents the report to the Board. The Chairman of the Board then provides the necessary feedback on the respective Board performance of each director, with a view to improving their respective performance on the Board.

Performance criteria

The performance criteria for the Board evaluation are in respect of the Board size, composition and independence, conduct of meetings, corporate strategy and planning, risk management and internal control, Board performance in relation to discharging its principal functions, Board committee performance in relation to discharging their responsibilities set out in their respective terms of reference, achievement of financial targets which includes return on equity, improvement of performance of the Company's share price vis-à-vis the Singapore Straits Times Index, recruitment policy, process for determining remuneration and compensation of directors and key executives, financial reporting, and communication with shareholders.

The individual director's performance criteria are categorized into (1) attendance at board and related activities, (2) adequacy of preparation for board meeting, (3) contribution in strategic/business decision, finance/accounting, risk management, legal/regulatory, human resource management, or any other specialist area of each director, (4) area of experience, (5) generation of constructive debate, (6) maintenance of independence, (7) disclosure of related party transactions, and (8) overall assessment.

Access to Information

Principle 6 : In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

To assist the Board in fulfilling its responsibilities, Management provides the Board with complete and adequate information in a timely manner. As a general rule, Board papers are required to be sent to directors at least 7 days before the Board meeting so that the members may better understand the matters prior to the Board meeting and discussion may be focused on questions that the Board has about the Board papers. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed. Key executives who can provide additional insight into the matters at hand would be present at the relevant time during the Board meeting.

Management also provides the Board members with background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts, internal financial statements, together with explanations for any material variance between the projections and actual results in respect of its financial performance.

The directors are also provided with the names and contact details of the Company's senior management and the Company Secretary to facilitate direct, separate and independent access to senior management and the Company Secretary.

The Company Secretary administers, attends and prepares minutes of Board proceedings. He assists the Chairman by ensuring that Board procedures (including but not limited to assisting the Chairman by ensuring the timely and proper exchange of information between the Board and Board committees, and between senior management and the non-executive directors, and facilitating orientation and assisting in the professional development of the directors) are followed and regularly reviewed to ensure effective functioning of the Board, and that the Company's memorandum and articles of association and relevant rules and regulations, including requirements of the Companies Act, Securities & Futures Act, and Listing Manual of the SGX-ST are complied with. He also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes with a view to enhancing long-term shareholders' value.

The appointment and removal of the Company Secretary are subject to the approval of the Board as a whole.

Subject to the approval of the Executive Chairman, the directors, whether as a group or individually, may seek and obtain independent professional advice to assist them in the discharge of their duties, at the expense of the Company.

(B) 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.

The RC currently comprises of entirely independent directors as follows:

Mr Goh Chee Wee	-	Chairman
Dr Wong Chiang Yin	-	Member
Mr Pan Jinquan	-	Member

The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors and senior management. The principal functions of the RC include the following:

(a) to review and recommend to the Board for endorsement a framework of remuneration for the Executive Chairman, directors, and key executives of the Company. The framework will cover all aspects of remuneration, including without limitation, directors fees, salaries, allowances, bonuses, options and benefits-in-kind;

(b) to review the remuneration packages of all managerial staff who are related to any of the executive directors or CEO;

(c) in the case of directors' service contracts, to consider what compensation or commitments the directors' service contract, if any, would entail in the event of early termination; and

(d) to recommend to the Board, in consultation with senior management and the Executive Chairman, any long-term incentive scheme (including share schemes) and to consider the eligibility of directors for benefits under such long term incentive schemes.

Each member of the RC will refrain from voting on any resolution in respect of the assessment of his remuneration. No director will be involved in determining his own remuneration.

The RC has access to expert advice in the field of executive remuneration outside the Company where required.

Level and Mix of Remuneration

Principle 8 : The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of the executive directors’ remuneration should be structured so as to link rewards to corporate and individual performance.

The RC assists the Board by ensuring that remuneration policies and practices are sound in that they are able to attract, retain and motivate without being excessive, and thereby maximize shareholders’ value.

In setting remuneration packages, the RC takes into consideration the pay and employment conditions within the industry and in comparable companies. As part of its review, the RC ensures that the performance related elements of remuneration form a significant part of the total remuneration package of executive directors and is designed to align the directors' interests with those of shareholders and link rewards to corporate and individual performance. The RC also reviews all matters concerning the remuneration of independent directors by ensuring that the remuneration commensurates with the level of contribution, taking into account factors such as effort and time, and responsibilities of the directors. The Company will submit the quantum of directors' fees of each year to the shareholders for approval at each AGM.

Only the executive directors have entered into service contracts with the Company, which are for a fixed appointment period. The RC reviews what compensation commitments the executive directors' service contracts would entail in the event of early termination, and aims to be fair and avoid rewarding inadequate performance.

Disclosure on Remuneration

Principle 9 : Each company should provide clear disclosure of its remuneration policy, 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 executives, and performance.

Policy in respect of independent directors’ remuneration

The independent directors do not enter into service contracts with the Company. They are paid directors’ fees, the amount of which is dependent on their level of responsibilities. Each independent director is paid a basic fee. In addition, independent directors who perform additional services through Board committees are paid an additional fee for such services. The members of the AC are paid a higher fee than the members of the other Board committees because of the heavier responsibilities and more frequent meetings required of them. The Chairman of each Board committee is also paid a higher fee compared to members of the committee in view of the greater responsibility carried by that office. The amount of directors' fees payable to independent directors is subject to shareholders' approval at the Company's AGMs.

Remuneration policy in respect of executive directors and other key executives

The Company advocates a performance-based remuneration system that is highly flexible and responsive to the market and the performance of the Company and the individual employee. This allows the Company to better align executive compensation with shareholders value creation. The total remuneration mix comprises annual fixed cash and annual performance incentive. The annual fixed cash component comprises the annual basic salary plus any other fixed allowances. The annual performance incentive is tied to the performance of the Company and the individual employee.

Remuneration of the directors, key executives (who are not also directors) for FY2008

The level and mix of each of the directors' remuneration, in bands of S$250,000 for FY2008, are set out below:

Remuneration Band & Name of Directors	Base/Fixed Salary	Variable or Performance Related Income/Bonuses	Profit Sharing	Directors' Fees	Benefits-in-Kind	Others
Above S$500,000						
Nil						
Above $250,000 to $500,000						
Mr Sun Jiangrong	75%	9%	-	7%	-	9%
S$250,000 and below						
Mr Tan Tar Wuei	74%	9%	-	9%	-	8%
Mr You Shengquan	50%	4%	-	45%	-	1%
Professor Li Shouxin	59%	4%	-	36%	-	1%
Mr Goh Chee Wee	-	-	-	100%	-	-
Mr Wong Chiang Yin	-	-	-	100%	-	-
Mr Pan Jinquan	-	-	-	100%	-	-

None of the remuneration of the top 8 key executives of the Group (who are not also directors), namely Messrs Feng Zhengming, Qiu Yixi, Lin Wenqiao, Zheng Yunjie, Lin Xin, Phooi Bok Lan, Guo Xiaofeng and Liang Wee Leong, exceed S$250,000 for the financial period under review.

There were no employees of the Company or its subsidiaries who were immediate family members of any director or the CEO of the Company and whose remuneration exceeded S$150,000 for FY2008. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister or parent.

The directors and certain key executives participate in 2 incentive schemes of the Company in the form of the Sino-Environment Employee Share Option Scheme and Sino-Environment Performance Share Plan.

Sino-Environment Employee Share Options Scheme ("Sino-Environment ESOS")

The Sino-Environment ESOS was approved by the shareholders of the Company on 26 April 2008. The Sino-Environment ESOS is administered by a committee comprising 4 directors as follows:

Mr Goh Chee Wee	-	Chairman
Dr Wong Chiang Yin	-	Member
Mr Pan Jinquan	-	Member
Mr Tan Tar Wuei	-	Member

The purpose of the Sino-Environment ESOS is to provide an opportunity for the employees who have contributed significantly to the growth and performance of the Company, as well as directors (including executive and non-executive directors) who satisfy the eligibility criteria to participate in the equity of the Company. The Sino-Environment ESOS also aims, *inter alia*, to motivate each Scheme participant to optimise performance standards and efficiency, as well as to maintain and further motivate a high level of contribution and loyalty to the Group. Mr Sun Jiangrong, the Executive Chairman and CEO of the Group, did not and will not participate in the Sino-Environment ESOS.

Under the Sino-Environment ESOS, an option may be exercised in whole or in part only in respect of 1,000 Shares or any multiple thereof, on payment of the subscription price as determined by the Committee. The subscription price shall be either:

(a) a price equal to the average of the last dealt prices for the Shares on the SGX-ST over the five (5) consecutive market days immediately preceding the date of grant ("**Date of Grant**") of the option ("**Market Price**"); or

(b) a price set at a discount to the Market Price, which maximum discount shall not exceed twenty per cent. (20%) of the Market Price.

Unless an earlier date is determined by the Committee, an option granted with the exercise price set at the Market Price may be exercised at any time after the 1st anniversary of the Date of Grant but before the 10th anniversary of the relevant Date of Grant, whereas an option granted with the exercise price set at a discount to the Market Price shall only be exercisable after the 2nd anniversary of the Date of Grant but before the 10th anniversary of the relevant Date of Grant.

To afford greater transparency, the Sino-Environment ESOS stipulates that no option shall be granted during the 30 days immediately preceding the date of announcement of the Company's interim and/or final results, as the case may be. The aggregate number of Shares issued and issuable in respect of all options granted under the Sino-Environment ESOS (when added to the Plan Awards (as defined therein) granted under the Sino-Environment Performance Share Plan (as described below)) shall not exceed fifteen per cent. (15%) of the number of issued Shares on the day immediately preceding the relevant Date of Grant of the option. The number of new Shares issuable in respect of all options granted pursuant to the Sino-Environment ESOS available to each controlling shareholder or each of his associates, and to all controlling shareholders and their associates, shall not exceed ten per cent. (10%) and twenty-five per cent. (25%) respectively of the Shares available under the Sino-Environment ESOS.

The Company did not grant any options up to the date of this Annual Report.

Sino-Environment Performance Share Plan ("Sino-Environment PSP")

The Sino-Environment PSP was approved by the shareholders on 26 April 2008. The Sino-Environment PSP is administered by a committee whose members are as follows:

Mr Goh Chee Wee	-	Chairman
Dr Wong Chiang Yin	-	Member
Mr Pan Jinquan	-	Member
Mr Tan Tar Wuei	-	Member

The Sino-Environment PSP is a performance-based share plan, and it is intended to give the Company greater flexibility to align the interests of employees, especially key management and executives, with those of shareholders. It complements the Sino-Environment ESOS by allowing the Company to tailor share-based incentives according to the objectives to be achieved by combining an award of Shares granted under the Sino-Environment PSP ("**Plan Award**").

The grant of Plan Awards may be made by the Committee at any time during the period of 10 years commencing on the date on which the Sino-Environment PSP is adopted by the Company in a general meeting (unless earlier terminated or extended).

Plan Awards represent the right of a Plan participant to receive fully paid Shares, their equivalent cash value or combinations thereof, free of charge, provided that certain prescribed performance targets as prescribed by the Committee ("**Performance Targets**") are met.

These Performance Targets are stretched targets aimed at sustaining long-term growth, and include targets based on criteria such as total shareholders' return, economic value added, market share, market ranking and return on sales. The Company may also grant Plan Awards under the Sino-Environment PSP after the satisfactory completion of time-based service conditions, that is, after the Plan participants have served the Company (or Group companies where applicable) for a specified number of years or after a further period of service beyond the Performance Target completion date. The Company may also impose an extended vesting period beyond the Performance Target completion date in order to encourage Plan participants to continue serving the Company (or Group companies where applicable).

Group employees (including executive directors) must satisfy certain criteria before being allowed to participate in the Sino-Environment PSP. Non-executive directors (including independent directors) of the Group or associated companies would also be eligible to participate in the Sino-Environment PSP. However, any grant of a Plan Award to non-executive directors (including independent directors) pursuant to the Sino-Environment PSP must comply with the provisions of Section 76 of the Companies Act. Mr Sun Jiangrong, the Executive Chairman and CEO of the Group, did not and will not participate in the Sino-Environment PSP.

The aggregate number of new Shares which may be issued and issuable pursuant to Plan Awards granted under the Sino-Environment PSP, when added to the new Shares issuable in respect of all options granted under the Sino-Environment ESOS, shall not exceed fifteen per cent. (15%) of the number of issued Shares of the Company on the day preceding the relevant date of the Plan Award.

On 20 August 2008, the Company granted 3,000,000 Shares pursuant to the Sino-Environment PSP, the details of which are set out on page 37 of this Annual Report.

(C) 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 responsible for providing a balanced and understandable assessment of the Company's performance, position and prospects, including interim and other price sensitive public reports, and reports to regulators (if required). Management currently provides all members of the Board with appropriately detailed management accounts which present a balanced and understandable assessment of the Company's performance, position and prospects on a quarterly basis.

The Board has embraced openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. Financial reports and other price sensitive information are disseminated to shareholders through announcements via SGXNet to the SGX-ST, press releases, the Company's website, and public webcast and media and analyst briefings.

Audit Committee

Principle 11 : The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The AC currently comprises of the following independent directors:

Mr Goh Chee Wee	-	Chairman
Dr Wong Chiang Yin	-	Member
Mr Pan Jinquan	-	Member

Mr Goh Chee Wee and Dr Wong Chiang Yin have accounting and related financial management expertise and experience. The Board considers Mr Pan Jinquan as having sufficient financial management knowledge and experience to discharge his responsibilities as a member of the AC.

The primary functions of the AC, as set out in its terms of reference, are as follows:

(a) to review the financial and operating results and accounting policies of the Group;

(b) to review the scope and results of the audit and its cost effectiveness;

(c) to review the financial statements before their submission to the Board and the external auditors' report on those financial statements;

(d) to review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements and any formal announcements relating to the Company's financial performance;

(e) to review the quarterly, half-yearly and annual announcement of results of the Group before submission to the Board for approval;

(f) to consider and review the assistance given by Management to the auditors;

(g) to discuss with the external auditors before the audit commences the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

(h) to review the external audit plan and the results of the external auditors' examination and evaluate the effectiveness of the Group's internal control system;

(i) to review the independence and objectivity of the external auditors;

(j) to recommend the appointment or re-appointment of external auditors, and approve the terms of engagement and audit fees payable to the external auditors;

(k) to review interested person transactions to ensure that they are carried out on normal commercial terms and are not prejudicial to the interests of shareholders, and are in compliance with the then prevailing rules and regulations of the SGX-ST (in particular, Chapter 9 of the Listing Manual of the SGX-ST);

(l) to review the internal audit plan and findings of the internal auditors;

(m) to commission and review the major findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of internal controls or infringement of any relevant law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position; and

(n) to undertake such other functions and duties as may be required by statute or the Listing Manual of the SGX-ST and by such amendments made thereto from time to time.

The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

In addition, the AC has independent access to the internal auditors and the external auditors, who report independently their findings and recommendations to the AC. The AC met with the external auditors and internal auditors, without the presence of the Management, at least once during the year.

During the year, the AC performed independent reviews of the financial statements of the Company before the announcement of the Company's quarterly and full-year results. The AC also reviewed and approved both the Company's internal auditor's and external auditor's plans to ensure that the plans covered sufficiently the terms of audit scope in reviewing the significant internal controls of the Company. Such significant controls comprise financial, operational and compliance controls. All audit findings and recommendations put up by the internal and the external auditors were forwarded to the AC. Significant issues were discussed at these meetings.

In addition, the AC undertook a review of the independence and objectivity of the external auditors through discussions with the external auditors, as well as reviewing the non-audit fees awarded to them, and has confirmed that the non-audit services performed by the external auditors would not affect their independence.

The AC also reviewed the Company's "Whistle-Blower Policy" ("**Policy**") which provides for the mechanisms by which employees and other persons may, in confidence, raise concerns about possible improprieties in financial reporting or other matters, and was satisfied that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. Following the launch of the Policy, a set of guidelines which was reviewed by the AC and approved by the Board, was issued to assist the AC in managing allegations of fraud or other misconduct which may be made pursuant to the Policy, so that investigations may be carried out in an appropriate and timely manner, and disciplinary, civil and/or criminal actions that may be initiated following completion of investigations, are appropriate, balanced, and fair.

On a quarterly basis, Management reports to the AC the interested person transactions ("**IPTs**") reviewed by the internal auditors. Findings of IPTs, if any, were reported during AC meetings.

Internal Controls

Principle 12 : The Board should ensure that Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The Company's internal and external auditors conduct an annual review of the adequacy and effectiveness of the Company's internal controls, including financial, operational and compliance controls, and risk management policies and systems established by Management (collectively "**internal control**"). Any material non-compliance or failures in internal control, and recommendations for improvements, are reported to the AC. The AC also reviews the effectiveness of the actions taken by Management on the recommendations made by the internal and external auditors in this respect.

During the year, the AC reviewed the effectiveness of the Company's internal control and risk management procedures and was satisfied that the Company's risk management processes and internal controls are adequate to meet the needs of the Company in its current business environment.

Internal Audit

Principle 13 : The company should establish an internal audit function that is independent of the activities it audits.

The role of the internal auditors is to assist the AC by ensuring that the Company maintains a sound system of internal controls by regular monitoring of key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the AC, and conducting regular in-depth audits of high risk areas.

The Company's internal audit functions are out-sourced to BDO Raffles Consultants Pte. Ltd. (the "**Internal Auditor**"), which has unrestricted direct access to the AC.

The Internal Auditor's primary line of reporting is to the Chairman of the AC, although the Internal Auditor also reports administratively to the CEO.

As a member of The Institute of Internal Auditors ("**IIA**"), the Internal Auditor is guided by the Standards for the Professional Practice of Internal Auditing set by the IIA.

During the year, the Internal Auditor adopted a risk-based auditing approach that focuses on material internal controls, including financial, operational and compliance controls. Audits were carried out on all significant business units in the Company. All findings and recommendations of the Internal Auditor are submitted to the AC for deliberation with copies of these reports extended to the CEO and the relevant senior management officers.

The AC also reviewed the adequacy of the internal audit function and was satisfied that it is adequately resourced and has appropriate standing within the Company.

(D) COMMUNICATION WITH SHAREHOLDERS

Communication with Shareholders

Principle 14 : Companies should engage in regular, effective and fair communication with shareholders.

Principle 15 : Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Board is mindful of its obligations to provide timely and fair disclosure of material information to the SGX-ST in accordance with the Corporate Disclosure Policy as set out in the Listing Manual of the SGX-ST. The Board's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group.

Material information is disclosed and communicated to shareholders in a comprehensive, accurate and timely manner through:

(a) announcements of full year and quarterly financial results which are published via the SGXNet;

(b) annual reports or circulars of the Company that are prepared and sent to all shareholders;

(c) notices of AGMs and extraordinary general meetings published in the newspapers; and

(d) press releases on major developments of the Group.

Shareholders are invited to attend shareholders' meetings to put forth any questions they may have on the motions to be debated and decided upon. If any shareholder is unable to attend, he is allowed to appoint up to 2 proxies to vote on his behalf at the meeting through proxy forms sent in advance. At shareholders' meetings, each distinct issue is proposed as a separate resolution. The chairman of each Board committee is required to be present to address questions at AGMs. External auditors are also present at such meetings to assist the directors to address shareholders' queries, if necessary.

The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

The Company Secretary prepares minutes of shareholders' meetings, which incorporates substantial comments or queries, if any, from shareholders and responses from the Board and Management. These minutes are available to shareholders upon request.

(E) DEALINGS IN SECURITIES

In relation to dealings in the Company's securities by officers of the Company, the Company has adopted its own guidelines based substantially on the provisions of Rule 1207 of the Listing Manual of the SGX-ST (formerly found in the Best Practices Guide on Dealings in Securities issued by the SGX-ST). These internal guidelines apply to dealings in securities by certain employees (including directors and other officers) of the Group. The Company issues circulars to its directors and officers reminding them not to deal in the listed securities of the Company, for a period of 2 weeks before the release of quarterly results, and 1 month before the full-year results, and if they are in possession of unpublished price-sensitive information.

(F) RISK MANAGEMENT

The Company does not have a Risk Management Committee. However, the Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant control policies and procedures and highlights all significant matters to the Board and the AC.

(G) INTERESTED PERSON TRANSACTIONS

The Board has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC for review, and that all such transactions are conducted at arm's length basis.

There are no interested person transactions (with value more than S$100,000) conducted during FY2008.

(H) MATERIAL CONTRACTS

No material contracts, not being contracts entered into in the ordinary course of business, had been entered into by the Company and its subsidiaries involving the interest of the CEO, any director or controlling shareholder of the Company during the period under review.

PARTICULARS OF DIRECTORS PURSUANT TO THE CODE

Name	Academic/Professional Qualifications/Affiliations	Board Appointment Executive/Non-Executive/ Independent	Date Last Appointed	Date Last Re-elected	Directorship/Chairmanships in other Listed Companies in Singapore (Present & Held Over the Preceding 3 Years) & Major Appointments
Mr Sun Jiangrong	Master of Business Administration; Graduate Certificate of Executive Master in Business Administration	Executive Chairman and Chief Executive Officer	30 September 2004	26 April 2007	**Other Listed Companies** Radiance Electronics Ltd. **Major Appointments** Vice-president, Council of China International Chamber of Commerce (Fujian Branch); Vice-president, Fujian Sino-Western Business Enterprise
Mr You Shengquan	Bachelor of Science in Chemistry; Master in Research specialising in Marine Chemistry	Executive Director and Chief Operating Officer	14 March 2006	28 April 2008	**Other Listed Companies** Nil **Major Appointments** Nil
Professor Li Shouxin	Graduate Certification in Chemical Engineering; Research Fellow, China Management Science Research Institute; Member, Editorial Committee of Examination and Training Materials for PRC National Registered Environmental Protection Engineers	Executive Director and Chief Technical Officer	14 March 2006	30 June 2006	**Other Listed Companies** Nil **Major Appointments** Nil
Mr Tan Tar Wuei	Bachelor's Degree in Accountancy; Member, Institute of Certified Public Accountants of Singapore	Executive Director and Chief Financial Officer	6 June 2006	28 April 2008	**Other Listed Companies** Radiance Electronics Ltd. **Major Appointments** Nil

PARTICULARS OF DIRECTORS PURSUANT TO THE CODE (continued)

Name	Academic/Professional Qualifications/Affiliations	Board Appointment Executive/Non-Executive/ Independent	Date Last Appointed	Date Last Re-elected	Directorship/Chairmanships in other Listed Companies in Singapore (Present & Held Over the Preceding 3 Years) & Major Appointments
Mr Goh Chee Wee	Bachelor of Science (First Class Honours); Master of Science in Engineering; Diploma in Business Administration	Lead Independent Director	14 March 2006	26 April 2007	**Other Listed Companies** 1. AGVA Corporation Ltd. 2. Beng Kuang Marine Ltd. 3. Chip Eng Seng Corporation Ltd. 4. Financial One Corp 5. Keda Communications Ltd. 6. King Wan Corporation Ltd. 7. Sinotel Technologies Ltd. 8. Stamford Tyres Corporation Ltd. 9. Yaan Security Technology Ltd. **Major Appointments** Director, various NTUC Co-operatives and public listed companies.
Dr Wong Chiang Yin	Bachelor of Medicine and Bachelor of Surgery; Master of Medicine (Public Health); Master of Business Administration (Finance)	Independent Director	14 March 2006	28 April 2008	**Other Listed Companies** 1. Beng Kuang Marine Ltd. 2. Ouhua Energy Holdings Ltd. **Major Appointments** Executive Director for Hospital Division and Chief Executive Officer of the Pantai Hospitals, Pantai Holdings Berhad; President of the Singapore Medical Association.
Mr Pan Jinquan	Bachelor's Degree in Economics; Researcher on special engagement with Economic Research Centre, Fujian Province; Researcher on special engagement with Government Development Research Centre, Fujian Province; Professor by special invitation with Economic Management Cadre Institute, Fujian Province	Independent Director	5 February 2007	26 April 2007	**Other Listed Companies** Nil **Major Appointments** Nil

APPENDIX

Code of Corporate Governance
Specific principles and guidelines for disclosure

Relevant Guidelines or Principles	**Page Reference in this Annual Report**
Guideline 1.3 Delegation of authority, by the board to any board committee, to make decisions on certain board matters	17 - 31
Guideline 1.4 The number of board and board committee meetings held in the year, as well as the attendance of every board member at these meetings	17 – 18
Guideline1.5 The type of material transactions that require board approval under internal guidelines	17 – 18
Guideline 2.2 Where the company considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem him as non-independent, the nature of the director's relationship and the reasons considering him as independent should be disclosed	19
Guideline 3.1 Relationship between the Chairman and CEO where they are related to each other	20
Guideline 4.1 Composition of nominating committee	21
Guideline 4.5 Process for the selection and appointment of new directors to the board	22
Guideline 4.6 Key information regarding directors, which directors are executive, non-executive or considered by the nominating committee to be independent	33 – 34
Guideline 5.1 Process for assessing the effectiveness of the Board as a whole and the contribution of each individual director to the effectiveness of the Board	23
Principle 9 Clear disclosure of its remuneration policy, level and mix of remuneration, procedure for setting remuneration and link between remuneration paid to directors and key executives, and performance	25 – 26
Guideline 9.1 Composition of remuneration committee	24
Guideline 9.2 Names and remuneration of each director. The disclosure of remuneration should be in bands of S$250,000. There will be a breakdown (in percentage terms) of each director's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, and stock options granted and other long-term incentives	26

APPENDIX

Code of Corporate Governance
Specific principles and guidelines for disclosure (continued)

Relevant Guidelines or Principles	Page Reference in this Annual Report
Guideline 9.2 Names and remuneration of at least the top 5 key executives (who are not also directors). The disclosure should be in bands of S$250,000 and include a breakdown of remuneration	26
Guideline 9.3 Remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S$150,000 during the year. The disclosure should be made in bands of S$250,000 and include a breakdown of remuneration	26
Guideline 9.4 Details of employee share schemes	27 – 28
Guideline 11.8 Composition of audit committee and details of the committee's activities	28 – 31
Guideline 12.2 Adequacy of internal controls, including financial, operational and compliance controls and risk management system	31 – 32

The directors present their report to the members together with the audited financial statements of Sino-Environment Technology Group Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2008 and the balance sheet of the Company as at 31 December 2008.

Directors

The directors of the Company in office at the date of this report are as follows:

Mr Sun Jiangrong
Mr You Shengquan
Professor Li Shouxin
Mr Tan Tar Wuei
Mr Goh Chee Wee
Dr Wong Chiang Yin
Mr Pan Jinquan

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 object was 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 as discussed under "Employee Share Option Scheme and Performance Shares Plan".

Directors' interests in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2008	At 1.1.2008	At 31.12.2008	At 1.1.2008
Company				
(No. of Ordinary shares)				
Mr Sun Jiangrong	-	-	190,788,000	190,638,000
Mr Tan Tar Wuei	100,000	100,000	-	-

(b) The directors' interests in the ordinary shares of the Company as at 21 January 2009 were the same as those as at 31 December 2008.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report, and except that Mr Sun Jiangrong, Mr You Shengquan and Professor Li Shouxin have employment relationships with the Company and a subsidiary, and Mr Tan Tar Wuei has employment relationships with the Company.

Share Option and Shares Plan

The Employee Share Option Scheme ("ESOS") and Performance Shares Plan ("PSP") for key management personnel and employees of the Group was approved by members of the Company at an Extraordinary General Meeting on 28 April 2008.

The ESOS and PSP Committee consist of:

Mr Goh Chee Wee (Chairman)
Dr Wong Chiang Yin
Mr Pan Jinquan
Mr Tan Tar Wuei

Employee Share Option Scheme ("ESOS")

Under the ESOS, options to subscribe for the ordinary shares of the Company are granted to key management personnel and employees. The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange for five market days immediately preceding the date of grant. The vesting of the options is conditional on the key management personnel or employees completing at least a year of service to the Group. If options are granted at a discount, the vesting period is at least 2 years. Once the options are vested, they are exercisable for a period of ten years. The options may be exercised in full or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

As of the date of this report, no employee share options have been granted.

Share Option and Shares Plan (continued)

Performance Shares Plan ("PSP")

Under the PSP, the Company granted 3,000,000 share awards on 20 August 2008 ("2008 PSP") representing the right to receive fully paid ordinary shares of the Company, their equivalent cash value or combinations thereof, free of charge. The closing share price of the Company's shares as of the date of grant was S$1.25. After the end of a specific performance period, the Company shall deliver shares of the Company or pay the cash value or combinations thereof. The value of each share is determined by reference to average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange for three market days immediately preceding the date of delivery. The 2008 PSP shares will be delivered on 20 August 2009, which is the end of the performance period for the 2008 PSP.

The aggregate number of shares over which the options may be granted on any date under the ESOS and the number of shares which may be issued pursuant to the PSP, when added to the number of shares issued and issuable in respect of all options granted under the ESOS and all shares granted under the PSP, shall not exceed 15% of the issued share capital of the Company on the day preceding that date.

No PSPs have been granted to controlling shareholders of the Company or their associates (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited). PSP shares have been granted to the following directors: Mr Goh Chee Wee, Dr Wong Chiang Yin, Mr Pan Jinquan, Mr Tan Tar Wuei, Mr You Shengquan and Professor Li Shouxin. The aggregate number of shares which have not been delivered as at 31 December 2008 amounted to 3,000,000.

PSP granted to directors and other employees of the Company as at 31 December 2008 are as follows:

	Granted in the financial year ended 31 December 2008	**Aggregate outstanding as at 31 December 2008**
Directors		
Goh Chee Wee	50,000	50,000
Wong Chiang Yin	40,000	40,000
Pan Jinquan	10,000	10,000
Tan Tar Wuei	75,000	75,000
You Shengquan	300,000	300,000
Li Shouxin	200,000	200,000
	675,000	675,000
Non-directors	2,325,000	2,325,000
Total ordinary shares	**3,000,000**	**3,000,000**

Audit Committee

The members of the Audit Committee at the end of the financial year were as follows:

Mr Goh Chee Wee (Chairman)
Dr Wong Chiang Yin
Mr Pan Jinquan

All members of the Audit Committee were non-executive directors and were independent.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

- The scope and the results of internal audit procedures with the internal auditor;
- The audit plan of the Company's independent auditor and its report on the weaknesses of internal accounting controls arising from the statutory audit;
- The assistance given by the Company's management to the independent auditor; and
- The balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2008 before their submission to the Board of Directors, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent Auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Sun Jiangrong Executive Director and Chief Executive Officer	Tan Tar Wuei Executive Director and Chief Financial Officer

24 March 2009

STATEMENT BY DIRECTORS

For the financial year ended 31 December 2008

In the opinion of the directors,

(a) save for any adjustments that may be required as a result of the subsequent event described in Note 38, the accompanying financial statements comprising the balance sheets, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement together with the notes thereon are drawn up in accordance with the provisions of the Companies Act, Cap. 50 and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and of the results, changes in equity and cash flows of the Group for the financial year ended 31 December 2008; and

(b) at the date of this statement, subject to the successful resolution on the matters described in Note 38, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

Sun Jiangrong	Tan Tar Wuei
Executive Director and	Executive Director and
Chief Executive Officer	Chief Financial Officer

24 March 2009

We were engaged to audit the accompanying financial statements of Sino-Environment Technology Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 43 to 96, which comprise the balance sheets of the Company and of the Group as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting control 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;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

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 matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As set out in Note 38 to the financial statements, there may be a change in control of the Company as the Company's Controlling Shareholder may be faced with forced sale of part or all of its ordinary shares in the capital of the Company arising from the Controlling Shareholder's default of certain financial obligations. This change in control would give the Bondholders who bought the S$149,000,000 convertible bonds issued by the Company in July 2008 the right to request for immediate conversion and/ or redemption of the outstanding S$149,000,000 bonds existing at the balance sheet date. The Company may not be able to make payment for such unscheduled redemption by the Bondholders if called upon to do so.

The matter set out in the paragraph above indicates the existence of material uncertainties which may affect the validity of the going concern assumption on which the accompanying financial statements of the Company and the Group are prepared. In the event that the going concern assumption is inappropriate, adjustments will have to be made to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, and to restate the carrying values of the assets to their recoverable amounts and to provide for further liabilities which may arise. No such adjustments have been made in the financial statements for the year ended 31 December 2008.

Disclaimer of Opinion

Because of the significance of the matter referred to in the preceding paragraphs, we are not in a position to, and do not, express an opinion on the accompanying financial statements of the Company and the Group.

In our opinion, 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.

PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants
Singapore, 24 March 2009

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2008

	Note	2008	2007
		RMB'000	RMB'000
Sales	4	**775,798**	463,842
Cost of sales		**(479,568)**	(241,666)
Gross profit		**296,230**	222,176
Other income	7	**13,114**	19,511
Other losses - net	8	**(227,352)**	(781)
Expenses			
- Distribution and marketing		**(13,415)**	(9,583)
- Administrative		**(65,251)**	(58,495)
- Finance	9	**(31,969)**	(943)
(Loss) / Profit before income tax		**(28,643)**	171,885
Income tax expense	10(a)	**(16,351)**	(681)
Total (loss) / profit		**(44,994)**	171,204
Attributable to:			
Equity holders of the Company		**(44,994)**	147,150
Minority interests		**-**	24,054
		(44,994)	171,204
(Losses) / earnings per share for (loss) / profit attributable to equity holders of the Company			
(RMB per share)			
- Basic	11(a)	**(0.13)**	0.43
- Diluted	11(b)	**(0.13)**	0.43

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

BALANCE SHEETS

As at 31 December 2008

	Note	Group 2008 RMB'000	Group 2007 RMB'000	Company 2008 RMB'000	Company 2007 RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	12	**727,883**	689,157	**133,817**	185,703
Trade and other receivables	13	**276,473**	210,656	**285,813**	61,407
Other current assets	14	**113,316**	2,979	**615**	290
Inventories	15	**5,104**	4,982	**-**	-
		1,122,776	907,774	**420,245**	247,400
Non-current assets					
Transferable club memberships	16	**354**	354	**354**	354
Investments in subsidiaries	19	**-**	-	**720,192**	588,201
Financial assets, available-for-sale	20	**1,935**	-	**1,935**	-
Derivative financial instrument					
- Equity swap derivative	21	**130,026**	-	**130,026**	-
Long-term prepayment	22	**1,889**	4,609	**-**	-
Investment properties	23	**468**	485	**-**	-
Property, plant and equipment	24	**154,319**	104,193	**1,229**	757
Intangible assets	25	**228,089**	218,753	**-**	-
		517,080	328,394	**853,736**	589,312
Total assets		**1,639,856**	1,236,168	**1,273,981**	836,712
LIABILITIES					
Current liabilities					
Trade and other payables	26	**116,351**	76,918	**12,423**	8,601
Current income tax liabilities	10(b)	**3,976**	712	**17**	471
Borrowings	27	**9,200**	11,000	**-**	-
		129,527	88,630	**12,440**	9,072
Non-current liabilities					
Derivative financial instrument					
- Embedded derivative	28	**112,768**	-	**112,768**	-
Borrowings	27	**622,636**	1,000	**622,636**	-
Deferred income tax liabilities	29	**23,827**	11,523	**-**	-
		759,231	12,523	**735,404**	-
Total liabilities		**888,758**	101,153	**747,844**	9,072
NET ASSETS		**751,098**	1,135,015	**526,137**	827,640
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	30	**793,316**	793,316	**793,316**	793,316
Treasury shares	30	**(50,719)**	-	**(50,719)**	-
Other reserves	31	**(148,042)**	34,458	**-**	-
Retained earnings / (Accumulated loss)	32	**156,543**	224,337	**(216,460)**	34,324
		751,098	1,052,111	**526,137**	827,640
Minority interests		**-**	82,904	**-**	-
Total equity		**751,098**	1,135,015	**526,137**	827,640

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2008

	Note	Attributable to equity holders of the Company						
		Share capital	Treasury shares	Other reserves	Retained Earnings	Total	Minority interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2008								
Beginning of financial year		793,316	-	34,458	224,337	1,052,111	82,904	1,135,015
Currency translation differences	31(b)(iii)	-	-	(1)	-	(1)	-	(1)
Net loss		-	-	-	(44,994)	(44,994)	-	(44,994)
Total recognised loss		**-**	**-**	**(1)**	**(44,994)**	**(44,995)**	**-**	**(44,995)**
Increase in investment in subsidiary	31(b)(ii)	-	-	(205,299)	-	(205,299)	(82,904)	(288,203)
Transfer to statutory reserves	31(b)(i)	-	-	22,800	(22,800)	-	-	-
Purchase of treasury shares	30	-	(50,719)	-	-	(50,719)	-	(50,719)
End of financial year		**793,316**	**(50,719)**	**(148,042)**	**156,543**	**751,098**	**-**	**751,098**
2007								
Beginning of financial year								
- As previously reported		222,754	-	15,029	96,546	334,329	3,277	337,606
- Adjustment for prior period		-	-	336	(336)	-	-	-
As restated		222,754	-	15,365	96,210	334,329	3,277	337,606
Currency translation differences	31(b)(iii)	-	-	1	-	1	-	1
Net profit		-	-	-	147,150	147,150	24,054	171,204
Disposal of subsidiary		-	-	-	(764)	(764)	(617)	(1,381)
Total recognised income		**-**	**-**	**1**	**146,386**	**146,387**	**23,437**	**169,824**
Acquisition of subsidiary		-	-	-	-	-	59,413	59,413
Increase in investment in subsidiary	31(b)(ii)	-	-	122	711	833	(3,223)	(2,390)
Issue of shares	30	590,950	-	-	-	590,950	-	590,950
Share issue expenses	30	(20,388)	-	-	-	(20,388)	-	(20,388)
Transfer to statutory reserves	31(b)(i)	-	-	18,970	(18,970)	-	-	-
End of financial year		**793,316**	**-**	**34,458**	**224,337**	**1,052,111**	**82,904**	**1,135,015**

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2008

	Note	Group 2008 RMB'000	2007 RMB'000
Cash flows from operating activities			
Total (loss) / profit		**(44,994)**	171,204
Adjustments for			
- Income tax expense		**16,351**	681
- Amortisation and depreciation		**9,263**	14,799
- Fair value changes on derivative financial instruments		**226,386**	-
- Gain on disposals of property, plant and equipment		**(2)**	(4)
- Loss on write-off of property, plant and equipment		**3**	2
- Gain on disposal of a subsidiary		**-**	(5,625)
- Gain on disposal of financial assets designated as fair value through profit or loss at initial recognition		**-**	(156)
- Interest income – banks		**(7,456)**	(9,527)
- Interest expense – banks		**1,106**	943
- Interest expense – Convertible bonds		**30,863**	-
- Unrealised exchange gains		**(11,753)**	(63)
- Unrealised translation (gains) / losses		**(1)**	1
		219,766	172,255
Change in working capital, net of effects from acquisition and disposal of subsidiaries			
- Inventories		**(122)**	(666)
- Trade and other receivables		**(62,077)**	(78,164)
- Other current assets		**(424)**	8,701
- Trade and other payables		**28,749**	53,351
- Long term prepayments		**2,720**	(4,609)
- Restricted cash and cash equivalents		**(36,803)**	(2,871)
Cash generated from operations		**151,809**	147,997
Interest received from banks		**3,866**	9,527
Income tax paid		**(962)**	(11)
Net cash provided by operating activities		**154,713**	157,513
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired	12(a)(ii)	**-**	(61,817)
Increase in investment in subsidiary	12(a)(i) & (b)	**(277,216)**	(3,223)
Disposal of a subsidiary, net of cash disposed of	12(c)	**-**	(5,631)
Financial assets, available-for-sale	20	**(1,935)**	-
Purchases and construction of property, plant and equipment	24	**(55,544)**	(85,860)
Purchases of intangible assets	25(d)	**(13,686)**	-
Proceeds from disposal of property, plant and equipment		**521**	5
Payment for de-nitrogenation catalyst production plant	14	**(109,943)**	-
Proceeds from disposal of financial assets, available-for-sale		**-**	4,526
Net cash used in investing activities		**(457,803)**	(152,000)
Cash flows from financing activities			
Net proceeds from issuance of Convertible Bonds	28	**709,373**	-
Proceeds used to enter into Equity Swap	21	**(338,653)**	-
Purchase of treasury shares	30	**(50,719)**	-
Proceeds from issuance of ordinary shares		**-**	432,386
Repayment of borrowings		**(2,800)**	(500)
Interest paid		**(1,106)**	(943)
Net cash provided by financing activities		**316,095**	430,943
Net increase in cash and cash equivalents		**13,005**	436,456
Effect of currency translation on cash and cash equivalents		**(11,082)**	63
Cash and cash equivalents at beginning of financial year	12	**686,286**	249,767
Cash and cash equivalents at end of financial year	12	**688,209**	686,286

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. General information

Sino-Environment Technology Group Limited (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 9 Temasek Boulevard, #32-02 Suntec Tower Two, Singapore 038989.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are described in Note 41 of the financial statements.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with 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 management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2008

On 1 January 2008, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the new or amended FRS and INT FRS that are relevant to the Group:

INT FRS 111	Group and Treasury Share Transactions

The adoption of the above INT FRS did not result in any substantial changes to the Group's accounting policies nor any significant impact on these financial statements.

2. Significant accounting policies (continued)

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the construction of specialised equipment in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria for each of the Group's activities are met as follows:

(a) Construction of specialised equipment

Please refer to the paragraph "Construction Contracts" for the accounting policy for revenue from construction contracts.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Rental income

Rental income from operating lease (net of any incentives given to the lessees) is recognised on a straight line basis over the lease term.

(e) Government grant income

Government grant income is recognised at fair value when there is a reasonable assurance that the grant will be received and the Group will comply with attached conditions, if any.

2.3 Group accounting

(a) Subsidiaries

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the dates of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition, irrespective of the extent of minority interest. Please refer to the paragraph "Intangible assets - Goodwill" for the accounting policy on goodwill on acquisition of subsidiaries.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) Subsidiaries (continued)

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests are that part of net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the Group. They are measured at the minorities' share of fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the minorities' share of losses in a subsidiary exceeds its interests in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minorities are attributed to the equity holders of the Company, unless the minorities have a binding obligation to, and are able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority interests are attributed to the equity holders of the Company until the minorities' share of losses previously absorbed by the equity holders of the Company are fully recovered.

Please refer to the paragraph "Investments in subsidiaries" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity holders. Changes in the Group's interest in a subsidiary that do not result in a loss of control is accounted for by adjusting the carrying amount of minority interests to reflect changes in the Group's interest in the subsidiary's net assets. The difference between the amount of adjustment to minority interests and the fair value of the consideration paid or received, if any, is brought to other reserves.

2.4 Property, plant and equipment

(a) Measurement

(i) Leasehold land and buildings

Leasehold land and buildings are initially recognised at cost and subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses.

Leasehold land and buildings are revalued by independent professional valuers whenever their carrying amounts are likely to differ materially from their revalued amounts. When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

(ii) Other property, plant and equipment

All other property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(b) Depreciation

Construction in progress is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold land	Over the lease period of 50 years
Leasehold buildings	30 years
Plant and machinery	5 - 10 years
Office equipment	1 - 5 years
Motor vehicles	5 - 10 years
Furniture and fittings	3 - 5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in the income statement when the changes arise.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expense is recognised in the income statement when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in the income statement.

2.5 Intangible assets

(a) Goodwill on acquisitions

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries at the date of acquisition.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold. Such goodwill was adjusted against retained earnings in the year of acquisition and not recognised in the income statement on disposal.

2. Significant accounting policies (continued)

2.5 Intangible assets (continued)

(b) Patents, technical know-how, technology and customer backlog

Patents, technical know-how, technology and customer backlog acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to the income statement using the straight-line method over the shorter of their estimated useful lives and periods of contractual rights as follows:

	Useful lives
Patents	10 years
Technical know-how	10 years
Technology	15 years
Customer backlog	1 year

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in the income statement when the changes arise.

2.6 Borrowing costs

Borrowing costs are recognised in the income statement using the effective interest method.

2.7 Contract to construct specialised equipment ("Construction contracts")

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 balance sheet date ("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.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

The stage of completion is measured by reference to the contract costs incurred to date to the estimated total costs for the contract. Costs incurred during the financial year in connection with future activity on a contract are excluded from costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the balance sheet 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.

At the balance sheet date, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts within "trade and other receivables". Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within "trade and other payables".

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

2. Significant accounting policies (continued)

2.8 Investment properties

Investment properties comprise leasehold buildings that are held for long-term rental yields and/or capital appreciation and are not occupied by the Group.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 30 years. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in the income statement when the change arises.

Investment property is subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are written off to the income statement when incurred. On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in the income statement.

2.9 Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the subsidiaries are recognised in the income statement.

2.10 Impairment of non-financial assets

(a) Goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised in the income statement and is not reversed in a subsequent period.

(b) Intangible assets
Property, plant and equipment
Investments in subsidiaries

Intangible assets, property, plant and equipment and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

2. Significant accounting policies (continued)

2.10 Impairment of non-financial assets (continued)

(b) *Intangible assets*
Property, plant and equipment
Investments in subsidiaries (continued)

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in the income statement.

2.11 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following categories: at fair value through profit or loss, receivables and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The designation of financial assets at fair value through profit or loss is irrevocable.

(i) Financial assets, at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

(ii) 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 maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables", "cash and cash equivalents" and "borrowings" on the balance sheet.

(iii) Financial assets, available-for-sale

Financial assets, available-for-sale, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose off the assets within 12 months after balance sheet date.

2. Significant accounting policies (continued)

2.11 Financial assets (continued)

(b) Recognition and derecognition

Regular way 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 carrying amount and the sale proceeds is recognised in the income statement.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit and loss are recognised immediately in the income statement.

(d) Subsequent measurement

Financial assets, both available-for-sale and at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets, available-for-sale, at fair value through profit or loss including the effects of currency translation, interest and dividend, are recognised in the income statement when the changes arise.

Interest and dividend income on financial assets are recognised separately in the income statement. Changes in the fair values of available for sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in the income statement and the other changes are recognised in the fair value reserve. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the 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 the income statement.

2. Significant accounting policies (continued)

2.11 Financial assets (continued)

(e) Impairment (continued)

(i) Loans and receivables (continued)

The allowance for impairment loss account is reduced through the income statement in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) Financial assets, available-for-sale

Significant and prolonged declines in the fair value of the security below its cost and the disappearance of an active trading market for the security are objective evidence that the security is impaired.

2.12 Fair value estimation of financial assets and liabilities

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.13 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

(a) Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

(b) Convertible bonds

Convertible bonds denominated in a currency other than the Group's functional currency are accounted for as a liability. On issuance of foreign currency convertible bonds, the total proceeds are allocated to the liability component and the embedded derivatives, which are separately presented on the balance sheet. At inception, the embedded derivatives are recognised as fair value, while the difference between the total proceeds and the fair value of the embedded derivatives is recognised as the convertible bond liability component within "borrowings".

The embedded derivatives are subsequently carried at its fair value with fair value changes recognised in the income statement within "other gains / losses" in the financial year in which the changes in fair value arises.

The liability component is subsequently carried at amortised cost using the effective interest method until the liability extinguished on conversion or redemption of the bonds.

When the conversion option is exercised, the carrying amounts of the embedded derivatives and the liability component are derecognised with a corresponding recognition of share capital account. When the conversion option is allowed to lapse, the carrying amount will be taken to retained earnings.

2. Significant accounting policies (continued)

2.14 Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value.

The fair values of derivative financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments.

2.15 Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.16 Leases

(i) Lessee - Operating leases

Leases of buildings where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in the income statement on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in the income statement when incurred.

(ii) Lessor - Operating leases

Leases of investment properties where the Group retains substantially all risk and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of incentives given to the lessees) is recognised in the income statement on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in the income statement over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in the income statement when earned.

2.17 Research costs

Research costs are recognised as an expense when incurred.

2.18 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2. Significant accounting policies (continued)

2.19 Club memberships

Investment in club memberships is stated at cost less provision for diminution in value based on a review at the balance sheet date. A provision for diminution in value is made where, in the opinion of the directors, there is a decline other than temporary in the value of such investment. Where there has been a decline other than temporary in the value of such investment, such a decline is recognised as an expense in the financial period in which the decline is identified. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is taken to the income statement.

2.20 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when 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 affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the income statement, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2. Significant accounting policies (continued)

2.21 Employee compensation

The Group's contributions are recognised as employee compensation expense when they are due, unless they can be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund Scheme in Singapore and certain retirement plans stipulated by the PRC regulations on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

(b) Share-based compensation

The Group operates an equity-settled and a cash-settled share-based compensation plan.

Under the equity settled share-based compensation plan, the fair value of the employee services received in exchange for the grant of options is recognised as an expense in the income statement with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. 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 each balance sheet date, 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 the income statement, 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 when new ordinary shares are issued, or to the "treasury shares" account when treasury shares are re-issued to the employees.

Under the cash-settled share-based compensation plan, the fair value of the employee service received in exchange for the grant of options or awards is recognised as an expense in the income statement with the recognition of a corresponding liability over the vesting period. Until the liability is settled, it is re-measured at each reporting date with changes in fair value recognised in the income statement.

2.22 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Chinese Renminbi ("RMB").

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the income statement.

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. Significant accounting policies (continued)

2.22 Currency translation (continued)

(c) 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 presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the date of the balance sheet;

(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 dates of the transactions); and

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

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and translated at the closing rates at the date of the balance sheet. For acquisitions prior to 1 January 2005, the exchange rates at the dates of acquisition are used.

2.23 Segment reporting

A business segment is a distinguishable component of the Group engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

2.24 Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value, and excludes restricted cash.

2.25 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

2. Significant accounting policies (continued)

2.26 Dividends to Company's shareholders

Dividends to Company's shareholders are recognised when the dividends are approved for payments.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Estimated impairment of goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The recoverable amounts of goodwill have been based on value-in-use calculations. These calculations require the use of estimates Note 25(a).

If the management's estimated gross margin at 31 December 2008 is lowered by 10% (2007: 10%), the recoverable amount of goodwill will still be higher than the carrying amount of goodwill.

If the management's estimated pre-tax discount rate applied to the discounted cash flows at 31 December 2008 is raised by 1% (2007: 1%), the recoverable amount of goodwill will still be higher than the carrying amount of goodwill.

(b) Construction contracts

The Group uses the percentage-of-completion method to account for its contract revenue. The stage of completion is measured by reference to the contract costs incurred to date compared to the estimated total costs for the contract. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion and the contract revenue respectively. In making these estimates, management has relied on past experience.

(c) Valuation of derivative financial instruments

The Group and the Company carry derivative financial instruments at fair value. The derivative financial instruments arise from the equity swap derivative, and embedded derivatives in the convertible bonds (Note 21 and Note 28). The fair values of the derivative financial instruments were determined by independent professional valuer on a market basis. In arriving at the fair values of the derivative financial instruments, extensive accounting estimates, assumptions and judgements were used. The amount of equity swap derivative, embedded derivatives and the convertible bonds liability at initial recognition and subsequent measurement would differ if the independent valuer uses a different methodology and parameter values such as volatility of the share price of the Company, dividend yield and annual risk free interest rates for their valuations. Should there be changes in the methodology and parameters used, the fair values of these embedded derivatives and the corresponding amount of the convertible bond, and the related interest expense and exchange gains/losses of the equity swap and convertible bonds would be changed accordingly, and hence, will have an impact to the Group's and the company's profitability.

3. Critical accounting estimates, assumptions and judgements (continued)

(c) Valuation of derivative financial instruments (continued)

If the management's estimated interest rate at 31 December 2008 is higher or lower by 100 basis points with all other parameter values remaining constant, the Group's net profit after tax would have been RMB 23,384,000 higher and RMB 22,274,000 lower, arising mainly as a result of higher and lower market interest rate respectively in arriving at the fair value of the liability component of Convertible Bonds

If the management's estimated volatility in share price at 31 December 2008 is increased or decreased by 10% with all other parameter values remaining constant, the Group's net profit after tax would have been RMB 3,742,000 higher and RMB 4,709,000 lower.

If the management's estimated arithmetic weighted average share price at 31 December 2008 is increased or decreased by 20% with all other parameter values remaining constant, the Group's net profit after tax would have been RMB 23,513,000 higher and RMB 25,837,000 lower.

(d) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. 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 of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(e) Deferred income tax liabilities

The Group follows the guidance of FRS 12 in recognising deferred income tax liabilities on all taxable temporary differences in respect of foreign-secured income not remitted to Singapore. At 31 December 2008, management expects to repatriate profits by Foreign Investment Enterprise ("FIE") based on projected cash requirements on maturity of the convertible bonds on 5 July 2013 and factoring the remote event being the early redemption of the convertible bonds on 5 July 2010. Accordingly, management assessed and provided for deferred tax liabilities on undistributed 2008 profits arising from the Group's China subsidiaries in relation to withholding tax imposed by China tax authorities on profits repatriated by FIE. To the extent the Group does not repatriate profits or repatriate profits in the foreseeable future, the deferred income tax liabilities will have to be written back accordingly.

4. Revenue

	Group	
	2008	2007
	RMB'000	RMB'000
Construction revenue	**775,798**	463,842

5. Expenses by nature

	Group	
	2008	2007
	RMB'000	RMB'000
Purchases of inventories	**193,620**	146,364
Other direct costs	**81,312**	685
Amortisation of intangible assets (Note 25(e))	**4,350**	11,083
Depreciation of property, plant and equipment (Note 24)	**4,896**	3,703
Depreciation of investment properties (Note 23)	**17**	13
Total amortisation and depreciation	**9,263**	14,799
Employee compensation (Note 6)	**27,826**	21,999
Sub-contract cost	**200,577**	92,713
Directors' fees (Note 36(a))	**1,112**	1,144
Research and development expenditure	**2,971**	2,832
Rental expense on operating lease	**1,711**	1,580
Other expenses	**39,964**	28,294
Changes in inventories	**(122)**	(666)
Total cost of sales, distribution and marketing costs and administrative expenses	**558,234**	309,744

6. Employee compensation

	Group	
	2008	2007
	RMB'000	RMB'000
Wages and salaries	**22,199**	20,240
Employer's contribution to defined contribution plans	**1,167**	1,211
Share-based compensation	**3,074**	-
Other personnel expenses	**1,386**	548
	27,826	21,999

Share-based compensation relates to the Company's Performance Shares Plan. On 20 August 2008, the Company granted 3,000,000 share awards to the directors and employees of the Group (2007: Nil), representing the right to receive fully paid ordinary shares of the Company, their equivalent cash value or combinations thereof, free of charge.

7. Other income

	Group	
	2008	2007
	RMB'000	RMB'000
Gain on disposal of subsidiary (Note 12(c))	**-**	5,625
Gain on disposal of property, plant and equipment	**2**	4
Interest income - bank deposits	**7,456**	9,527
Government grant	**2,884**	3,900
Currency translation gain - net	**2,365**	-
Rental income from investment property	**49**	33
Other rental income	**97**	-
Others	**261**	422
	13,114	19,511

Certain subsidiaries of the Group enjoy discretionary government subsidies as support to the development and expansion of the People's Republic of China ("PRC's") industry.

In 2007, the Group disposed of its 92% interest in Fujian Thumb Env-Prot Water Works Co., Ltd. ("Fujian Water") for a cash consideration of RMB 12,880,000. According to the sale and purchase agreement, the disposal was effective 1 November 2007. The carrying value of identifiable net assets disposed of amounted to RMB 7,255,000, resulting in a gain on disposal of RMB 5,625,000. Please refer to Note 12 for the effect of the disposal on the Group's cash flows.

8. Other losses - net

	Group	
	2008	2007
	RMB'000	RMB'000
Fair value losses on equity swap (Note 21)	**189,401**	-
Fair value losses on embedded derivatives (Note 28)	**36,985**	-
Currency translation loss - net	**-**	699
Loss on write-off of property, plant and equipment	**3**	2
Others	**963**	80
	227,352	781

9. Finance expenses

	Group	
	2008	2007
	RMB'000	RMB'000
Interest expense on bank borrowings	**1,106**	943
Interest expense on convertible bonds	**30,863**	-
	31,969	943

10. Income taxes

(a) Income tax expense

	Group	
	2008	2007
	RMB'000	RMB'000
Tax expense attributable to profit is made up of:		
- Profit from current financial year:		
Current income tax		
- Singapore	**17**	469
- PRC	**4,110**	252
	4,127	721
Deferred income tax (Note 10(c) and Note 29)	**12,304**	(42)
	16,431	679
(Over) / under provision in prior financial years:		
Current income tax (credit) / expense	**(80)**	2
	16,351	681

Some subsidiaries of the Group enjoy tax concession in the PRC made available to foreign investment production enterprise. Pursuant to the Income Tax Law of the PRC, these subsidiaries are exempted from taxation for the first two profitable years and a 50% relief from the normal PRC income tax applicable to the subsidiaries for the next three years. The subsidiaries are still enjoying their tax exemption or concession years and the details are set out below:

(i) Thumb Env-Tech Group (Fujian) Co., Ltd. ("Fujian Thumb") is subjected to income tax at a rate of 12.5% (2007 : Nil) with effect from 1 January 2008 for a period of 3 years.

(ii) Fujian Weidong EPT Co., Ltd. ("Fujian Weidong") enjoys tax-free status from 1 January 2007 for 2 years and will be subject to 12.5% tax from 2009 for a period of 3 years.

(iii) Fujian Weidong Environmental Engineering Co., Ltd. is entitled to full exemption from income tax from 1 January 2007 to 31 December 2009.

(iv) Fujian Thumb Environmental Facilities Co., Ltd. ("Fujian Facilities") enjoys tax-free status from 1 January 2007 for 2 years and is subjected to 12.5% tax from 2009 for a period of 3 years.

(v) Fujian Fuda Desai Environmental Protection Co., Ltd. ("Fuda Desai") enjoys tax-free status from 1 January 2006 for 2 years and is subjected to 12.5% tax from 2008 for a period of 3 years.

The Group's operations are mainly in the PRC. The statutory tax rate applicable to entities incorporated in the PRC and the Company is 25% (2007: 33%) and 18% (2007: 18%) respectively. The tax expense on profit differs from the amount that would arise using the PRC standard rate of income tax is as explained below:

	Group	
	2008	2007
	RMB'000	RMB'000
(Loss) / Profit before tax	**(28,643)**	171,885
Tax calculated at tax rate of 25% (2007: 33%)	**(7,161)**	56,722
Effects of		
- different tax rates in Singapore	**(6)**	(390)
- expenses not deductible for tax purposes	**69,957**	7,742
- income not subject to tax	**(59,360)**	(63,978)
- deferred tax not recognised	**697**	583
- effect of additional 10% withholding tax on interest income	**2,084**	-
- effect of additional 5% withholding tax on undistributed profits	**10,220**	-
- (Over) / under provision in prior financial years	**(80)**	2
Tax charge	**16,351**	681

10. Income taxes (continued)

(b) Movement in current income tax liabilities

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Beginning of financial year	**712**	-	**471**	-
Income tax paid	**(962)**	(11)	**(391)**	-
Tax expense	**4,127**	721	**17**	469
(Over) / under provision in prior financial years	**(80)**	2	**(80)**	2
Tax recoverable	**179**	-	**-**	-
End of financial year	**3,976**	712	**17**	471

(c) Withholding taxes

(i) Withholding tax on undistributed profits

The China Tax Authority imposed a 5% withholding tax on profits repatriated by Foreign Investment Enterprise (FIE) to its foreign investors with effect 1 January 2008. The Group will incur a 5% withholding tax when its China subsidiaries declare and remit dividends back to Singapore.

(ii) Withholding tax on interest

Under the Double Tax Treaty (DTT) between the PRC and Singapore, interest arising in a contracting state and paid to a resident of the other contracting state may be taxed in that other state. Such interest will be subject to a 7% withholding tax if received by any bank or financial institution, or 10% of the gross amount of the interest in all other cases, effective from 1 January 2008.

11. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	2008	2007
Net (loss) / profit attributable to equity holders of the Company (RMB'000)	**(44,994)**	147,150
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**340,549**	342,406
Basic (losses) / earnings per share (RMB per share)	**(0.13)**	0.43

(b) Diluted earnings per share

For the purposes of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares are the Convertible Bonds. Convertible bonds are assumed to have been converted into ordinary shares at issuance and the net profit is adjusted to eliminate the interest expense, fair value losses and foreign exchange gains less the tax effect.

For the year ended 31 December 2008, the convertible bonds are not included in the calculation of diluted earnings because they are anti-dilutive for the period from their issuance to 31 December 2008.

	2008	2007
Net (loss) / profit attributable to equity holders of the Company (RMB'000)	**(44,994)**	147,150
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**340,549**	342,406
Diluted (losses) / earnings per share (RMB per share)	**(0.13)**	0.43

12. Cash and cash equivalents

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and on hand	**633,365**	506,655	**39,299**	3,201
Short-term bank deposits	**94,518**	182,502	**94,518**	182,502
	727,883	689,157	**133,817**	185,703

Short-term bank deposits at the balance sheet date had an average maturity of 11 months (2007: 4 months) from the end of the financial year with a weighted average effective interest rate of 0.56% per annum (2007: 2.95% per annum).

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

	Group	
	2008	2007
	RMB'000	RMB'000
Cash and bank balances	**727,883**	689,157
Less: Restricted cash and cash equivalents	**(39,674)**	(2,871)
Cash and cash equivalents per consolidated cash flow statement	**688,209**	686,286

The restricted cash and cash equivalents relate to deposits as at 31 December 2008 placed for project tenders.

Acquisitions and disposal of subsidiaries

On 1 January 2007, the Group's wholly-owned subsidiary, Sino-Environment Clean Power Technology Pte. Ltd. ("Clean Power") acquired 60% of the issued share capital of Fujian Weidong for a consideration of RMB 265,676,000. Effective 1 January 2008, Clean Power acquired the remaining 40% of the issued share capital of Fujian Weidong for a cash consideration of RMB 288,203,000.

On 1 October 2007, the Group's wholly-owned subsidiary, Fujian Thumb acquired the remaining 21% interest in Fuda Desai for a cash consideration of RMB 3,223,000.

On 24 December 2007, the Group's wholly-owned subsidiary, Fujian Thumb disposed of its 92% interest in Fujian Water for a cash consideration of RMB 12,880,000.

The effects of the acquisition and disposal of subsidiaries on the cashflows of the Group were:

12. Cash and cash equivalents (continued)

(a) Acquisition of Fujian Weidong

(i) Increase in investment in existing subsidiary - acquisition of remaining 40% minority interest in 2008

	Group Carrying amount in acquiree's books RMB'000
Identifiable net assets acquired	82,904
Total consideration (including direct costs)	(288,203)
Difference between consideration and identifiable assets – adjusted against other reserves	(205,299)
Total consideration per above	288,203
Less: Payable to former shareholders of subsidiary (Note 26)	(10,987)
Net cash outflow on acquisition	277,216

Effective 1 January 2008, the Group through its wholly-owned subsidiary, Clean Power, acquired the remaining 40% of Fujian Weidong. Subsequent to this acquisition, Fujian Weidong is a wholly-owned subsidiary of Clean Power and of the Group.

The total cash consideration for the acquisition is RMB 288,203,000.

The difference between the total consideration and the amount of adjustment to the minority interest, RMB 205,299,000, was brought to equity according to the Group's significant accounting policies.

On 7 August 2008, the Company completed its sale and purchase agreement with the former shareholders of Fujian Weidong.

12. Cash and cash equivalents (continued)

(a) Acquisition of Fujian Weidong (continued)

(ii) Acquisition of 60% interest in Fujian Weidong in 2007

	Group	
	At fair values RMB'000	Carrying amounts in acquiree's books RMB'000
Identifiable assets and liabilities		
Cash and cash equivalents	65,683	65,683
Trade and other receivables	57,889	57,889
Inventories	2,725	2,725
Property, plant and equipment excluding leasehold land (Note 24)	13,350	10,852
Leasehold land (Note 24)	7,439	886
Intangibles - Technology (Note 25(b))	38,000	-
Intangibles - Customer backlog (Note 25(c))	7,500	-
Investment properties (Note 23)	498	420
Financial assets, available-for-sale	1,870	1,870
Other current assets	2,595	2,595
Total assets	197,549	142,920
Trade and other payables	(24,952)	(24,952)
Deferred tax liabilities (Note 29)	(11,565)	-
Borrowings	(12,500)	(12,500)
Total liabilities	(49,017)	(37,452)
Identifiable net assets	148,532	105,468
Less: Minority interests	(59,413)	(42,187)
Identifiable net assets acquired	89,119	63,281
Goodwill (Note 25(a))	176,557	
Total consideration (including direct costs)	265,676	
Less: Fair value of consideration paid via shares of the Company	(138,176)	
Cash consideration paid	127,500	
Less: Cash and cash equivalents in subsidiary acquired	(65,683)	
Net cash outflow on acquisition	61,817	

The goodwill was attributable to the earning potential of Fujian Weidong and the synergies from Fujian Weidong to aid the Group to provide one-stop environmental solutions to customers.

The acquired subsidiary contributed revenue of RMB 181,374,550 and net profit of RMB 58,727,365 to the Group for the period from 1 January 2007 to 31 December 2007. The subsidiary's assets and liabilities at 31 December 2007 were RMB 234,780,810 and RMB 70,585,055 respectively.

12. Cash and cash equivalents (continued)

(b) Acquisition of remaining 21% in Fuda Desai in 2007

	Group	
	At fair values	Carrying amounts in acquiree's books
	RMB'000	RMB'000
Identifiable assets and liabilities		
Cash and cash equivalents	2,905	2,905
Trade and other receivables	749	749
Inventories	10	10
Property, plant and equipment	54	54
Total assets	3,718	3,718
Trade and other payables	(495)	(495)
Total liabilities	(495)	(495)
Identifiable net assets acquired	3,223	3,223
Cash consideration paid	3,223	
Net cash outflow on acquisition	3,223	

(c) Disposal of Fujian Water in 2007

	Group
	Disposal carrying amount
	RMB'000
Identifiable assets and liabilities	
Cash and cash equivalents	5,631
Trade and other receivables	7,256
Property, plant and equipment	10,564
Total assets	23,451
Trade and other payables	(15,579)
Total liabilities	(15,579)
Identifiable net assets	7,872
Less: Minority interests	(617)
Identifiable net assets disposed	7,255
Gain on disposal (Note 7)	5,625
Disposal consideration	12,880
Less: Sales proceeds receivable (Note 13)	(12,880)
	-
Less: Cash and cash equivalents in subsidiary disposed	(5,631)
Net cash outflow on disposal	(5,631)

13. Trade and other receivables

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**35,713**	30,336	**-**	-
Less : Allowance for impairment of receivables	**(1,210)**	-	**-**	-
Trade receivables – net	**34,503**	30,336	**-**	-
Construction contracts				
- Retentions	**51,629**	35,383	**-**	-
Less: Allowance for impairment	**(429)**	-	**-**	-
Retentions – net (Note 17)	**51,200**	35,383	**-**	-
- Due from customers (Note 17)	**146,276**	55,091	**-**	-
	197,476	90,474	**-**	-
Sales proceeds receivable (Note 12(c))	**-**	12,880	**-**	-
Staff loans (Note 18)	**2,253**	2,847	**-**	-
Advances to suppliers	**21,371**	28,976	**-**	-
Tax recoverable	**179**	-	**-**	-
Dividends receivable from a subsidiary	**-**	-	**50,000**	50,000
Due from subsidiaries (non-trade)	**-**	-	**232,163**	11,300
Tender deposits	**6,990**	14,551	**-**	-
Amount due from former subsidiary	**-**	15,549	**-**	-
Other receivables	**13,701**	15,043	**3,650**	107
	276,473	210,656	**285,813**	61,407

Amounts due from subsidiaries (non-trade) are unsecured, interest-free and repayable on demand.

14. Other current assets

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments and other assets	**112,837**	2,851	**184**	187
Other deposits	**479**	128	**431**	103
	113,316	2,979	**615**	290

As at 31 December 2008, included in prepayments is RMB 109,943,000 for the Group's de-nitrogenation catalyst plant (2007: Nil).

15. Inventories

	Group	
	2008	2007
	RMB'000	RMB'000
Raw materials	**5,104**	4,982

The cost of inventories recognised as expense and included in "cost of sales" amounted to RMB 193,497,325 (2007: RMB 145,697,390).

16. Transferable club memberships

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Transferable club memberships at cost	**354**	354	**354**	354

17. Construction contracts

	Group	
	2008	2007
	RMB'000	RMB'000
Aggregate costs incurred and profits recognised (less losses recognised) to date	**347,751**	109,283
Less: Progress billings	**(205,276)**	(54,192)
	142,475	55,091
Presented as:		
Due from customers on construction contracts (Note 13)	**146,276**	55,091
Due to customers on construction contracts (Note 26)	**(3,801)**	-
	142,475	55,091
Advances received on construction contracts (Note 26)	**21,710**	38,491
Retentions on construction contracts (Note 13)	**51,200**	35,383

18. Staff loans

	Group	
	2008	2007
	RMB'000	RMB'000
Receivables due		
- Not later than 1 year (Note 13)	**2,253**	2,847

Staff loans include loans of RMB 68,000 (2007: RMB 19,000) made to key management of the Group. The loans are unsecured, interest-free and repayable within one year.

19. Investments in subsidiaries

	Company	
	2008	2007
	RMB'000	RMB'000
Equity investments at cost		
Beginning of financial year	**588,201**	175,343
Acquisitions	**131,991**	412,858
End of financial year	**720,192**	588,201

Details of significant subsidiaries are included in Note 41.

Acquisitions of subsidiaries

On 16 July 2008, the Company made a capital injection of RMB 51 million (2007: RMB 40 million) to its wholly-owned subsidiary, Fujian Thumb.

On 21 May 2008 and 15 July 2008, the Company made a capital injection of RMB 31 million (2007: Nil) and RMB 50 million (2007: Nil) to its wholly-owned subsidiary, Fujian Facilities respectively.

In 2007, the Company made a capital injection of RMB 250 million to its wholly-owned subsidiary, Clean Power.

In 2007, the Company's wholly-owned subsidiary, Clean Power, transferred all of its 100% shareholding in Fujian Facilities to the Company for a cash consideration of RMB 117 million.

In 2007, the Company incorporated a new wholly-owned subsidiary, Sino-Environment Waste Management Technology Pte. Ltd. ("Waste Management"). The issued share capital of Waste Management is RMB 5 million.

20. Financial assets, available-for-sale

	Group and Company	
	2008	2007
	RMB'000	RMB'000
Unlisted securities	**1,935**	-

In 2008, the Company invested in unlisted equity securities in Malaysia. Management believes the carrying amounts recorded at the balance sheet date approximate the corresponding fair value.

21. Derivative financial instrument - Equity swap derivative

On 8 July 2008, concurrent with the issuance of the Convertible bonds (see Note 28), the Company entered into a cash-settled equity swap transaction ("Equity Swap") with Morgan Stanley & Co. International Plc (Equity Swap Counterparty) for the Company's shares for a value of S$67,358,026 (equivalent to approximately RMB 338.7 million). The reference price used was set at S$1.8276. The Equity Swap derivative will provide the Company with economic exposure to the fluctuation in the Company's share price which will result in a gain to the Company if the Company's share price rises and loss to the Company if the Company's share price falls over the life of the Equity Swap.

The movement of Equity swap derivative for the year is set out below:

	Group and Company **2008** **RMB'000**
Cash settled Equity Swap on inception date on 8 July 2008	338,653
Fair value losses on Equity Swap derivative (Note 8)	(189,401)
Currency translation losses	(19,226)
End of financial year	**130,026**

22. Long-term prepayment

	Group		Company	
	2008 **RMB'000**	2007 RMB'000	**2008** **RMB'000**	2007 RMB'000
Long-term prepayment	**1,889**	4,609	**-**	-

In 2007, the Group made a prepayment to an advertising company for advertising services to be rendered for 3 years.

23. Investment properties

	Group	
	2008 **RMB'000**	2007 RMB'000
Beginning of financial year	**485**	-
Acquisition of subsidiary (Note 12(a)(ii))	**-**	498
Depreciation	**(17)**	(13)
End of financial year	**468**	485
Cost	**580**	580
Accumulated depreciation	**(112)**	(95)
Carrying amount at end of year	**468**	485
Fair value	**468**	498

Investment properties are leased to non-related parties under operating leases (Note 34(c)) and the fair values at balance sheet dates are determined by director's valuation. The following amounts are recognised in the income statement.

	Group	
	2008 **RMB'000**	2007 RMB'000
Rental income	**49**	33
Direct operating expense arising from investment properties that generated rental income	**16**	15

24. Property, plant and equipment

	Leasehold land and buildings	Plant and machinery	Office equipment	Motor vehicles	Furniture and fittings	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group							
2008							
Cost							
Beginning of financial year	48,493	7,521	2,626	6,147	3,109	43,210	111,106
Additions	542	413	1,308	3,639	744	48,898	55,544
Transfer from construction in progress	90,850	-	-	-	-	(90,850)	-
Disposals and write-offs	-	-	(57)	(711)	(3)	-	(771)
End of financial year	139,885	7,934	3,877	9,075	3,850	1,258	165,879
Accumulated depreciation							
Beginning of financial year	573	1,202	1,038	2,079	2,021	-	6,913
Depreciation charge	1,762	862	641	820	811	-	4,896
Disposals and write offs	-	-	(55)	(192)	(2)	-	(249)
End of financial year	2,335	2,064	1,624	2,707	2,830	-	11,560
Net book value							
End of financial year	**137,550**	**5,870**	**2,253**	**6,368**	**1,020**	**1,258**	**154,319**
2007							
Cost							
Beginning of financial year	-	3,439	1,128	4,427	2,529	3,604	15,127
Additions	30,991	2,762	1,030	822	229	50,026	85,860
Acquisition of subsidiary (Note 12(a)(ii))	17,502	1,320	515	1,101	351	-	20,789
Disposal of subsidiary (Note 12)	-	-	(13)	(203)	-	(10,420)	(10,636)
Disposals and write-offs	-	-	(34)	-	-	-	(34)
End of financial year	48,493	7,521	2,626	6,147	3,109	43,210	111,106
Accumulated depreciation							
Beginning of financial year	-	679	479	1,576	579	-	3,313
Depreciation charge	573	523	594	571	1,442	-	3,703
Disposal of subsidiary (Note 12)	-	-	(4)	(68)	-	-	(72)
Disposals and write offs	-	-	(31)	-	-	-	(31)
End of financial year	573	1,202	1,038	2,079	2,021	-	6,913
Net book value							
End of financial year	**47,920**	**6,319**	**1,588**	**4,068**	**1,088**	**43,210**	**104,193**

As at 31 December 2007, a leasehold land of net book value RMB 7,277,000 has been pledged to secure a short-term bank loan (Note 27) of RMB 2,000,000. No assets were held as collateral as at 31 December 2008.

24. Property, plant and equipment (continued)

	Office equipment	Motor vehicles	Furniture and fittings	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Company				
2008				
Cost				
Beginning of financial year	159	711	69	939
Additions	56	1,199	42	1,297
Disposals and write offs	(57)	(711)	(3)	(771)
End of financial year	158	1,199	108	1,465
Accumulated depreciation				
Beginning of financial year	101	52	29	182
Depreciation charge	90	200	13	303
Disposals & write offs	(55)	(192)	(2)	(249)
End of financial year	136	60	40	236
Net book value				
End of financial year	**22**	**1,139**	**68**	**1,229**
2007				
Cost				
Beginning of financial year	95	711	69	875
Additions	98	-	-	98
Disposals and write offs	(34)	-	-	(34)
End of financial year	159	711	69	939
Accumulated depreciation				
Beginning of financial year	33	15	17	65
Depreciation charge	99	37	12	148
Disposals & write offs	(31)	-	-	(31)
End of financial year	101	52	29	182
Net book value				
End of financial year	**58**	**659**	**40**	**757**

25. Intangible assets

	Group	
	2008	2007
	RMB'000	RMB'000
Composition:		
Goodwill arising on consolidation (Note (a))	**176,557**	176,557
Technology (Note (b))	**32,933**	35,467
Customer backlog (Note (c))	**-**	-
Patents and technical know-how (Note (d))	**18,599**	6,729
	228,089	218,753

25. Intangible assets (continued)

(a) Goodwill arising on consolidation

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to country of operation and business segments.

	Group	
	2008	2007
	RMB'000	RMB'000
Cost		
Beginning of financial year	**176,557**	-
Acquisition of subsidiary (Note 12(a)(ii))	**-**	176,557
End of financial year	**176,557**	176,557
Accumulated impairment		
Beginning of financial year	**-**	-
Impairment charge	**-**	-
End of financial year	**-**	-
Net book value	**176,557**	176,557

Impairment tests for goodwill

The recoverable amount of a CGU was determined based on value-in-use calculations. Cash flow projections used in these calculations were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions for value-in-use calculations:

	2008	2007
Gross margin [1]	**35%**	35%
Growth rate [2]	**2.00%**	2.00%
Discount rate [3]	**18.76%**	15.80%

These assumptions were used for the analysis of the CGU. Management determined budgeted gross margin based on past performance and its expectations of the market development. The weighted average growth rates used were consistent with the forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments.

There is no impairment charge for the financial year ended 31 December 2008 and 31 December 2007.

[1] Budgeted gross margin
[2] Weighted average growth rate used to extrapolate cash flows beyond the budget period
[3] Pre-tax rate applied to the pre-tax cash flow projections

25. Intangible assets (continued)

(b) Technology

	Group	
	2008	2007
	RMB'000	RMB'000
Beginning of financial year	**35,467**	-
Acquisition of subsidiary (Note 12(a)(ii))	**-**	38,000
Amortisation	**(2,534)**	(2,533)
End of financial year	**32,933**	35,467
Cost	**38,000**	38,000
Accumulated amortisation	**(5,067)**	(2,533)
Net book value	**32,933**	35,467

(c) Customer backlog

	Group	
	2008	2007
	RMB'000	RMB'000
Beginning of financial year	**-**	-
Acquisition of subsidiary (Note 12(a)(ii))	**-**	7,500
Amortisation	**-**	(7,500)
End of financial year	**-**	-
Cost	**7,500**	7,500
Accumulated amortisation	**(7,500)**	(7,500)
Net book value	**-**	-

(d) Patents and technical know-how

	Group	
	2008	2007
	RMB'000	RMB'000
Beginning of financial year	**10,500**	10,500
Additions	**13,686**	-
End of financial year	**24,186**	10,500
Accumulated Amortisation		
Beginning of financial year	**3,771**	2,721
Amortisation charge	**1,816**	1,050
End of financial year	**5,587**	3,771
Cost	**24,186**	10,500
Accumulated depreciation	**(5,587)**	(3,771)
Net book value	**18,599**	6,729

On 7 April 2008, the Group secured an agreement with Catalysts & Chemicals Industries Co., Ltd. for the transfer of technology, software and other technical know-how pertaining to the production of catalysts for deployment in de-nitrogenation of flue-gas for coal-fired power plants.

25. Intangible assets (continued)

(e) Amortisation expense included in the income statement is analysed as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
Administrative expenses (Note 5)	**4,350**	11,083

26. Trade and other payables - Current

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables to non-related parties	**43,008**	12,156	**-**	-
Construction contracts				
- Advances received (Note 17)	**21,710**	38,491	**-**	-
- Due to customers (Note 17)	**3,801**	-	**-**	-
Due to a subsidiary (non-trade)	**-**	-	**4,793**	4,795
Due to former shareholders of subsidiary (Note 12(a)(i))	**10,987**	-	**-**	-
Due to related party*	**135**	-	**-**	-
Other payables	**27,851**	17,484	**-**	-
Other accruals for operating expenses	**8,859**	8,787	**7,630**	3,806
Total	**116,351**	76,918	**12,423**	8,601

Amounts due to a subsidiary (non-trade) are unsecured, interest-free and repayable on demand.
*Related party is a company which is related to the Company's controlling shareholder.

27. Borrowings

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current				
Bank borrowings	**7,500**	11,000	**-**	-
Government loan	**700**	-	**-**	-
Other borrowing	**1,000**	-	**-**	-
	9,200	11,000	**-**	-
Non-current				
Convertible bonds (Note 28)	**622,636**	-	**622,636**	-
Government loan	**-**	1,000	**-**	-
	622,636	1,000	**622,636**	-
Total borrowings	**631,836**	12,000	**622,636**	-

The weighted average effective interest rates of interest-bearing borrowings at the balance sheet date are 8.55% (2007: 7.94%).

As at 31 December 2008, RMB 7,500,000 of the current borrowings had annual interest rate of 8.09% and RMB 1,000,000 had an annual interest rate of 12.00%. The remaining RMB 700,000 government loan is interest free.

27. Borrowings (continued)

As at 31 December 2007, RMB 2 million of the current borrowings had annual interest rate of 8.52% and the remaining RMB 9 million had an annual interest rate of 1.3 times of China bank borrowing rate, which amounted to 7.81%. The non-current borrowings was unsecured and interest free loan granted by the PRC government to Fujian Weidong, which is a newly acquired subsidiary in 2007, for a 5-year period starting from 2005.

(a) Security granted

Total borrowings included secured liabilities of NIL (2007: RMB 2,000,000) for the Group and the Company. Bank borrowings were secured over a leasehold land (Note 24).

The convertible bonds issued on 8 July 2008 are unsecured.

(b) Fair value of borrowings

The fair values of the current bank borrowings approximate their book value. There were no long term borrowings except for the convertible bonds (Note 28) as at 31 December 2008.

The fair value of the long term borrowings as at 31 December 2007 was RMB 849,000. The fair value was determined from the cash flow analysis discounted at market borrowing rate of 8.52% at 31 December 2007 which the directors expect to be available to the Group.

28. Convertible bonds

On 8 July 2008, the Company issued a SGD denominated SGD settled 4% Convertible Bonds due 2013, of principal amount of S$149 million (equivalent to approximately RMB 749.1 million) ("Convertible Bonds") (2007: Nil) to third party investors ("Bondholders"). The aggregate amount of S$149 million, at the option of the Bondholders, can be convertible into fully paid ordinary shares of the Company at an initial conversion price of S$2.19 up to the close of business on 24 June 2013, subject to adjustments for, among others, subdivision or consolidation of shares, bonus issues, rights issues, distribution and other dilutive events. If the Convertible Bonds have not been converted, it will be redeemed on 8 July 2013 at an amount equal to 114.5% of their principal amount plus accrued and unpaid interest.

Beginning 13 July 2011, the Company may redeem all but not part of the Convertible Bonds if the closing price of the shares for 20 out of 30 consecutive trading days, the last day of which period occurs not more than 5 trading days prior to the date upon which notice of such redemption is given, is at least 130% of the early redemption amount divided by the Conversion Ratio in effect on such trading day. The Company may also redeem all but not part of the Convertible Bonds at a redemption price equal to their Early Redemption Amount on the redemption date plus accrued and unpaid interest if at any time at least 90% in principal amount of the Convertible Bonds have been converted, redeemed or purchased and cancelled. Early Redemption Amount is the amount together with unpaid accrued interest from the immediately preceding interest payment date, or if none, the Closing Date and after taking into account any interest paid in respect of the Bonds in preceding periods, that represents on the relevant date for the determination of the Early Redemption Amount, a gross yield to maturity of 6.5% per annum. Each bondholder may require the Company to redeem in whole, or in part only (being not less than S$250,000 in principal amount or an integral multiple thereof), the Convertible Bonds on 8 July 2010 at 105.2% of their principal amount plus accrued and unpaid interest or at the Early Redemption Amount plus accrued and unpaid interest if the shares cease to be listed in the SGX-ST or upon a change of control.

28. Convertible bonds (continued)

As the Bonds are denominated in a currency other than the Group's functional currency, they are accounted for as liability. The fair value of the options embedded in the Bonds at inception, is recognised as derivative financial instrument on the balance sheet, while the residual amount is recognised as convertible bonds liability within "borrowings".

The carrying amount of the liability component of the convertible bonds at the balance sheet date is derived as follows:

	Group and Company 2008 RMB'000
Beginning of financial year	-
Face value of convertible bonds issued on 8 July 2008, net of transaction costs	709,373
Derivative financial instruments on initial recognition on 8 July 2008	(80,793)
Liability component on initial recognition on 8 July 2008	628,580
Interest expense (including amortisation of transaction costs)	31,714
Currency translation gains	(37,658)
Liability component at end of financial year (Note 27)	622,636

The convertible bonds liability is recognised at amortised cost based on an effective interest rate of 5.0%. The resulting interest expense is recognised as finance expense in the income statement.

The movement of the embedded derivatives in the Bonds during the year is as follows:

	Group and Company 2008 RMB'000
Beginning of financial year	-
Embedded derivatives recognised on 8 July 2008	80,793
Fair value loss (Note 8)	36,985
Currency translation gains	(5,010)
End of financial year	112,768

29. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheets as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
Deferred income tax liabilities		
- to be settled within one year	**42**	42
- to be settled after one year	**23,785**	11,481
	23,827	11,523

Movement in deferred income tax account is as follows:

Group
Deferred income tax liabilities

	Fair value gains - net	Undistributed profits and withholding tax	Total
	RMB'000	**RMB'000**	**RMB'000**
2008			
Beginning of financial year	11,523	-	11,523
Charged / (credited) to income statement (Note 10(a))	(42)	12,346	12,304
End of financial year	11,481	12,346	23,827
2007			
Beginning of financial year	-	-	-
Acquisition of subsidiary(Note 12(a) (ii))	11,565	-	11,565
Credited to income statement (Note 10(a))	(42)	-	(42)
End of financial year	11,523	-	11,523

Deferred tax assets are recognised to the extent that realisation of the related tax benefits through future taxable profits is probable. At as 31 December 2008, the subsidiaries of the Group had estimated unutilised income tax losses of approximately RMB 4,857,599 (2007: RMB 2,070,073) available for set-off against future taxable profits subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. The tax losses will expire between 2010 and 2011.

As at the balance sheet date, the potential tax benefits arising from the following items were not recognised in the financial statements due to uncertainty on their recoverability approximating RMB 1,214,399 (2007: RMB 5,175,518).

30. Share capital and treasury shares

	No. of ordinary shares		Amount	
	Issued share capital	Treasury shares	Issued share capital	Treasury Shares
	'000	'000	RMB'000	RMB'000
Group and Company				
2008				
Beginning of financial year	346,232	-	793,316	-
Treasury shares purchase	-	(7,300)	-	(50,719)
End of financial year	**346,232**	**(7,300)**	**793,316**	**(50,719)**
2007				
Beginning of financial year	300,313	-	222,754	-
Share issue	45,919	-	590,950	-
Share issue expenses	-	-	(20,388)	-
End of financial year	**346,232**	**-**	**793,316**	**-**

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

The Company acquired 7,300,000 (2007: Nil) shares in the Company through purchases on the Singapore Exchange during the financial year ended 31 December 2008. The total amount paid to acquire the shares was RMB 50,719,000 (2007: Nil) and this was presented as a component within shareholders' equity.

On 1 January 2007, the Company issued 10,360,000 ordinary shares as part consideration for the acquisition of Fujian Weidong. On 19 January 2007, the Company issued 35,559,310 ordinary shares for a net consideration of RMB 433,522,488 to provide funds for the expansion of the Group's operations. The newly issued shares rank pari passu in all respects with the previously issued shares.

31. Other reserves

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
(a) Composition:				
Statutory reserve	**57,135**	34,335	**-**	-
Other reserve	**(205,177)**	122	**-**	-
Currency translation reserve	**-**	1	**-**	-
	(148,042)	34,458	**-**	-

Statutory reserve consists of Statutory Surplus Reserves ("SSR") and Statutory Reserve Fund ("SRF").

In accordance with the relevant PRC laws and regulations, the Company's subsidiaries that are incorporated in the PRC are required to transfer a portion of their net profit of each year to the statutory reserve. The transfer of this reserve must be made before the payment of dividends to shareholders. Such transfer will continue until the reserve balance reaches 50% of its registered capital. Wholly-owned subsidiaries are not required to allocate to SSR. These entities are required to allocate certain portion (not less than 10%), as determined by the Board, of their net profit after tax in accordance with PRC GAAP to the SRF until such reserve reaches 50% of its registered capital. SSR and SRF are non-distributable other than in the event of liquidation and subject to certain restrictions set in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as paid-up capital.

Other reserve
In 2008, other reserve of RMB 205.2 million represents the difference between purchase consideration and the carrying amount the minority interest acquired. The difference is brought to equity in accordance to the Group's accounting policy.

31. Reserves (continued)

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
(b) Movements:				
(i) Statutory reserve				
Beginning of financial year	**34,335**	15,365	**-**	-
Transfer of retained earnings to statutory reserves	**22,800**	18,970	**-**	-
End of financial year	**57,135**	34,335	**-**	-
(ii) Other reserve				
Beginning of financial year	**122**	-	**-**	-
Increase in investment in subsidiary (Note12(a)(i))	**(205,299)**	122	**-**	-
End of financial year	**(205,177)**	122	**-**	-
(iii) Currency translation reserve				
End of financial year, as previously restated	**-**	(336)	**-**	-
Adjustment for prior period	**-**	336	**-**	-
Beginning of financial year	**1**	-	**-**	-
Net currency translation differences of financial statements	**(1)**	1	**-**	-
End of financial year	**-**	1	**-**	-

During 2007, the Company changed its functional currency to Renminbi. Previously, the functional currency was Singapore Dollars. The Directors are of the opinion that the change provides a more reflective and accurate information on the Group's primary economic environment. This correction of the prior year error has been accounted for retrospectively.

32. (Accumulated loss) / Retained earnings

(a) Retained earnings of the Group and of the Company are distributable.

(b) Movement in (accumulated loss) / retained earnings for the Company is as follows:

	Company	
	2008	2007
	RMB'000	RMB'000
Beginning of financial year	**34,324**	(7,789)
Net (loss) / profit	**(250,784)**	42,113
End of financial year	**(216,460)**	34,324

33. Contingencies

As at 31 December 2008, the Group did not extend any corporate guarantees to unrelated party (2007: RMB 9,000,000).

34. Commitments

(a) Capital commitments

As at 31 December 2008, capital expenditures contracted for property, plant and equipment at the balance sheet date but not recognised in the financial statements amount to RMB 153,960,263 (2007: RMB 31,708,100).

34. Commitments (continued)

(b) Operating lease commitments – where the Group is a lessee

The Group leases office buildings from non-related parties under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
Not later than 1 year	**1,589**	673
Between 1 and 5 years	**2,637**	249
	4,226	922

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

The Group lease out properties to non-related parties under non-cancellable operating leases. The lessees are required to pay fixed monthly lease payments.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
Not later than 1 year	**50**	11
Between 1 and 5 years	**164**	-
	214	11

35. Financial risk management

Financial risk factors

The Group's activities may expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

Financial risk management is carried out by management under policies approved by the Board of Directors.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group.

(a) Market risk

(i) Currency risk

The Group's business operates mainly in the PRC. It is exposed to certain foreign exchange risk as it maintains certain cash and cash equivalents and borrowings in foreign currencies.

Exposure to currency risk is monitored on an on-going basis and the Group endeavours to keep the net exposure at an acceptable level.

35. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's currency exposure based on the information provided to key management is as follows:

(RMB'000)	SGD	USD	HKD	RMB	JPY	Total
At 31 December 2008						
Financial assets						
Cash and cash equivalents	167,810	11	10	560,052	-	727,883
Trade and other receivables, excluding amount due from construction contracts	3,650	-	-	756,319	-	759,969
Other financial assets	132,391	-	-	48	-	132,439
Financial liabilities						
Borrowings	(735,404)	-	-	(9,200)	-	(744,604)
Trade and other payables	(7,630)	-	-	(777,447)	-	(785,077)
Net financial (liabilities) / assets	(439,183)	11	10	529,772	-	90,610
Less: Net financial liabilities / (assets) denominated in the respective entities' functional currencies	-	-	-	(529,772)	-	(529,772)
Add: Firm commitments and highly probable forecast transactions in foreign currencies	3,937	-	-	-	143,682	147,619
Currency exposure	**(435,246)**	**11**	**10**	**-**	**143,682**	**(291,543)**

(RMB'000)	SGD	USD	HKD	RMB	Total
At 31 December 2007					
Financial assets					
Cash and cash equivalents	184,654	12	1,730	502,761	689,157
Trade and other receivables, excluding amount due from construction contracts	107	-	-	120,075	120,182
Other financial assets	103	-	-	25	128
Financial liabilities					
Borrowings	-	-	-	(12,000)	(12,000)
Trade and other payables	(3,806)	-	(3)	(73,109)	(76,918)
Net financial assets	181,058	12	1,727	537,752	720,549
Less: Net financial liabilities / (assets) denominated in the respective entities' functional currencies	-	-	3	(537,752)	(537,749)
Currency exposure	**181,058**	**12**	**1,730**	**-**	**182,800**

35. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Company's currency exposure based on the information provided to key management is as follows:

(RMB'000) **At 31 December 2008**	**SGD**	**RMB**	**HKD**	**Total**
Financial Assets				
Cash and cash equivalents	133,809	-	8	133,817
Trade and other receivables	3,650	282,162	-	285,812
Other financial assets	132,392	-	-	132,392
Financial Liabilities				
Borrowings	(735,404)	-	-	(735,404)
Trade and other payables	(7,630)	(4,793)	-	(12,423)
Net financial (liabilities) / assets	(473,183)	277,369	8	(195,806)
Less: Net financial liabilities / (assets) denominated in the respective entities' functional currencies	-	(277,369)	-	(277,369)
Add: Firm commitments and highly probable forecast transactions in foreign currencies	3,937	-	-	3,937
Currency exposure	**(469,246)**	**-**	**8**	**(469,238)**

(RMB'000) **At 31 December 2007**	**SGD**	**RMB**	**HKD**	**Total**
Financial Assets				
Cash and cash equivalents	183,975	-	1,728	185,703
Trade and other receivables	11,407	50,000	-	61,407
Other financial assets	103	-	-	103
Financial Liabilities				
Trade and other payables	(8,601)	-	-	(8,601)
Net financial assets	186,884	50,000	1,728	238,612
Less: Net financial liabilities / (assets) denominated in the respective entities' functional currencies	-	(50,000)	-	(50,000)
Currency exposure	**186,884**	**-**	**1,728**	**188,612**

35. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis for currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the SGD and JPY exchange rates against the RMB on the Group's and the Company's profit after tax. This analysis assumes that all other variables, including interest rates and income tax rates, remain constant.

	Increase / (Decrease) Profit after tax	
	2008	2007
	RMB'000	RMB'000
Group		
SGD against RMB		
- strengthened 6% (2007: 2%)	**(25,000)**	3,600
- weakened 6% (2007: 2%)	**25,000**	(3,600)
JPY against RMB		
- strengthened 8% (2007: NIL)	**11,495**	-
- weakened 8% (2007: NIL)	**(11,495)**	-
Company		
SGD against RMB		
- strengthened 6% (2007: 2%)	**(27,000)**	3,700
- weakened 6% (2007: 2%)	**27,000**	(3,700)

(ii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's and the Company's exposure to cash flow interest rate risk arises primarily from short-term bank loans.

In addition, the Group and the Company are exposed to fair value interest rate risk on the liability component of the Convertible Bonds. Please refer to Note 28 for the terms of the Convertible Bonds.

The Group's exposure to interest rate risk is managed on an on-going basis with the primary objective of limiting the extent to which net interest expense could be impacted from an adverse movement in interest rates.

35. Financial risk management (continued)

(a) Market risk (continued)

Sensitivity analysis for interest rate risk

At the balance sheet date, if interest rates have been 100 basis points higher or lower, with all other variables held constant, the Group's profit after tax would have been:

- RMB 92,000 lower/higher, arising mainly as a result of higher/lower interest expense on floating rate bank loans.
- RMB 23,384,000 higher and RMB 22,274,000 lower, arising mainly as a result of higher and lower market interest rate respectively in arriving at the fair value of the liability component of Convertible Bonds.

(iii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Group's price risk mainly arises from its equity swap derivative and embedded derivatives in the convertible bonds. The fair value of the these derivative financial instruments at each reporting date is determined on a market basis using Company's shares arithmetic average of 90 days volume weighted average share price and the binomial model respectively. The fair value of the derivative financial instruments would fluctuate depending on the movement in the Company's shares market price, and hence, will have an impact to the Group's and the Company's profitability.

The exposure on the price risk is not hedged. However, management monitors the exposure on a periodical basis and the Group endeavours to keep the net exposure at an acceptable level.

Sensitivity analysis for price risk

At balance sheet date, if there is a change in the volatility of the Company's share price or the Company's share price (with all other parameter values remaining constant), the impact to profit after tax would be as follows:

	Increase / (Decrease) Profit after tax 2008 RMB'000
Group and Company	
Volatility of share price	
- increase by 10%	3,742
- decrease by 10%	(4,709)
Share price	
- increase by 20%	23,513
- decrease by 20%	(25,837)

35. Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

For trade receivables, there is no significant concentration of credit risk due to the Group's large number of customers. The Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with good credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level and at the Group level by the management. Where appropriate, the Group obtains advance payments from its major customers.

As the Group and Company does not hold any material collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The Group's and Company's major classes of financial assets are bank deposits; trade receivables and equity swap derivative (Note 21). All trade receivables of the Group are due from third parties and receivable in the PRC.

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with good credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group. The Group's trade receivables not past due include receivables amounting to RMB 57,081,000 (2007: RMB 45,341,000) that would have been past due or impaired if the terms were not re-negotiated during the financial year ended 31 December 2008. The Equity Swap Counterparty is one of the reputable banks in the world.

(ii) 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	
	2008	2007
	RMB'000	RMB'000
Past due 0 to 2 months	**11,817**	9,473
Past due 2 to 5 months	**10,980**	5,182
Past due over 5 months	**5,825**	5,723
	28,622	20,378

In the financial year ended 31 December 2008, RMB 1,210,000 (2007: Nil) of the trade receivables and RMB 429,000 (2007: Nil) of retentions were determined to be impaired. Movement of the allowance for impairment are as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
Beginning of financial year	**-**	-
Allowance for doubtful debts	**1,639**	-
End of financial year	**1,639**	-

35. Financial risk management (continued)

(c) Liquidity risk

The table below analyses the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
	RMB'000	RMB'000	RMB'000
Group			
At 31 December 2008			
Trade and other payables	118,435	-	-
Borrowings	9,200	-	-
Convertible bonds	-	735,404	-
	127,635	735,404	-
At 31 December 2007			
Trade and other payables	76,918	-	-
Borrowings	11,000	-	1,000
	87,918	-	1,000
Company			
At 31 December 2008			
Trade and other payables	12,423	-	-
Convertible bonds	-	735,404	-
	12,423	735,404	-
At 31 December 2007			
Trade and other payables	8,601	-	-

The Group and Company manage the liquidity risk by maintaining sufficient cash to enable them to meet their normal operating commitments.

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

In accordance with the regulations for the Implementation of the Law of the PRC on Enterprises Operated Exclusively with Foreign Capital, there is a legal requirement for the appropriation of not less than 10% of profit after income tax into the reserve fund for the PRC subsidiaries until the accumulated fund is 50% or more of their respective registered capital, where further transfers will not be required and subject to directors' recommendation (Note 31). This externally imposed capital requirement has been complied with by the PRC Subsidiaries for the financial years ended 31 December 2008 and 2007.

36. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Key management personnel compensation is as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
Wages, salaries and bonuses	**7,379**	12,797
Employer's contribution to defined contribution plans, including Central Provident Fund	**220**	97
Share-based compensation	**3,074**	-
Directors' fee	**1,112**	1,144
	11,785	14,038

Included in the above is total compensation to directors of the Company amounting to RMB 5,466,000 (2007: RMB 10,210,000).

(b) Mr Sun Jiangrong, the Executive Chairman and Chief Executive Officer of the Company own 100% equity interest in Thumb (China) Holdings Group Ltd ("TCH") incorporated in British Virgin Island. TCH in turn owns 56.29% (2007: 55.06%) equity interest in the issued capital of the Company excluding treasury shares as at the balance sheet date. Hence, TCH is the immediate and ultimate holding Corporation. Mr Sun Jiangrong and TCH are together referred to as the "Controlling Shareholder" of the Company.

37. Segment information

	Industrial waste gas	Industrial waste water	Dust elimination	Desulphuri-sation	Unallocated	Elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group							
Financial year ended 31 December 2008							
Sales							
- external sales	327,262	60,580	236,279	151,677	-	-	775,798
- inter-segment sales	295,946	3,143	-	-	2,822	-	301,911
	623,208	63,723	236,279	151,677	2,822	-	1,077,709
Elimination							(301,911)
							775,798
Segment result							
Other income	-	-	-	-	13,114	-	13,114
Other losses – net	-	-	-	-	(227,352)	-	(227,352)
Finance expenses	-	-	-	-	(31,969)	-	(31,969)
Profit before income tax	136,757	8,268	78,071	16,605	(268,344)	-	(28,643)
Income tax expense / (credit)	887	(1,089)	-	(3,863)	(12,286)	-	(16,351)
Total profit / (loss)	137,644	7,179	78,071	12,742	(280,630)	-	(44,994)
Other segment items							
Capital expenditure	45,057	256	8,427	-	15,490	-	69,230
Depreciation	3,098	251	1,221	-	343	-	4,913
Amortisation	1,089	-	2,533	-	728	-	4,350
Segment assets	1,227,919	46,232	310,595	67,858	1,771,914	(1,784,662)	1,639,856
Segment liabilities	502,288	8,473	65,137	3,800	956,042	(646,982)	888,758
Financial year ended 31 December 2007							
Sales							
- external sales	271,356	12,075	180,411	-	-	-	463,842
- inter-segment sales	232,112	-	964	-	-	-	233,076
	503,468	12,075	181,375	-	-	-	696,918
Elimination							(233,076)
							463,842
Segment result							
Other income	-	-	-	-	19,511	-	19,511
Other losses – net	-	-	-	-	(781)	-	(781)
Finance expenses	-	-	-	-	(943)	-	(943)
Profit before income tax	124,333	1,226	58,698	-	(12,372)	-	171,885
Income tax expense	(252)	-	-	-	(429)	-	(681)
Total profit / (loss)	124,081	1,226	58,698	-	(12,801)	-	171,204
Other segment items							
Capital expenditure	65,178	6,858	13,718	-	106		85,860
Depreciation	2,085	256	1,227	-	148		3,716
Amortisation	1,050	-	10,033	-	-		11,083
Segment assets	556,313	39,344	273,043	-	367,468		1,236,168
Segment liabilities	18,327	922	54,124	-	27,780		101,153

At 31 December 2008, the Group mainly operates in the PRC and is organised into the following main business segments:

- Industrial waste gas treatment, management and recovery;
- Industrial waste water treatment and management;
- Dust elimination;
- Desulphurisation of flue gas of independent power plants, in particular coal-fired power plants

37. Segment information (continued)

Other operations of the Group mainly comprise investment holding, which does not constitute a separately reportable segment. A significant amount of the total balance under "Other" mainly relates fair value losses arising from the equity swap derivative and convertible bonds transactions. These operations do not constitute a separable reportable segment.

Inter-segment transactions are recorded at their transacted price which is generally at fair value. Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables, operating cash and investment properties and exclude deferred income tax assets and derivative financial instrument. Segment liabilities comprise payables, provisions and bank overdraft and exclude income tax liabilities, borrowings and derivative financial instruments. Capital expenditures comprise additions to property, plant and equipment and intangible assets, including those acquired through business combinations.

No segmental analysis by geographical segment is provided as the business of the Group mainly operates in PRC.

38. Events occurring after balance sheet date

Subsequent to the balance sheet date and as reported in the announcements of the Company on SGXNET on 5 March 2009, 6 March 2009, 12 March 2009 and 17 March 2009, the Company's Controlling Shareholder (Note 36(b)) may be faced with a forced sale of part of or all of the 190,788,000 ordinary shares (56.29%) in the capital of the Company (the "Possible Sale") arising from the default of certain financial obligations by the Controlling Shareholder. The Possible Sale may result in change of control of shareholder in the Company. This change in control would give the Bondholders the right to request for immediate conversion and/or redemption on the outstanding S$149, 000,000 bonds (Note 27 and Note 28) existing at balance sheet date. The Company may not be able to make payments for such unscheduled redemption by the Bondholders, if called upon to do so. Accordingly, the Board of Directors have appointed an independent financial advisor to the Company to carry out a review of the implications of the matter and advise appropriate measures to be adopted by the Group to safeguard its assets, continue its operations smoothly and enhance value to all its stakeholders.

These factors cast significant doubt on the ability of the Company and the Group to continue as going concerns. Hence, the validity of the going concern assumption on which the accompanying financial statements of the Company and of the Group are prepared depends on the favourable resolution with the Bondholders.

In the event that the Company and the Group are unable to arrive at such a favourable resolution, adjustments would need to be made to reflect the situation that assets would need to be realised other than in the normal course of business and at the amounts which could differ significantly from amounts at which they are currently recorded in the balance sheets. In addition, the Company and the Group may need to accrue for further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No such adjustments have been made in these financial statements for the year ended 31 December 2008.

39. New or revised accounting standards and interpretations

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods and which the Group has not early adopted. The Group's assessment of the impact of adopting those standards, amendments and interpretations that are relevant to the Group is set out below:

(a) FRS 1(R) *Presentation of Financial Statement* (effective for annual periods beginning on or after 1 January 2009)

The revised standard requires:

- All changes in equity arising from transactions with owners in their capacity as owners to be presented separately from components of comprehensive income;
- Components of comprehensive income not to be included in statement of changes in equity;
- Items of income and expenses and components of other comprehensive income to be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate statement of profit and loss followed by a statement of comprehensive income);
- Presentation of restated balances sheet as at the beginning of the comparative period when entities make restatements ore reclassifications of comparative information.

The revisions also include changes in the titles of some of the financial statements primary statements.

The Group will apply the revised standard from 1 January 2009 and provide comparative information that conforms to the requirements of the revised standard. The key impact of the application of the revised standard is the presentation of an additional primary statement, that is, the statement of comprehensive income.

(b) FRS 108 *Operating Segments* (effective for annual periods beginning on or after 1 January 2009)

FRS 108 supersedes FRS 14 *Segment Reporting* and requires the Group to report the financial performance of its operating segments based on the information used internally by management for evaluating segment performance and deciding on allocation of resources. Such information may be different from the information included in the financial statements, and the basis of its preparation and reconciliation to the amounts recognised in the financial statements shall be disclosed.

The Group will apply FRS 108 from 1 January 2009 and provide comparative information that conforms to the requirements of FRS 108. The Group does not expect the new operating segments to be significantly different from business segments currently disclosed and expects more information to be disclosed under FRS 108.

(c) Revised FRS 23 *Borrowing Costs* (effective for annual periods beginning on or after 1 January 2009)

The revised standard removes the option to recognise immediately as an expense borrowing costs that are attributable to qualifying assets, except for those borrowing costs on qualifying assets that are measured at fair value or inventories that are manufactured or produced in large quantities on a repetitive basis.

The Group will apply the revised FRS 23 from 1 January 2009. As there have been no borrowing costs attributable to qualifying assets, the revised standard is not expected to have any impact to the Group.

40. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Sino-Environment Technology Group Limited on 24 March 2009.

41. Listing of significant companies in the Group

Name of companies	Principal activities	Country of business / incorporation	Effective equity holding by the Group	
			2008 %	2007 %
Significant subsidiaries held by the Company				
Sino-Environment Clean Power Technology Pte. Ltd. [(a)]	Investment holding	Singapore	**100%**	100%
Sino-Environment Waste Management Technology Pte. Ltd. [(a)]	Investment holding	Singapore	**100%**	100%
Thumb Env-Tech Group (Fujian) Co., Ltd. [(b)]	Industrial waste gas treatment, management and recovery; Industrial waste water treatment and management; desulphurisation	PRC	**100%**	100%
Fujian Thumb Environmental Facilities Co., Ltd. [(b)]	Industrial waste gas treatment, management and recovery	PRC	**100%**	100%
Held by Thumb Env-Tech Group (Fujian) Co., Ltd.				
Fujian Fuda Desai Environmental Protection Co., Ltd. [(b)]	Industrial waste water treatment and management	PRC	**100%**	100%
Chongqing Thumb Environmental Engineering Co., Ltd. [(b)]	Industrial waste gas treatment, management and recovery; Industrial waste water treatment and management	PRC	**100%**	100%
Held by Sino-Environment Clean Power Technology Pte. Ltd.				
Fujian Weidong EPT Co., Ltd. [(b)]	Dust elimination	PRC	**100%**	60%
Chuang-Dong Energy & Env-Tech (Fujian) Co., Ltd. [(c)]	Renewable energy engineering	PRC	**100%**	-
Held by Fujian Weidong EPT Co., Ltd.				
Fujian Weidong Environmental Engineering Co., Ltd. [(b)]	Dust elimination	PRC	**100%**	60%
Held by Fujian Fuda Desai Environmental Protection Co., Ltd.				
Thumb Waste Management Technology (Nanping) Co., Ltd. [(b)]	Waste management	PRC	**100%**	100%

(a) Audited by PricewaterhouseCoopers LLP, Singapore
(b) Audited by Pricewaterhousecoopers Zhong Tian CPAs Limited Company, for the purpose of expressing an opinion on the consolidated financial statements.
(c) First year of incorporation

Accordingly, the Company has complied with Rule 716 of the Listing Manual issued by the Singapore Exchange Securities Limited.

ADDITIONAL DISCLOSURE REQUIREMENTS

(a) **Directors' remuneration**

The following information relates to remuneration of directors of the Company during the financial year.

	2008	2007
Number of directors of the Company in remuneration bands:		
Above S$1,000,000	-	1
S$500,001 to S$1,000,000	-	-
S$250,000 to S$500,000	1	2
Below S$250,000	6	4
Total	7	7

(b) **Auditors' remuneration**

Non-audit fees paid/payable to the auditor of the Company during the financial year ended 31 December 2008 amounted to RMB 1,011,812 (2007: Nil).

(c) **Use of proceeds**

(i) The use of proceeds from the placement of 35,559,310 shares ("Placement Shares") as at 31 December 2008 as follows:

	As per announcement dated 18 Jan 2007 RMB (in millions)	As at 31 December 2008 RMB (in millions)
Placement Shares proceeds received – 18 January 2007	453.91	453.91
Utilisation:		
- Desulphurisation projects	(365.74)	(171.48)
- De-nitrogenation plant	-	(5.00)
- Fund research and development activities	(44.99)	(4.38)
- Working capital purposes	(39.14)	(39.14)
- Placement Shares expenses	(4.04)	(4.04)
	(453.91)	(224.04)
Un-utilised Share Placement proceeds	-	229.87

(ii) The use of proceeds from the issuance of convertible bonds due 2013 ("Convertible Bonds") as at 31 December 2008 as follows:

	As per announcement dated 4 June 2008 RMB (in millions)	As at 31 December 2008 RMB (in millions)
Convertible Bonds proceeds received – 8 July 2008	749.12	749.12
Utilisation:		
- De-nitrogenation plant	(265.00)	(116.32)
- Merger and acquisition	(115.30)	(115.30)
- Equity Swap	(338.65)	(338.65)
- Convertible Bonds expenses	(30.17)	(40.13)
	(749.12)	(610.40)
Un-utilised Convertible Bonds proceeds	-	138.72

SHAREHOLDING STATISTICS

As at 16 March 2009

SHARE CAPITAL

Number of Issued Shares	:	346,232,180
Number of Issued Shares (excluding Treasury Shares)	:	338,932,180
Number/Percentage of Treasury Shares	:	7,300,000 / 2.15%
Class of Shares	:	Ordinary Shares
Voting Rights (excluding Treasury Shares)	:	One vote per Share

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of ordinary shares	%
1 – 999	7	0.29	405	0.00
1,000 – 10,000	1,699	69.46	8,713,391	2.57
10,001 – 1,000,000	728	29.76	30,038,472	8.86
More than 1,000,001	12	0.49	300,179,912	88.57
Total	2,446	100.00	338,932,180	100.00

TWENTY LARGEST ORDINARY SHAREHOLDERS

As shown in the Register of Members and Depository Register:

		No. of ordinary shares	%
1.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE. LTD.	177,448,354	52.36
2.	HSBC (SINGAPORE) NOMINEES PTE. LTD.	31,910,370	9.41
3.	RAFFLES NOMINEES PTE. LTD.	25,924,124	7.65
4.	UNITED OVERSEAS BANK NOMINEES PTE. LTD.	20,534,800	6.06
5.	CITIBANK NOMINEES SINGAPORE PTE. LTD.	19,565,164	5.77
6.	DBS NOMINEES PTE. LTD.	12,636,416	3.73
7.	BANK OF EAST ASIA NOMINEES PTE. LTD.	3,168,000	0.93
8.	DBSN SERVICES PTE. LTD.	2,630,684	0.78
9.	DBS VICKERS SECURITIES (S) PTE. LTD.	2,183,000	0.64
10.	PHILLIP SECURITIES PTE. LTD.	1,626,000	0.48
11.	OCBC SECURITIES PRIVATE LTD.	1,353,000	0.40
12.	SIM KIAN LIAT (SHEN JIANLIE)	1,200,000	0.35
13.	HONG LEONG FINANCE NOMINEES PTE. LTD.	949,000	0.28
14.	UOB KAY HIAN PTE. LTD.	940,000	0.28
15.	PANG YIK YU JOHN	766,000	0.23
16.	KIM ENG SECURITIES PTE. LTD.	701,000	0.21
17.	DB NOMINEES (S) PTE. LTD.	591,100	0.17
18.	OCBC NOMINEES SINGAPORE PTE. LTD.	449,000	0.13
19.	CIMB-GK SECURITIES PTE. LTD.	435,559	0.13
20.	MERRILL LYNCH (SINGAPORE) PTE. LTD.	428,813	0.13
	Total	305,440,384	90.12

SHAREHOLDING STATISTICS

As at 16 March 2009

SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC

Based on the information available to the Company as at 16 March 2009, approximately 43.20% of the issued ordinary shares of the Company are held by the public. Accordingly the Company has complied with Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited.

SUBSTANTIAL SHAREHOLDERS

As shown in the Register of Substantial Shareholders:

	Direct interest		Deemed interest	
Name of substantial shareholders	**No. of shares**	**%**	**No. of shares**	**%**
Mr Sun Jiangrong [(1)]	-	-	173,650,000	51.23
DnB NOR Asset Management (Asia) Ltd	-	-	18,753,000	5.53

Notes:

(1) Mr Sun Jiangrong is deemed interested in the 173,650,000 shares held by Thumb (China) Holdings Group Limited by virtue of Section 7 of the Companies Act. Thumb (China) Holdings Group Limited's interest in the 173,650,000 shares are held by Morgan Stanley Asia (Singapore) Securities Pte. Ltd. as nominee.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting (the "**AGM**") of Sino-Environment Technology Group Limited (the "**Company**") will be held at Seminar Room 5, Nanyang Executive Centre, 60 Nanyang View, Singapore 639673 on 24 April 2009 at 3.00 p.m. to transact the following ordinary and special businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Accounts of the Company for the year ended 31 December 2008 and the Auditors' Report thereon. **(Resolution No. 1)**

2. To re-elect the following Directors retiring by rotation pursuant to Article 88 of the Articles of Association of the Company and who, being eligible, will offer themselves for re-election:

   Professor Li Shouxin **(Resolution No. 2)**
   Mr Goh Chee Wee [please see Explanatory Note (i)] **(Resolution No. 3)**
   Mr Pan Jinquan [please see Explanatory Note (ii)] **(Resolution No. 4)**

3. To approve the payment of Directors' fees of S$226,600 for the year ended 31 December 2008 (2007: S$226,600). **(Resolution No. 5)**

4. To re-appoint Messrs PricewaterhouseCoopers LLP as the Company's auditors, and to authorise the Directors to fix their remuneration. **(Resolution No. 6)**

5. To transact any other ordinary business that may be transacted at an annual general meeting.

AS SPECIAL BUSINESS

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

6. **Authority to allot and issue shares up to fifty per cent. (50%) of the total number of issued shares** **(Resolution No. 7)**

   "That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors to:

   (a) (i) issue shares in the 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) warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this authority may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this authority was in force, provided that:

(1) the aggregate number of shares to be issued pursuant to such authority (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed fifty per cent. (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to the existing shareholders (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed twenty per cent. (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of the issued share capital shall be based on the total number of issued shares (excluding treasury shares) of the Company at the time this authority is given, after adjusting for:

(i) 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 this authority is passed; and

(ii) any subsequent consolidation or sub-division of shares; and

(3) (unless revoked or varied by the Company in general meeting) the authority conferred by this authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier." [please see Explanatory Note (iii)]

7. **Authority to allot and issue shares up to one hundred per cent. (100%) of the total number of issued shares via a pro-rata renounceable rights issue** **(Resolution No. 8)**

"That pursuant to Section 161 of the Companies Act, Cap. 50 and listing rules of the SGX-ST, authority be and is hereby given to the Directors to issue shares in the capital of the Company by way of a pro-rata renounceable rights issue at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that:

(1) the aggregate number of shares to be issued pursuant to such authority does not exceed one hundred per cent. (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST, for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of the issued share capital shall be based on the total number of issued shares (excluding treasury shares) of the Company at the time this authority is given, after adjusting for:

(i) 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 this authority is passed; and

(ii) any subsequent consolidation or sub-division of shares; and

(3) (unless revoked or varied by the Company in general meeting) the authority conferred by this authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier." [please see Explanatory Note (iv)]

8. **Authority to allot and issue shares other than on a pro-rata basis at a discount not exceeding twenty per cent. (20%) of the total number of issued shares** **(Resolution No. 9)**

"That subject to and pursuant to the share issue mandate in Resolution 7 above being obtained, authority be and is hereby given to the Directors of the Company to issue new shares other than on a pro-rata basis to shareholders of the Company at an issue price per new share which shall be determined by the Directors in their absolute discretion provided that such price shall not be more than a twenty per cent. (20%) discount to the weighted average price per share determined in accordance with the requirements of the SGX-ST." [please see Explanatory Note (v)]

9. **Renewal of Share Purchase Mandate** **(Resolution No. 10)**

"That for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to make purchases of shares from time to time whether by way of market purchases or off-market purchases (in accordance with any equal access scheme) of up to ten per cent. (10%) of the issued ordinary share capital of the Company as at the date of this Resolution ("**Prescribed Limit**"), excluding any shares held as treasury shares, at the price to be determined by the Directors of up to but not exceeding the Maximum Price as set out on page 7 of the Appendix to this Notice of AGM (the "**Appendix**"), and unless revoked or varied by the Company in general meeting, this mandate shall continue and be in force until the date on which the next annual general meeting of the Company is held or required by law to be held, or the date on which the share purchases are carried out in full to the Prescribed Limit mandated, or the time when the authority conferred by this mandate is revoked or varied by the shareholders of the Company in general meeting, whichever is earlier." [please see Explanatory Note (vi)]

10. **Sino-Environment Employee Share Option Scheme**

"That

(a) the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the provisions of the Sino-Environment Employee Share Option Scheme (the "**Sino-Environment ESOS**") and pursuant to Section 161 of the Companies Act, to allot and issue from time to time such number of shares as may be required to be issued pursuant to the exercise of the option under the Sino-Environment ESOS, provided always that the total number of new shares issued and issuable in respect of all options granted thereunder, and new shares issued and issuable pursuant to the Sino-Environment Performance Share Plan, shall not exceed fifteen per cent. (15%) of the total number of issued shares (excluding treasury shares) of the Company from time to time. [please see Explanatory Note (vii)] **(Resolution No. 11)**

(b) subject to and contingent upon passing of Ordinary Resolution No. 11, the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the rules of the Sino-Environment ESOS with exercise prices set at a discount to the market price (being a price equal to the average of the last dealt prices for the shares on the SGX-ST over the five (5) consecutive trading days on which the shares are traded on the SGX-ST immediately preceding the date of grant of that option, as determined by the committee authorised and appointed to administer the Sino-Environment ESOS, by reference to the daily official list or any other publication published by the SGX-ST, rounded to the nearest whole cent in the event of fractional prices, provided that such discount does not exceed the relevant limit set by the SGX-ST." [please see Explanatory Note (viii)] **(Resolution No. 12)**

11. **Sino-Environment Performance Share Plan** **(Resolution No. 13)**

"That the Directors of the Company be and are hereby authorised to offer and grant plan awards in accordance with the provisions of the Sino-Environment Performance Share Plan (the "**Sino-Environment PSP**") and to allot and issue from time to time such number of fully paid-up shares as may be required to be allotted and issued pursuant to the vesting of plan awards under the Sino-Environment PSP, provided always that the total number of new shares issued and issuable in respect of all options granted pursuant to the Sino-Environment ESOS, and new shares issued and issuable pursuant to the Sino-Environment PSP shall not exceed fifteen per cent. (15%) of the total number of issued shares (excluding treasury shares) of the Company from time to time." [please see Explanatory Note (ix)]

BY ORDER OF THE BOARD

BENNY LIM HENG CHONG
LOW WAI CHEONG
Joint Company Secretaries

Singapore, 8 April 2009

Explanatory Notes:

(i) Mr Goh Chee Wee, when re-appointed, will remain as Chairman of Audit, Remuneration, Sino-Environment ESOS and Sino-Environment PSP Committees, and as a member of Nominating Committee. Mr Goh is the Lead Independent Director of the Company.

(ii) Mr Pan Jinquan, when re-appointed, will remain as a member of Audit, Remuneration, Nominating, Sino-Environment ESOS and Sino-Environment PSP Committees. Mr Pan is an Independent Director of the Company.

(iii) The Ordinary Resolution 7, if passed, will authorise the Directors of the Company to allot and issue shares not exceeding fifty per cent. (50%) of the Company's issued share capital (excluding treasury shares), with an aggregate sub-limit of twenty per cent. (20%) of the Company's share capital (excluding treasury shares) for any issue of shares not made on a pro-rata basis to shareholders of the Company.

(iv) The Ordinary Resolution 8, if passed, will authorise the Directors of the Company to allot and issue shares not exceeding one hundred per cent. (100%) of the Company's issued share capital (excluding treasury shares) by way of a pro-rata renounceable rights issue. This mandate is conditional upon the Company:

(a) making periodic announcements on the use of the proceeds as and when the funds are materially disbursed; and
(b) providing a status report on the use of proceeds in its annual report.

This is one of the new measures introduced by the SGX-ST, in consultation with the Monetary Authority of Singapore, to accelerate and facilitate listed issuers' fund raising efforts. This new measure takes effect on 20 February 2009 and will be effective until 21 December 2010.

(v) The Ordinary Resolution 9, if passed, will authorise the Directors of the Company to allot and issue new shares on a non pro-rata basis at a discount not exceeding twenty per cent. (20%), as compared to ten per cent. (10%) allowed previously. This authority will continue in force until the next annual general meeting of the Company.

(vi) The Ordinary Resolution 10, if passed, will renew the Share Purchase Mandate, which was originally approved by the shareholders of the Company on 12 December 2007. The mandate was renewed at the last Extraordinary General Meeting of the Company on 28 April 2008. The Company bought 7,300,000 shares during the financial year ended 31 December 2008. Detailed information of the Renewal of the Share Purchase Mandate is set out in the Appendix to this Notice of AGM.

(vii) The Ordinary Resolution 11, if passed, will authorise the Directors of the Company to offer and grant options in accordance with the provisions of the Sino-Environment ESOS and pursuant to Section 161 of the Companies Act to allot and issue shares in the capital of the Company of up to fifteen per cent. (15%) of the total number of shares (excluding treasury shares) of the Company.

(viii) The Ordinary Resolution 12, if passed, will authorise the Directors of the Company to offer and grant options in accordance with the rules of the Sino-Environment ESOS with exercise prices set at a discount to the market price.

(ix) The Ordinary Resolution 13, if passed, will authorise the Directors of the Company to offer and grant plan awards in accordance with the provisions of the Sino-Environment PSP to allot and issue shares thereunder.

Notes:

1. A member of the Company entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.

2. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.

3. The instrument appointing a proxy must be deposited at the registered office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 3 Church Street #08-01 Samsung Hub Singapore 049483, not less than 48 hours before the time set for the AGM.

This page has been intentionally left blank.

PROXY FORM

SINO-ENVIRONMENT TECHNOLOGY GROUP LIMITED
(Company Registration Number 200106480Z)
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. For Investors who have used their CPF monies to buy shares in the capital of Sino-Environment Technology Group Limited, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. 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.

I/We, ____ (Name)

of ____ (Address)

being a member/members of Sino-Environment Technology Group Limited (the "**Company**"), hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of shares	%

and/or failing him/her (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of shares	%

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf, at the Seventh Annual General Meeting of the Company, to be held at Seminar Room 5, Nanyang Executive Centre, 60 Nanyang View, Singapore 639673 on 24 April 2009 at 3.00 p.m. (the "**AGM**"), and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/ proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

No.	Resolutions		FOR*	AGAINST*
Ordinary Business				
1.	Directors' Reports and Audited Accounts for the financial year ended 31 December 2008	**(Resolution 1)**		
2.	Re-election of Professor Li Shouxin as Director	**(Resolution 2)**		
3.	Re-election of Mr Goh Chee Wee as Director	**(Resolution 3)**		
4.	Re-election of Mr Pan Jinquan as Director	**(Resolution 4)**		
5.	Approval of Directors' fees amounting to S$226,600	**(Resolution 5)**		
6.	Re-appointment of Messrs PricewaterhouseCoopers LLP as the Company's auditors, and to authorise the Directors to fix their remuneration	**(Resolution 6)**		
Special Business				
7.	Authority for Directors to allot and issue up to 50% of the total number of issued shares	**(Resolution 7)**		
8	Authority for Directors to allot and issue shares up to 100% of the total number of issued shares via pro-rata renounceable rights issue	**(Resolution 8)**		
9	Authority for Directors to allot and issue shares other than on a pro-rata basis at a discount not exceeding 20% of the total number of issued shares	**(Resolution 9)**		
10.	Approval of the renewal of the Share Purchase Mandate	**(Resolution 10)**		
11.	Authority for Directors to offer and grant shares in accordance with the provisions of the Sino-Environment Employee Share Option Scheme	**(Resolution 11)**		
12.	Approval for Directors to offer and grant options at a discount under the Sino-Environment Employee Share Option Scheme	**(Resolution 12)**		
13.	Approval for Directors to offer and grant plan awards in accordance with the provisions of the Sino-Environment Performance Share Plan	**(Resolution 13)**		

* Please indicate your vote "For" or "Against" with a tick (√) within the box provided.

Dated this ______ day of __________ 2009

Total Number of Shares held in:	
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Shareholder(s)
or Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF.

Notes :

1. A member entitled to attend and vote at the AGM is entitled to appoint one or two proxies to attend and vote in his stead.

2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.

3. A proxy need not be a member of the Company.

4. 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 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 3 Church Street #08-01 Samsung Hub, Singapore 049483 not less than 48 hours before the time set for the AGM.

6. 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 common seal or under the hand of its attorney or a duly authorised officer.

7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. The Company shall be entitled to reject a proxy form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte.) Limited to the Company.