CLEANTECH BUILDING MATERIALS PLC

(*Incorporated in England and Wales with registered no. 9357256*)

COMPANY DESCRIPTION

IN RELATION TO THE

ADMISSION TO TRADING OF THE COMPANY'S SHARES ON NASDAQ FIRST NORTH, COPENHAGEN

ON

THE ACQUISITION OF DIAMOND WOOD CHINA LIMITED

20 December 2016

Nasdaq First North is an alternative marketplace operated by an exchange within the Nasdaq group. Companies on Nasdaq First North are not subject to the same rules as companies on the regulated main market. Instead they are subject to a less extensive set of rules and regulations adjusted to small growth companies. The risk in investing in a company on Nasdaq First North may therefore be higher than investing in a company on the main market. All companies with shares traded on Nasdaq First North have a Certified Adviser who monitors that the rules are followed. The Exchange approves the application for admission to trading.

CERTIFIED ADVISER

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1. IMPORTANT INFORMATION

1.1 THE COMPANY

Cleantech Building Materials PLC

Registered in England, number 9357256.

The registered office of the Company is 7 Trebeck Street, London, W1J 7LU, UK.

Website: www.cbm-plc.com

1.2 REASONS FOR APPLICATION FOR ADMISSION TO NASDAQ FIRST NORTH

The Directors believe that Admission will facilitate a fundraising to enable the Group to finance the construction of its proposed factory in the PRC and to potentially realise greater value from the Licence.

Based on recent discussions with potential strategic industrial partners in China, the Board has concluded that in order to secure the funds necessary to take forward its business plan, it would be best to obtain a public quote on an internationally respected market before commencing any further material fund raising activity.

1.3 SUMMARY OF THE ACQUISITION

The Company will, on Admission, acquire Diamond Wood China Limited and its subsidiaries through a share for share exchange transaction under which the Company acquires shares in Diamond Wood in exchange for the issue of new Ordinary Shares in the Company.

As at the date of Admission, the Company will hold 93.2 per cent of the issued share capital of Diamond Wood. As the Company has received acceptances of its offer from shareholders representing in excess of 90% of the issued shares of Diamond Wood, the Company's offer to Diamond Wood shareholders to acquire their shares will re-open for a period of ninety (90) days following Admission. To the extent that there are further acceptances of the Company's offer, the Company's holding in Diamond Wood will increase accordingly.

The Company will apply for the new Ordinary Shares which it issues for such further acceptances to be admitted to trading on Nasdaq First North and will make the appropriate announcements to the Market as to the amount of such further acceptances, the resultant final ownership percentage of Diamond Wood and the resultant total issued share capital of the Company.

1.4 IMPORTANT DATES

Expected first day of trading on Nasdaq First North:	23 December 2016
Annual report published – year to 31 December 2016:	29 March 2017
Annual General Meeting:	30 June 2017
Interim results published – six months to 30 June 2017	29 August 2017

1.5 SHARE INFORMATION

Nasdaq First North Ticker:	CBM
ISIN:	GBOOBD1LVD21
Shares registered through:	CREST/ Euroclear
Trading lot on First North:	1
Trading currency:	€ (euro)
CERTIFIED ADVISER:	Keswick Global AG, Hoffingergasse 16/1/6 1120 Vienna, Austria
LIQUIDITY PROVIDER:	The Company has not appointed a Liquidity Provider.
NEWS PROVIDER	The Company has engaged Nasdaq Global Corporate Solutions as provider of its news release service to the Exchange.
AUDITOR TO THE COMPANY:	CAAS Suite 203, 2nd Floor China House 401 Edgware Road London NW2 6GY, UK
AUDITOR TO DIAMOND WOOD:	Crowe Horwath (HK) CPA Limited Leighton Centre 77 Leighton Road Causeway Bay Hong Kong
REPORTING ACCOUNTANTS:	Crowe Clark Whitehill LLP Chartered Accountants St Bride's House 10 Salisbury Square London EC4Y 8EH, UK
UK LEGAL ADVISERS:	Gowling WLG (UK) LLP 4 More London Riverside London SE1 2AU, UK
HONG KONG AND PRC LEGAL ADVISERS:	Zhong Lun Law Firm 409 Jardine House 1 Connaught Place Central Hong Kong

1.6 TRADING AND SETTLEMENT OF SHARES

Trading: Shares admitted to trading on the Exchange are quoted on the INET trading platform which is accessed through the Nordic Workstation application (nordicworkstation.com). Brokers who have either direct or indirect access to that system may place buy and sell orders in the market.

Persons interested in trading in the Company's shares should consult their own stockbroker.

Settlement: The Company is in the process of engaging VP Securities A/S as its Issuing Agent for shares traded on the Exchange and for the execution of corporate actions towards shareholders whose shares are held in the VP system.

Alternatively, shareholders may settle trades in the CREST/Euroclear system. Please consult your stockbroker.

1.7 RESPONSIBILITY STATEMENT OF THE BOARD OF DIRECTORS

We declare that, to the best of our knowledge, the information provided in the Company Description is accurate and that, to the best of our knowledge, the Company Description is not subject to any omissions that may serve to distort the picture the Company Description is to provide, and that all relevant information in the minutes of board meetings, auditors records and other internal documents is included in the Company Description.

Jason Hung-Wen Wang

Jonathan Sumner

Andrew Paul Richards

Adrian Wyn-Griffiths

Syed Jeff Erik Jaffrey

2. RISK FACTORS

The Directors consider the following risks to be the most significant for potential investors in the Group. The following factors do not purport to be a complete list or explanation of all the risk factors involved in investing in the Group. In particular, the Group's performance may be affected by changes in the market and/or economic conditions in legal, regulatory and tax requirements. Prospective investors should be aware that an investment in the Group involves a higher than normal degree of risk. In addition to the other information contained in this document, the following risk factors should be considered carefully in evaluating whether to make an investment in the Group. Prospective investors should carefully consider the other information in this document.

Additional risks and uncertainties not presently known to the Group or the Directors or, that they currently deem immaterial may also impair the Group's business operations. The business, financial condition or result of operations of the Group could be materially and adversely affected by any of these risks. The trading price of the Ordinary Shares could decline due to any of these risks and investors could lose all or part of their investment.

RISKS RELATING TO THE GROUP'S OPERATIONS

Dependence on directors and management team

To a large extent, the Group's success will depend on the abilities and continued efforts of the Board and the management team. The management team and board include qualified personnel with experience across a range of industries. The loss of any director or key manager may adversely affect operations and competitiveness in the market.

The Group will strive to minimise this risk by ensuring that it has the ability to retain key people but it may need to offer higher compensation and other benefits in order to attract and retain and motivate the key management.

Exposure to foreign exchange risks

The Group's financial statements are expressed in Euro. However, the Group mainly operates in the Far East Region with most transactions settled in Euros, Hong Kong dollars and RMB. The Group is exposed to foreign exchange translation risk from future transactions, net investments in foreign operations and net monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency. Fluctuations in the exchange rates between the Euro and other currencies could therefore affect the Group's reported results from year to year. This could have a material adverse effect on the Group's business, financial condition and results from operations.

As the Group's business develops, subsidiaries within the Group will be exposed to foreign exchange risk on commercial transactions that they undertake. The Directors will endeavour to mitigate such risk through hedging and other strategies but a failure to fully hedge such positions could have a material adverse effect on the Group's business, financial condition and results from operations.

Dependence on intellectual property and Technology Licence Agreement

The Group has entered into the Technology Licence Agreement which gives it the right to manufacture Accoya® Wood under licence, and the exclusive right to market and sell Accoya® Wood in a number of countries. Additional information on the Technology Licence Agreement may be found in Part 9.2.1 of this document. If the Group commits breaches of its provisions which are not cured following notice from Titan Wood, then it is highly likely the Technology Licence Agreement would be terminated. The Group is totally dependent on the Technology Licence Agreement, as its right to pursue its proposed principal business activity of manufacturing Accoya® Wood is governed by the Technology Licence Agreement.

There can be no assurance that the Technology Licence Agreement will not be terminated should any of the events described in Part 9.2.1 of this document occur. The termination of the Technology Licence Agreement or a material revision in its terms may have an adverse effect on the business and financial performance by adversely affecting the Group's ability to manufacture Accoya® Wood and/or market and sell Accoya® Wood in its intended target markets.

Exposure to potential product liability claims

There can be no assurance that long-term unforeseen technical problems will not be encountered with the Accoya® Wood acetylation technology and acetylated wood produced on the basis of that technology. Any such problems may give rise to future legal claims against the Group for product liability and potentially reduce demand for Accoya® Wood.

Dependence on regional distributors

The Group will be relying on its regional distributors to distribute its products and through whom it will conduct the majority of its sales and its future success will be dependent on the growth of its distributor base and the ability to grow its network of customers. The Group mitigates this risk by having a number of different distributors such that it is not dependent on any one distributor.

Dependence on supplies from Accsys

Until such time as Diamond Wood builds its proposed factory, it will be dependent on Accsys for the supply of Accoya® Wood. If Accsys is unable to meet the Group's demand for Accoya® Wood, profits and cash flows will be adversely affected.

The acceptability of Accoya® Wood may be limited or delayed

The acceptability of Accoya® Wood may be limited or delayed as it is a relatively new product that is not widely used compared to other types of wood material. The relatively recent introduction of Accoya® Wood and low level of usage would also require manufacturers and suppliers to be introduced to the product, and educated about its benefits. In addition, Accoya® Wood is positioned as a premium product that is more expensive than some of the comparable substitute products. Limited acceptability of Accoya® Wood, and/or delays in its acceptance may have an adverse effect on the Group's business operations and financial performance.

Non-completion of Diamond Wood's own factory

The failure of the Group to complete the construction of the planned factory in China either through an inability to raise the requisite finance or for any other reason would have a significant impact on the prospects of the Group and its financial position.

If the factory is not completed by mid 2020, the Group may lose the exclusivity of its Technology Licence Agreement in some of its markets (ASEAN) and would be required to restructure the current import and distribution business to be a self-sufficient operation by materially reducing headcount and outsourced consultancy services, as well as leveraging its position in the Chinese and ASEAN markets to distribute other technical wood solutions, which the Board believe exist.

Such action would be accompanied by the significant impairment of the intangible asset on the Group's balance sheet as this asset contemplates the construction and operation of Diamond Wood's own factory and the continued exclusivity of the Technology Licence Agreement.

Further, the existing Zica loan facilities described in paragraph 9.2.2 of Part 9 of this document would be converted to equity, thereby diluting the holdings of current shareholders.

Dependence on Zica financing

The Group is currently dependent on the facilities it has with Zica (described in Section 9.2.2) in order to finance its day to day expenditures. Whilst the Directors have no reason to believe that Zica will not perform in accordance with the negotiated facilities, the failure of Zica to perform for any reason would require the Company to seek alternative short term financing. Failure to do so could have a material impact on the Group's liquidity position.

RISKS RELATING TO THE MARKET

Stock exchange risk

The price of the Company's shares may decline due to general market sentiment as well as an imbalance between potential buyers and sellers of the Company's shares. Additionally a lack of adequate liquidity in the market may mean that investors are unable to dispose of their shares at either the time or value they seek.

FORWARD-LOOKING INFORMATION

This Company Description contains forward-looking statements. Forward-looking statements are not statements of historical facts but rather reflect the Company’s current expectations, estimates and predictions about future results and events.

This Company Description uses words such as 'anticipate', 'continue', 'estimate', 'expect', 'predict', 'may', 'will', 'project', 'should', 'assume', 'believe', 'plan', “intend”, and similar expressions to identify forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, many of which are beyond the Company’s ability to control or predict. This could therefore cause actual results to differ materially from those anticipated in these forward-looking statements.

Assumptions regarding future revenues, acquisitions and other components of any projections are necessarily speculative in nature. In addition, projections do not and cannot take into account such factors as general economic conditions, unforeseen regulatory and legal developments and other factors discussed in this Risk Factors section, and elsewhere in this Company Description. This includes the potential entry into the Company’s markets of significant additional competitors and other risks inherent to the business of the Company. While the Company believes that any forward-looking statements herein reflect possible future results of the Company’s operations, such results cannot be guaranteed.

3. THE COMPANY

3.1 SUMMARY

The Company is a public limited company incorporated in England & Wales with registration number 9357256. The Company was established to invest in or acquire companies engaged in the cleantech building materials sector. Except in relation to the Acquisition, the Company does not have, nor has it taken any action to acquire, any significant investments.

The Company will on Admission acquire Diamond Wood and its subsidiaries through a share for share exchange transaction under which the Company will acquire shares in Diamond Wood in exchange for the issue of new Ordinary Shares in the Company. As at the date of Admission, the Company will hold 93.2 per cent of the issued share capital of Diamond Wood.

Following Admission, the Company will be the holding company of the Group which will, through its subsidiary Diamond Wood, hold an exclusive licence to manufacture and distribute Accoya® Wood in the Far East Region.

Following Admission, the Group's business will be the exclusive import and distribution of Accoya® Wood in the China and ASEAN markets. Accoya® Wood is a modified softwood with performance characteristics that equal or exceed those of many tropical hardwood species. Diamond Wood has been selling Accoya® Wood to these markets for a number of years as a master distributor, but at relatively low volumes, reflecting production constraints at the Arnhem based plant of its licensor, Accsys. In 2015, Accsys announced its plans to increase the capacity of its Arnhem plant starting in the second half of 2017, potentially providing the Group with an opportunity to increase the volume of Accoya® Wood it sells. Under the current business plan the Directors believe the Group will be operating on an EBITDA positive basis during H1 2018 from the import and distribution of Accoya® Wood.

Additionally, the Group aims to both expand its distribution business and enable direct sales to large wood manufacturers in China through the construction of its own Accoya® Wood factory, which would provide it with a much greater supply of Accoya® Wood than is possible from Accsys, resulting in greater revenues and profits.

Discussions are on-going regarding the financing of the construction of an Accoya® Wood factory with a capacity of up to 160,000 cubic metres per annum.

The Group has identified a number of possible sites for the construction of the factory in China, including the premises of one of the industrial partners with whom the Directors are currently in negotiations.

3.2 GROUP STRUCTURE

The Company currently has no subsidiaries or associated undertakings. The business of the Company and its principal activity is at present that of an investment company.
Following Admission, the Company will be the holding company of the Group and will have the following direct and indirect subsidiary companies:-

- Diamond Wood China Limited (registered in Hong Kong);
- Diamond Wood Shanghai Trading Co. Ltd ("**DWS**") (registered in the PRC, Shanghai);
- Diamond Wood Nanjing Manufacturing Co. Ltd ("**DWN**") (registered in the PRC, Nanjing).

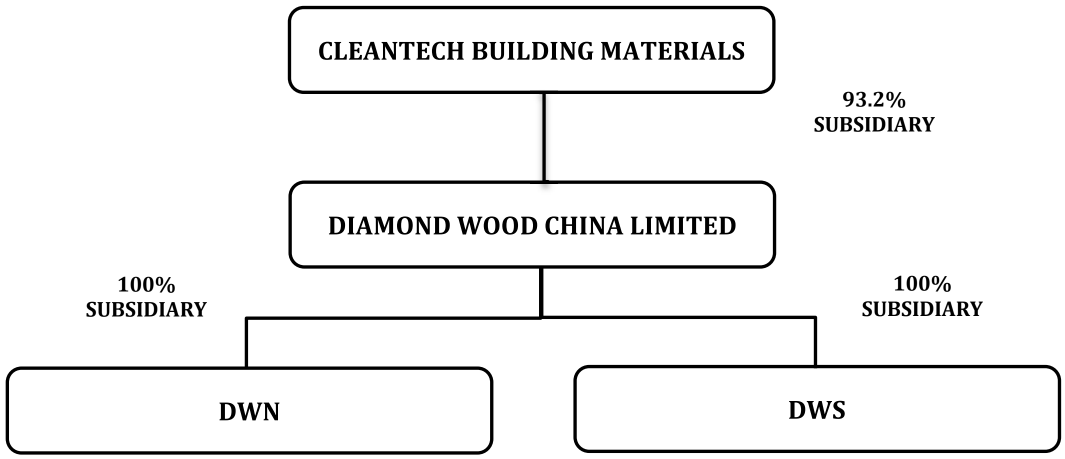
The registered office of Diamond Wood is 3905 Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

The registered office of DWS is Room 1801-1806, No. 300 Xi Kang Road, Jing An District, Shanghai, China.

The registered office of DWN is 168-080, Fang Shui Road, Nanjing Chemical and Industrial Park 2B-3-1, Liu He District, Nanjing, Jiangsu Province, China.

Details of Diamond Wood can be found in Section 3.3 of this document. DWS has an issued and paid up share capital of US$500,000 and DWN has an issued and paid up share capital of US$25,547,908.84.

The structure of the Group upon Admission will be as follows:



3.3 DIAMOND WOOD

Diamond Wood is a Hong Kong registered company that was incorporated on 15 October 2007.

Through a series of private equity transactions between 2007 and 2011, Diamond Wood raised approximately €48 million to acquire the Technology Licence Agreement and the rights to purchase land in the Nanjing Chemical Industrial Park in China where it planned to construct an Accoya® Wood factory. However, as Diamond Wood was unable to develop the land within two years as required by the laws under which the acquisition was made, it was required to sell back the land use rights at the same price it was purchased for.

In August 2013, all work on the development of Diamond Wood was put on hold when Titan Wood terminated the Technology Licence Agreement. Diamond Wood contested the termination and the dispute proceeded to arbitration in September 2013. On 21 July 2014, Diamond Wood was successful in having the Technology Licence Agreement re-instated and was awarded costs plus interest and damages.

Following reinstatement of the Technology Licence Agreement, Diamond Wood has signed distribution agreements with 12 distributors in the Far East Region and resumed both the import of Accoya® Wood from Titan Wood and its resale through these distributors. Additionally, Diamond Wood has signed an agreement with Titan Wood for individual project sales in China and Thailand for which Diamond Wood is receiving a commission.

3.4 PRODUCT

Accoya® Wood is a form of modified softwood with performance characteristics that equal or exceed those of many tropical hardwood species. Accoya® Wood is non-toxic and is produced via a patented 'green' manufacturing process technology.

Accoya® Wood is produced by impregnating sustainable fast growing wood species, like Radiata Pine, with what can best be understood as a concentrated form of vinegar, called Acetic Anhydride

The resulting wood has performance characteristics that not only surpass the original softwood pine, but has been certified to perform as well or better than other hardwoods such as teak. These characteristics include:

- durability (ability to withstand termites and fungus);

- dimensional stability (wood does not swell or shrink as much);
- hardness;
- other physical qualities such as heat resistance and resistance to abrasion, scratches and dents
- ultra violet stability; and
- environmental sustainability (the wood is from sustainable sources, and acetic anhydride is non-toxic).

Technically the acetylation process results in some of the hydroxyl groups in the cell walls of the wood being replaced by acetyl groups. The acetyl groups are more water repellent than the hydroxyl groups they replace, and this reduces the moisture content of the treated wood making the wood less attractive to organisms such as insects and fungi, which require water to survive; treated Radiata Pine was placed in durability class 1 in independent tests using white rot fungi, brown rot fungi and soft rot fungi. Also insects cannot digest acetylated wood thus increasing the resistance of treated wood to insect degradation.

The water repellent qualities of the wood reduce moisture absorption and thus the structural stress that wood suffers from the swelling and shrinking that such absorption causes. This makes the wood more durable in damp environments and results in a more stable surface for the application of surface coatings such as paint, lacquer and varnish.

The Janka hardness of treated radiata pine has also been independently tested. This is a measure of hardness and the average Janka hardness of treated wood in radial, tangential and end grain orientation was 47 per cent., 52 per cent. and 81 per cent. higher than in untreated wood.

Exposure to ultraviolet light weathers wood, causing colour changes. This is reduced by the acetylation of the wood which makes the wood more suitable for outdoor use and broadens the range of translucent coatings that can be used with the wood.

Diamond Wood has entered into negotiations with timber suppliers to purchase FSC certified Radiata Pine from sustainably managed plantations. Radiata Pine is a fast growing softwood with a significantly lower carbon footprint than unsustainably sourced wood and building materials such as aluminium. Overall use of treated Radiata Pine will reduce deforestation. Also the acetylation process does not introduce toxic substances or compounds into the wood making the treated wood relatively easy to dispose of at the end of its life.

The improved durability and physical qualities of the treated radiata pine make it a good substitute for hardwood both in interior and exterior applications, including flooring, decking, cladding, window frames, doors and furniture and fittings. It can also be used in civil construction and marine applications.

Acetylation is one of several processes that can be used to improve the quality of wood. For many decades chromated copper arsenate ("**CCA**") was an extremely common form of wood preservative. However, concerns were raised that the chemicals used in CCA may leach from the wood into surrounding soil and in 2004 the US environmental protection agency began restricting the use of CCA in residential and commercial construction. In the UK, in 2012, timber treated with CCA was deemed as a hazardous material by the department for environment food and rural affairs.

Other processes are available which also introduce insecticides and pesticides into the wood. By contrast acetylation involves changing the cell structure of the wood to make it indigestible to insects and fungi, thereby obviating the need for these toxins.

3.5 PROCESS

The process has the following key stages;

1. incoming quality control to determine that the right quantity and quality of wood is being received and is free from defects, e.g. wood knots etc.
2. stacking, this is important to ensure liquid movement between the individual planks is unrestricted during the acetylation process.
3. drying to reduce moisture content.
4. a reactor is then used to introduce the acetic anhydride to the wood, under pressure over a specified period. The amount of time depends on the thickness of the wood.
5. post acetylation treatment to remove residual acetic anhydride and to capture the acetic acid produced as a by-product of the process.
6. drying to drive off excess moisture.
7. quality control.
8. storage and delivery to customers.

The acetic acid produced as a by-product of acetylation can be sold for re-use in a wide range of industries.

3.6. TECHNOLOGY LICENCE AGREEMENT

The original Technology Licence Agreement entered into between Titan Wood and Diamond Wood in 2007 has been subject to a number of amendments and supplemental agreements. Details of the Technology Licence Agreement as it currently stands are set out in Part 9.2.1 of this document. The following summary sets out the key points:

- Diamond Wood is granted an exclusive right to manufacture and distribute Accoya® Wood in the Far East Regions.
- Diamond Wood is granted a non-exclusive right to sell and distribute elsewhere in the world. This right may be withdrawn on a country-by-country basis by Titan Wood giving twelve months' notice that it has appointed a licensee for that country.
- The exclusive rights to market, distribute and sell Accoya® Wood under the Technology Licence Agreement will expire on 1 July 2030 in respect of the ASEAN countries, provided that if Diamond Wood has not constructed a manufacturing facility with a capacity of at least 57,086 m^3 per annum by 1 July 2020, then the exclusive rights in respect of the ASEAN countries will terminate at this earlier date.
- Diamond Wood may use the Accoya® Wood brand, provided its output reaches the specified standard.
- As at 30 November 2016 (the latest practicable date prior to the publication of this document), an aggregate of €19.7 million has been paid by Diamond Wood to Titan Wood in licence fees.
- In addition, Diamond Wood will pay Titan Wood a royalty for the production of up to 500,000 m^3, at a rate of €25 per m^3 until the 20th anniversary of the first payment.

4. BUSINESS STRATEGY AND MARKETS

4.1 MARKET

The Directors estimate that the market for sawn tropical hardwood in China and the principal ASEAN markets that Diamond Wood intends to target initially to be as follows:

Tropical hardwood production and use in applications targeted by Diamond Wood

all in millions of cubic metres

	Total Production	Flooring & Decking	Doors & Windows	Outdoor furniture	Cladding & Siding	Accoya® Wood target applications
China	23.0	2.4	4.5	2.6	1.8	11.3
Thailand	7.6	0.3	0.4	0.1	–	0.8
Malaysia	17.6	0.2	-	0.1	-	0.3
Indonesia	46.6	0.3	0.1	0.3	-	0.7
Philippines	1.2	0.2	0.1	–	–	0.3
Vietnam	5.3	–	–	0.6	–	0.6
Total	101.3	3.4	5.1	3.7	1.8	14.0
Diamond Wood capacity planned						0.1
Market Share at full capacity						1.0%

To date, Diamond Wood's sales have been constrained by the limited availability of Accoya® Wood produced by Accsys in its Arnhem factory in Holland, and more recently by the arbitration with Accsys which prevented Diamond Wood from selling during the arbitration period.

Because of capacity constraints of Accsys' Arnhem factory in the Netherlands, Diamond Wood has not been able to sell to high-volume wood product manufacturers, such as flooring and joinery manufacturers, but instead has concentrated on high profile reference projects in the Far East Regions.

4.2 SALES STRATEGY

Diamond Wood has built its marketing strategy upon its Chinese and ASEAN customer and distributor feedback, as well as its regional market research, taken together with an understanding of the progress made by Accsys in the European and American markets.

Since 2007 both Accsys and Diamond Wood have identified a strong demand for Accoya® Wood, which is now an established performance wood with a unique selling proposition in different application segments – including windows & doors; flooring; decking; outdoor furniture; and cladding.

As part of its marketing strategy, Diamond Wood has taken these applications and geographic market segments and further segmented the target market according to the end buyer as follows:

1. Far East Region product manufacturers selling into China
2. Far East Region product manufacturers selling into export markets
3. Far East Region construction project owners (and architects)

The Company believes that wood products manufactured for sale into the Far East Regions will still be predominately driven by low pricing in the foreseeable future.

In contrast, the Far East Regions domestic construction and export markets market continue to be driven by purchases from government and high-profile private clients, who the Directors believe are willing to pay a premium for quality wood with good environmental credentials.

Large manufacturing customers and large construction project customers in China will be managed directly by the Diamond Wood sales team. Smaller manufacturers and construction projects in Far East Regions will be managed by regional distributors and agents.

Diamond Wood currently has an experienced Marketing & Sales team who are responsible for direct sales and 12 distribution partners across the Far East Region as follows:

- Vorrawut Materials Co Ltd (Thailand)
- Commerces Ethiques Co Ltd (Thailand)
- DCM Solutions Ltd (Thailand)
- Signature Products Sdn Bhd (Malaysia)
- Dexglobal Marketing Sdn Bhd (Malaysia)
- Thanh Thanh Liem Co Ltd (Vietnam)
- MMF Timberhub Private Limited (Singapore)
- Centre Lumber Corporation (Philippines)
- MMF Timberhub Private Limited (Brunei)
- PT Sarana Interindo Maju (Indonesia)
- DCMC Construction Co Ltd (Cambodia)
- KC Viet Nam Trading & Consulting Company Ltd (Vietnam)

Once the Group has been successful in raising the funds required to construct and operate an Accoya® Wood factory, plans are in place to build up the sales and marketing organisation during 2017 and 2018 in preparation for the commencement of production and sales from the Group's planned Chinese factory during 2019. These will include dedicated sales personnel managing the four principal regions of China for direct sales to large manufacturers and regional distributors. In support of the sales activities, a marketing team will be built up to include roles covering product management, market communications, and technical support.

At the start of 2009, Diamond Wood began to import Accoya® Wood from the Accsys factory in Arnhem, the Netherlands with a view to building awareness of the product ahead of Diamond Wood's own planned production.

Diamond Wood's marketing and sales team has been successful in getting Accoya® Wood incorporated into some of the highest profile reference projects in the region. These include the Shanghai World Expo 2010 promenades; the new Shanghai International Cruise Ship terminal, the Wison building in Nanjing; McDonalds outdoor furniture; walkways and decking at the New Zealand Centre and Baidu office in Shanghai, and the refurbishment of a leading global brand theme park in Hong Kong.

The Directors expect Accoya® Wood sales to be priced at a level comparable to, or slightly below, other competing tropical hardwoods. Because of the limited volumes of Accoya® Wood which Diamond Wood can import from the Accsys factory in the Netherlands, the Group Board has decided to maintain a premium pricing in the market.

Once Diamond Wood has begun production of Accoya® Wood in its own factory, which is subject to future funding, the Directors expect to lower the average price at which Accoya® Wood is sold in order to enter other large market segments, such as Far East product manufacturers selling into the US and EU markets.

4.3 COMMERCIALITY

Although Diamond Wood has explored the market potential by selling Accoya® Wood in some of its target markets, the wood sold was sourced from the Accsys Group's factory on Arnhem. While, the directors have prepared their own costings and profit estimates based on their detailed review of the production process and local price quotations for materials and supplies, the only public source of information on the profitability of the process is Accsys.

In its full year accounts for the year ended 31 March 2016, Accsys reported a gross margin of 34 per cent. The Directors believe that, once Diamond Wood is directly manufacturing the product it sells, it would be able to improve on this margin for the following reasons:

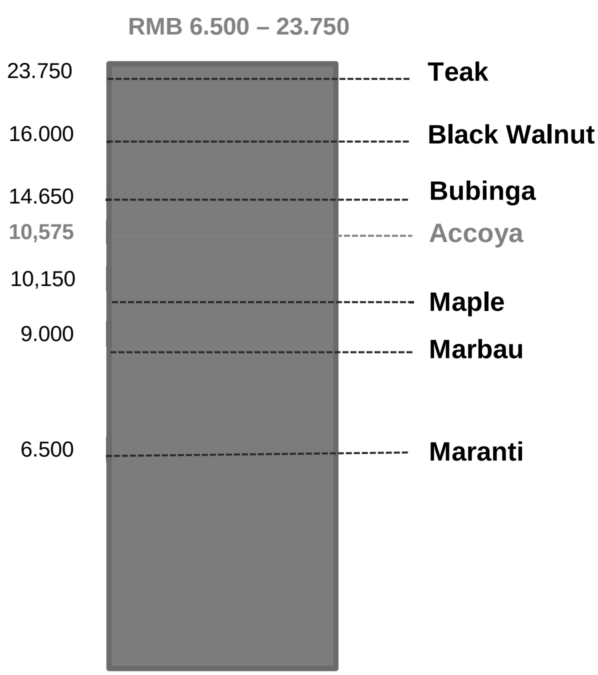
- Accsys sells a portion of its Accoya® Wood at reduced prices for use by its 'Tricoya joint venture';
- The volume of wood produced by Diamond Wood could be up to four times greater than that currently produced at the circa 40,000 m3 Arnhem factory, yielding greater volume discounts on input costs;
- The structure of the Anhydride market in China is in a state of over-capacity, and the Group expects to purchase this key input at lower costs compared to Accsys in Europe;
- The key wood species used to make Accoya® Wood , Radiata Pine, is now being imported and processed in China on a large industrial scale
- Energy, utility and labour costs are generally lower in China than in Europe.

Accsys' full-year accounts for the year ended 31 March 2016 also show that Accsys achieved an average price similar to that of tropical hardwoods typically used in the Far East Regions markets for the applications targeted by Diamond Wood.

4.4 COMPETITIVE ANALYSIS

The Company believes that its target selling price of Accoya in the market places it in a strong competitive position when compared with the average sales prices of commonly used hardwoods.

(All prices in RMB per cubic metre)



4.5 BUSINESS PLAN

Currently the key assets and contracts of the Diamond Wood Group are:

- the Technology Licence Agreement;
- the intellectual property relating to the costings and estimates for the construction of a theoretical 160,000 m3 pa design capacity factory;
- the market and customer research undertaken on the Far East market;
- the distribution agreements in place in the ASEAN markets; and
- the loan facility with Zica.

The Board is engaged in on-going discussions and also initiating new contacts with regard to financing the construction of an Accoya® Wood factory with a capacity of up to 160,000 m^3 per annum. The Group has identified a number of possible sites for the construction of the factory in China, including the premises of one of the industrial partners with whom the Directors are currently in negotiations. The Board believes that this will require funding in equity and debt of up to €90 million. This estimate is based on detailed costs prepared for the purchase of land, construction of the factory, pre-production costs, final payment of License fees, payment of debt, and changes in working capital. Until this funding of the factory is complete, the Board may also consider, as the opportunity arises, placing shares with institutions and other investors to finance the Group's interim funding requirements. The Company has the legal capacity to issue up to 48.6 million ordinary shares without pre-emption, this is equal to 170 per cent. of the Ordinary Shares in issue at Admission.

Once the new site is selected and the agreements signed with the local Chinese partner and Chinese government entities, then the Board anticipate that it will be necessary to commission new engineering plans and obtain updated quotes for the cost of construction.

5. MANAGEMENT

5.1 BOARD OF DIRECTORS

The Board of Directors comprises the following 2 Executive and 3 Non-Executive directors.

Syed Jeff Erik Jaffrey and Adrian Wyn-Griffiths were existing members of the Board of Cleantech Building Materials PLC and were joined on 7 December 2016 by Andrew Paul Richards, with Jonathan Sumner and Jason Hung-Wen Wang also joining from Diamond Wood on the same date.

Andrew Paul Richards, (age 53) – *Non-Executive Chairman*

Paul qualified as a Solicitor in 1987 and worked for Theodore Goddard specialising in corporate and insolvency law. In 1996 he joined the corporate finance department of Hoare Govett before moving to Collins Stewart in 1999. He formed part of the founding team of Fairfax, a boutique investment bank in 2005. After leaving Fairfax in December 2008 he became an adviser to Core Capital (a private equity firm) in 2009 and in 2010 he founded Murphy Richards Capital LLP.

At Collins Stewart he was a senior director in the corporate finance department and led the investment companies and financials team. At Fairfax he was a main board director and head of corporate finance. He has extensive corporate finance experience having advised on a significant number of IPOs, secondary fundraisings and takeovers. More recently he has been active in the private equity and private placement sector with Murphy Richards Capital.

He has experience in a wide range of sectors and has advised companies operating in the UK, Europe, Asia and Africa. He is an FCA Authorised Person with CF4, CF10, CF11 and CF30 permissions

Upon Admission Paul will owns shares in the Company equating to 0.64% of the issued share capital.

Paul is engaged as non executive Chairman of the Company under an appointment letter dated 7 December 2016. Under the terms of this appointment letter he is entitled to remuneration of £35,000 per annum. He is entitled to the provision of Directors and Officers liability insurance. The appointment letter can be terminated on one month’s notice from either party.

During the last five years, Paul has been a director of the companies in the following table. The table shows the name of the company, its jurisdiction of incorporation, the dates of his appointment and, where relevant, cessation. Companies whose shares are traded on a public market are noted; all others are private.

Murphy Richards Capital LLP	UK	July 2010	ongoing	
Cootes Farm 2016 Limited	UK	February 2016	ongoing	
Concerto Vita Ltd	UK	January 2013	ongoing	
Total Environmental Solutions Limited	Bahamas	2016	ongoing	
Core VCT IV PLC	UK	December 2006	April 2015	1
Core VCT IV PLC	UK	December 2006	April 2015	1
Q Resources PLC	Jersey	2010	2014	2
Tantalus Rare Earths AG	Germany	2011	2012	3
MRG Limited	Jersey	2010	2011	

1. Official List, London Stock Exchange
2. AIM, London Stock Exchange
3. Primamarkt, Düsseldorf

Paul was a director of Q Resources PLC (a Jersey company) which entered insolvent liquidation on 17 November 2014 with a loss to creditors of £155,000.

Jason Hung-Wen Wang, (age 50) – *Chief Executive Officer*

Jason is an experienced executive with over 20 years of commercial experience in China and Asian markets. He has negotiated complex land purchase and investment agreements with the Chinese government. He has led the marketing and sales of a performance wood product in the Far Eastern markets, including in China. Jason previously worked with US chemical multinational, Celanese, where he was responsible for the marketing and sales of Acetyls products in the Asia Pacific region, including acetic anhydride, the primary chemical used in manufacturing Accoya® Wood. Jason has a master's degree in chemical engineering from Arizona State University, and is fluent in both Mandarin and English. Jason joined the Board on 7 December 2016.

Jason is engaged as an executive director of the Company under a service contract dated 7 December 2016. Under the terms of this contract he is entitled to remuneration of €144,000 per annum. He is entitled to the provision of Directors and Officers liability insurance. The contract can be terminated on 3 months' notice from either party.

He has not been a director of any other company in the past five years.

Jonathan Sumner, (age 34) – *Chief Financial Officer*

Jon joined Diamond Wood in April 2011 as Group Financial Controller, before being appointed as Chief Financial Officer in February 2013 and joining the Board on 1 July 2013. Jon's previous management experience has been with PricewaterhouseCoopers, Deloitte, Ernst & Young and a number of clean-tech SMEs in the MENA region. Jon has wide experience of the treasury management function, financial reporting and economic strategy and forecasting. Jon is part ACCA and ATT qualified and has a BSc degree in Mathematics from the University of Bristol, UK. Jon joined the Board on 7 December 2016.

Upon Admission, Jon will own shares in the Company equating to 0.04% of the issued share capital.

Jon is engaged as an executive director of the Company under a service contract dated 7 December 2016. Under the terms of this contract he is entitled to remuneration of AED 900,000 per annum. He is entitled to the provision of Directors and Officers liability insurance. The contract can be terminated on 12 months' notice from either party.

During the last five years, Jon has been a director of the companies in the following table. The table shows the name of the company, its jurisdiction of incorporation, the dates of his appointment and, where relevant, cessation. Companies whose shares are traded on a public market are noted; all others are private.

Norton PTC (Guernsey) Limited	Guernsey	June 2016	ongoing
Tri-Valley International Limited	BVI	September 2016	ongoing
Bi-Valley International Limited	BVI	September 2016	ongoing
TGS Holdings Limited	Jersey	April 2014	March 2015
Alimay Holdings Limited	BVI	March 2012	February 2013

Syed Jeff Erik Jaffrey, (age 34) – *Non-Executive Director*

Jeff is a partner of Veritas Investments SA. He launched the Veritas I fund in 2008, which is currently invested in nine businesses, ranging from forestry to the medical device industries. He has participated in transactions with some of the world's largest pharmaceutical companies and has also been involved in helping several large biotech firms to develop distribution platforms in the Middle East.

Jeff began his career in 2004 at Barclays Private Bank in Geneva, Switzerland. From 2006 until 2010, he held management positions at two Geneva-based private equity firms. He and a consortium of families, private individuals, banks and hedge funds, have invested on a global basis. From 2006 until 2008, Jeff was also a founding partner of Tactica Switzerland, a private fund managed by the Internal Strategies Group within Goldman Sachs and was appointed to the Board on 18 December 2014.

Jeff currently owns shares in the Company equating to 9.32% of the issued share capital. Upon Admission Jeff will own shares in the Company equating to 2.60% of the issued share capital.

Jeff is engaged as non executive director of the Company under an appointment letter dated 7 December 2016. Under the terms of this appointment letter he is entitled to remuneration of USD 18,000 per annum. He is entitled to the provision of Directors and Officers liability insurance. The appointment letter can be terminated on one month's notice from either party.

During the last five years, Jeff has been a director of the companies in the following table. The table shows the name of the company, its jurisdiction of incorporation, the dates of his appointment and, where relevant, cessation. Companies whose shares are traded on a public market are noted; all others are private.

Veritas Global Advisors Limited	UK	September 2015	ongoing
Veritas Corporate Group	UK	September 2015	ongoing
Veritas Investments (UK) Ltd	UK	May 2013	ongoing

Adrian Wyn-Griffiths, (age 53) – *Non-Executive Director and Company Secretary*

Adrian qualified as a Solicitor at S J Berwin & Co in 1989, specialising in corporate finance and international M&A transactions. In 1995 he joined the in-house legal team at Diageo and was heavily involved in the merger of the Guinness and GrandMet businesses. Since leaving Diageo in 2003, he has held various senior legal and management positions at a number of internationally quoted companies including Scottish & Newcastle, Akzo Nobel, Thales, Scientific Games and National Grid. He also worked at Accsys Technologies from the end of 2007 until August 2010 as head of in-house legal and was involved with the Technology Licence Agreement.

He has over 20 years multi-cultural experience of the alcohol, coatings, defence, gaming and energy sectors including comprehensive expertise in M&A, restructuring projects, technology licensing, intellectual property development and protection, risk management, compliance and regulatory matters and dispute resolution. Most recently, he has been involved in the sale of a controlling stake of National Grid's gas distribution business providing legal and M&A expertise to the directors and senior management of the company. Adrian joined the Board on 14 June 2016 and is also the Company Secretary.

Adrian is engaged as non executive director of the Company under an appointment letter dated 7 December 2016. His services are provided to the Company by A Wyn-Griffiths Ltd. which is entitled to remuneration of £24,000 per annum. He is entitled to the provision of Directors and Officers liability insurance. The appointment letter can be terminated on one month's notice from either party.

Adrian is currently a director of A Wyn-Griffiths Ltd, a UK company. He was appointed in December 2014.

Save as disclosed, no Director has in the 5 years prior to the date of this Company Description:

i. had any convictions in relation to fraudulent offences;

ii. been a director or a member of the administrative, management or supervisory body of any company which has been placed in receivership or liquidation whilst he was acting in that capacity for that company;

iii. been a partner in or a member of the administrative, management or supervisory body of any partnership placed into liquidation where such director was a partner or a member of the administrative, management or supervisory body at the time of or within the 12 months preceding such event;

iv. been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or been disqualified by a court from acting as a member of the administrative, management or supervisory body of any entity or from acting in the management or conduct of the affairs of any entity.

5.2 COMPANY SECRETARY

Adrian Wyn-Griffiths is engaged as the Company Secretary.

5.3 SENIOR MANAGEMENT

In addition to the Directors, the Group also has experienced managers supporting stakeholder relations and the marketing and sales of Accoya® Wood as follows:

John Gregory Lee Ranck, (age 49) – Chairman, Diamond Wood and its subsidiaries

Greg was the founder of Diamond Wood in October 2007 and he remains a director of Diamond Wood today. He has twenty-five years' experience of working with new technologies and has founded and led two software and online services companies in Europe, Phoenix Imaging Technologies and Viacarla Networks, and a third company in China. Previous to this, Greg's international experience included three years working with Philips Electronics' Optical Storage components (CD, DVD) businesses in China as worldwide marketing and product director and working for three years in Japan as a global marketing manager for Yamaha Electronics. Greg has an MBA from the IESE business school, and continues to develop his proficiency in Spanish, Japanese, French and Mandarin.

Olivier Roy, (age 50) – *Sales Manager Far East Region, Diamond Wood*

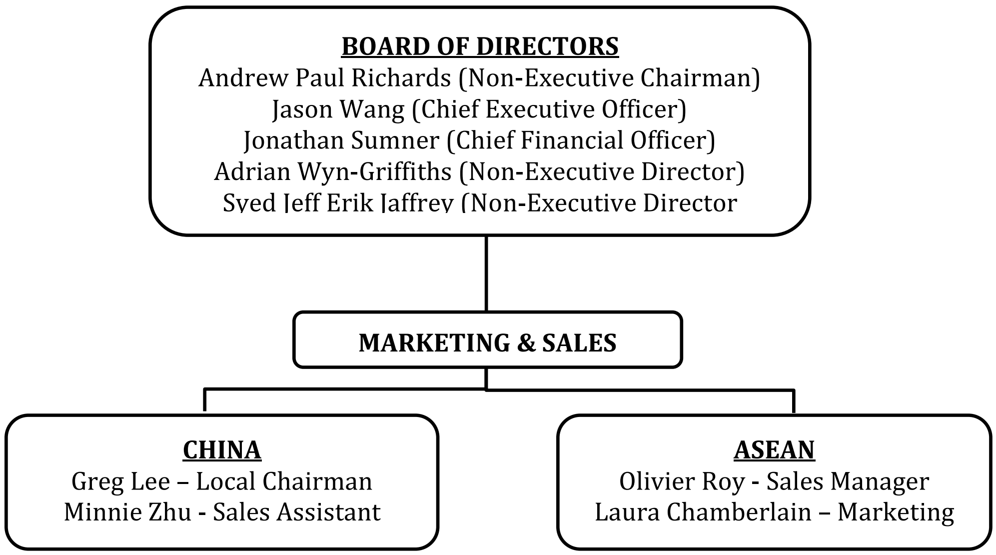
Olivier joined Diamond Wood in August 2011 and has nearly 20 years of experience in South East Asia in the wood industry and related markets for the wood business. He had regional responsibility including manufacturing, negotiations, purchasing, sales, and marketing, for business development of wood products to be exported to the European market. Olivier joined Diamond Wood as Regional Sales Manager and Technical Support covering all the ASEAN markets to focus on business development and regional sales to key distributors and wood product manufacturers. His current assignment is to perform key account and project management, product certification, project sales and direct sales, within the regional commercial strategy.

Laura Chamberlain, (age 41) – *Marketing Manager, Diamond Wood*

Laura joined Diamond Wood in March 2013 as Marketing Manager. With more than fifteen years' experience in marketing, corporate communications, website development, social media and events, Laura provides operates across multiple disciplines. Prior to joining Diamond Wood, Laura was Head of New Media with a large UK holiday company, developing and implementing their online marketing strategy. Laura graduated from Manchester University with a BA in Modern History & Economics

5.4 ORGANISATION CHART

The Group's organisation following Admission will be as follows:



6. FINANCIAL INFORMATION

A) ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION ON THE DIAMOND WOOD GROUP FOR EACH OF THE TWO YEARS ENDED 31 MARCH 2016

Crowe Clark Whitehill

The Directors
Cleantech Building Materials Plc
7 Trebeck Street
London, W1J 7LU

Crowe Clark Whitehill LLP
Chartered Accountants
Member of Crowe Horwath International
St Bride's House
10 Salisbury Square
London EC4Y 8EH, UK
Tel +44 (0)20 7842 7100
Fax +44 (0)20 7583 1720
DX: 0014 London Chancery Lane
www.croweclarkwhitehill.co.uk

20 December 2016

Dear Sirs

Introduction

We report on the consolidated financial information of Diamond Wood China Limited ("**Diamond Wood**") and its subsidiaries (the "**Diamond Wood Group**") set out in this Part 6(A) as at 31 March 2015 and 31 March 2016 and for each of the two years ended 31 March 2016, which has been prepared for inclusion in Part 6(A) of the company description (the "**Company Description**") dated 20 December 2016, of Cleantech Building Materials Plc (the "**Company**") on the basis of the accounting policies set out in note 2 to the consolidated financial information..

Responsibilities

The directors of Diamond Wood (the "**Directors**") are responsible for preparing the consolidated financial information on the basis of preparation set out in note 2 to the consolidated financial information and in accordance with Hong Kong Financial Report Standards ("**HKFRSs**").

It is our responsibility to form an opinion on the consolidated financial information as at and for the two years ended 31 March 2016 as to whether the consolidated financial information gives a true and fair view, for the purposes of the Company Description and to report our opinion to you.

To the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, consenting to its inclusion in the Company Description.

Basis of Opinion

We conducted our work in accordance with Standards of Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the consolidated financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial statements underlying the consolidated financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the consolidated financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the consolidated financial information gives, for the purposes of the Company Description, a true and fair view of the state of affairs of the Diamond Wood Group as at 31 March 2015 and 31 March 2016 and of the results, financial position, cash flows and changes in equity for the two years then ended in accordance with the basis of preparation set out in note 2 to the consolidated financial information.

Emphasis of matter

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 12 in the consolidated financial information regarding the recoverability of the intangible asset held with a net book value of €16,639,000 as at 31 March 2016 (2015: €17,779,000). As disclosed in note 12, the expected future cash flows to be generated from the Accoya® Wood Licence are dependent on the Diamond Wood Group raising the additional funds required to cover both working capital and the capital expenditure for a factory in the People's Republic of China. This indicates a material uncertainty which may cast significant doubt regarding the recoverability of the value of the capitalised Licence. The financial information does not include the adjustments that would result if the Diamond Wood Group were not able to raise the necessary funds to construct a manufacturing facility and realise the future economic benefits of the Licence.

Declaration

We declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

Crowe Clark Whitehill LLP
Chartered Accountants

*Crowe Clark Whitehill LLP is a limited liability partnership registered in England and Wales with registered number 07372348 and its registered office at St. Bride's House, 10 Salisbury Square, London, EC4Y 8EH, United Kingdom. Crowe Clark Whitehill LLP is the United Kingdom member firm of Crowe Horwath International ("**CHI**"), a private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.crowehorwath.net for a detailed description of the legal structure of CHI and its member firms.*

HISTORICAL CONSOLIDATED FINANCIAL INFORMATION ON THE DIAMOND WOOD GROUP FOR EACH OF THE TWO YEARS ENDED 31 MARCH 2016

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 March 2015 €'000	2016 €'000
Revenue	6	-	784
Cost of inventories		-	(622)
Gross profit		-	162
Other revenue	6	2,325	23
General and administrative expenses		(6,062)	(3,764)
Loss from operations		(3,737)	(3,579)
Finance costs	8	(5,006)	(385)
Loss before taxation	7	(8,743)	(3,964)
Income tax	9	-	-
Loss for the year		(8,743)	(3,964)
Basic and diluted loss per share*	11	(€0.013)	(€0.004)

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2015	2016
Loss for the year	(8,743)	(3,964)
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	22	3
Other comprehensive income for the year, net of tax	22	3
Total comprehensive loss for the year, net of tax	(8,721)	(3,961)
Attributable to:		
Owners of Diamond Wood	(8,721)	(3,961)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 March	
	Notes	2015 €'000	2016 €'000
Non-current assets			
Intangible asset	12(a)	17,779	16,639
Property, plant and equipment	13	1	9
Land use rights	14	-	-
		17,780	16,648
Current assets			
Inventories	15	54	47
Trade and other receivables	16	410	426
Cash and cash equivalents	17	196	51
		660	524
Current liabilities			
Other payables and accruals	18	649	1,133
Interest-bearing borrowings	19	1,928	4,137
		2,577	5,270
Net current liabilities		(1,917)	(4,746)
Total assets less current liabilities		15,863	11,902
Non-current liabilities			
Licence fee payable	12(b)	545	545
Net assets		15,318	11,357
Equity attributable to owners of Diamond Wood			
Share capital	21	54,979	54,979
Share-based payment reserves		927	927
Exchange reserves		2,055	2,058
Accumulated losses		(42,643)	(46,607)
Total equity		15,318	11,357

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity shareholders of Diamond Wood					
	Share capital	Share premium	Share-based payment reserves	Exchange reserves	Accumulated losses	Total equity
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
At 1 April 2014	49,829	-	1,857	2,033	(35,757)	17,962
Changes in equity for the year ended 31 March 2015:						
Loss for the year	-	-	-	-	(8,743)	(8,743)
Other comprehensive income						
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	22	-	22
Total other comprehensive income	-	-	-	22	-	22
Total comprehensive income/ (loss) for the year	-	-	-	22	(8,743)	(8,721)
Equity-settled share-based transactions	-	-	927	-	-	927
Share options cancelled	-	-	(1,857)	-	1,857	-
Shares issued during the year (Note 23(c))	5,150	-	-	-	-	5,150
	5,150	-	(930)	-	1,857	6,077
At 31 March 2015	54,979	-	927	2,055	(42,643)	15,318
Loss for the year	-	-	-	-	(3,964)	(3,964)
Other comprehensive income						
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	3	-	3
Total other comprehensive loss	-	-	-	3	-	3
Total comprehensive loss for the year	-	-	-	3	(3,964)	(3,961)
At 31 March 2016	54,979	-	927	2,058	(46,607)	11,357

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 March	
	Notes	**2015**	**2016**
		€'000	**€'000**
Operating activities			
Loss before taxation		(8,743)	(3,964)
Adjustments for:			
Finance costs	8	5,006	385
Share-based payments		927	-
Gain on disposal of land use right		-	-
Depreciation and amortisation	7(b)	1,141	1,143
Provision for impairment of receivables	7(b)	229	(28)
Reversal of inventories		-	(15)
Operating loss before changes in working capital		(1,440)	(2,479)
(Increase)/ decrease in inventories		(43)	22
(Increase)/ decrease in trade and other receivables		249	12
Decrease in trade and other payables		(92)	484
Cash used in operations		(1,326)	(1,961)
Income tax paid		-	-
Net cash used in operating activities		(1,326)	(1,961)
Investing activities			
Proceeds of disposal of land use rights		-	-
Purchase of property, plant and equipment		-	(12)
Net cash generated from investing activities		-	(12)
Financing activities			
Net proceeds/ (repayment) of interest-bearing borrowings		1,346	1,825
Net cash generated from/(used in) financing activities		1,346	1,825
Net (decrease)/ increase in cash and cash equivalents		20	(148)
Cash and cash equivalents at 1 April		154	196
Effect of foreign exchange differences		22	3
Cash and cash equivalents at 31 March	17	196	51

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. REPORTING ENTITY

Diamond Wood is a limited liability company incorporated in Hong Kong. The registered office is located at 3905 Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

The consolidated financial information comprises Diamond Wood and its subsidiaries (together referred to as the "**Diamond Wood Group**").

The principal activities of the Diamond Wood Group are technology licensing, sourcing and procurement and business development.

2. BASIS OF PREPARATION

Statement of Compliance

The consolidated financial information has been prepared on a basis consistent with Hong Kong Accounting Financial Reporting Standards ("**HKAS**") which are fully converged with International Financial Reporting Standards ("**IFRS**"). A summary of the significant accounting policies adopted by the Diamond Wood Group is set out below.

3. APPLICATION OF NEW AND REVISED HKFRSs

Certain changes to HKFRSs will be applicable for Diamond Wood's financial information in future periods. To the extent that these have not been adopted early in the preparation of the consolidated financial information, they will not affect Diamond Wood's reported profit or equity but they may affect disclosures.

The directors have considered those standards and interpretations, which have not yet been applied in the consolidated financial information but are relevant to Diamond Wood's operations, that are in issue but not yet effective and do not consider that any will have a material impact on the future results of Diamond Wood.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently in the preparation of the consolidated financial information.

4.1 Basis of preparation of the consolidated financial statements

The consolidated financial information is presented in Euro (€), rounded to the nearest thousand except where otherwise indicated. Euro is the functional and presentational currency of the Diamond Wood Group.

The measurement basis used in the preparation of the consolidated financial information is the historical cost basis.

The preparation of consolidated financial information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Judgements made by management in the application of HKFRSs that have a significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 5.

4.2 Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Diamond Wood Group. The Diamond Wood Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Diamond Wood Group has power, only substantive rights (held by the Diamond Wood Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

4.3 Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and any accumulated impairment losses (see note 4.6):

Depreciation is calculated to write off the cost of each item of property, plant and equipment, using the straight-line method over their estimated useful lives as follows:

Leasehold improvements	3 years or over the lease term, whichever is shorter
Furniture and fixtures	2-5 years
Computer equipment	3 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress is stated at cost, which includes construction costs and other direct costs, including borrowing costs directly attributable to the construction, less any identified impairment loss. No depreciation is provided until the construction is completed and the assets are ready for intended use. Cost of completed construction work will be transferred to the appropriate category of property, plant and equipment.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is higher than its estimated recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Intangible asset

The principal activities of the Diamond Wood Group are to manufacture, distribute and sell Accoya® acetylated wood. Titan Wood, a subsidiary of Accsys, which is a shareholder of Diamond Wood, owns the intellectual property rights for the production of Accoya® acetylated wood. In order to carry out the principal activities of the Diamond Wood Group, Diamond Wood has signed a licence agreement with Titan Wood (the "Licence Agreement"). According to the Licence Agreement dated 12 August 2010, Titan Wood granted Diamond Wood the intellectual property rights to manufacture and sell Accoya® acetylated wood in China and the ASEAN region (the "Licence"). As at 31 March 2016, the Group has consolidated non-current assets of €16,648,000 (2015: 17,780,000) which include the Licence fee capitalised of approximately €16,639,000 (2015: €17,779,000), paid or payable on the first phase of production capacity. The Diamond Wood Group requires additional significant funds to finance the construction of its manufacturing plants, so as to enable the Diamond Wood Group to execute its current business plan and fully utilise the intellectual property rights and to manufacture Accoya® acetylated wood for the generation of economic benefits to the Diamond Wood Group.

The licence has a finite useful life and is carried at cost less accumulated amortisation and impairment, if any. The cost of the licence represents the discounted value of the minimum fees payable over the licence period.

Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation is calculated using the straight-line method to allocate the cost of licence over the estimated useful economic life of the licence of 14 years. Interest accreted on the discounted value of minimum fees payable is charged to the consolidated statement of profit or loss within "finance costs".

4.5 Land use rights

Land use rights represented upfront payments made for the use of land and are stated at cost and amortised over the period of the lease and the rights to use the land on a straight-line basis. Leases of land are classified as operating leases as the risks and rewards incidental to the ownership have not been passed.

4.6 Impairment of non-financial assets other than goodwill

At the end of the reporting period, the Diamond Wood Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs of disposal and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Diamond Wood Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4.7 Lease assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Diamond Wood Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Diamond Wood Group under leases which transfer to the Diamond Wood Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Diamond Wood Group are classified as operating leases.

Where the Diamond Wood Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged as expenses in the accounting period in which they are incurred.

Prepaid land premiums under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as being held under a finance lease and accounted for in accordance with the accounting policies for property, plant and equipment in note 4.3.

4.8 Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

4.10 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

4.11 Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

4.12 Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

4.13 Provisions and contingent liabilities

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of an outflow of economic benefits is remote.

4.14 Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using the rates enacted or substantively enacted at the balance sheet date. The deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if Diamond Wood or the Diamond Wood Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, Diamond Wood or the Diamond Wood Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

4.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Diamond Wood Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Diamond Wood Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Diamond Wood Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sale of goods

Revenue from sales of goods is recognised when the Diamond Wood Group has delivered the goods to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured; and

(b) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

4.16 Employee benefits

Pension schemes

The employees of the Diamond Wood Group who are employed in the People's Republic of China are required to participate in a central pension scheme operated by the local

municipal government. The Diamond Wood Group is required to contribute certain amounts for the employees in the People's Republic of China, pursuant to the local municipal government regulations. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

4.17 Share-based payments

The Diamond Wood Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each reporting date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of profit or loss with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) when the options are exercised.

4.18 Termination benefits

The termination benefits are recognised at the earlier of when the Diamond Wood Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.19 Translation of foreign currencies

Each entity in the Diamond Wood Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Diamond Wood Group are initially recorded using their respective foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign exchange rates ruling at the end of the reporting period. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

The functional currency of Diamond Wood is a currency other than €. As at the end of the reporting period, the assets and liabilities of Diamond Wood are translated into the presentation currency of the Diamond Wood Group at the exchange rates ruling at the end of the reporting period and its statement of profit or loss is translated into € at the weighted average exchange rate for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve (attributed to non-controlling interest as appropriate). On disposal of a foreign operation, the component of the comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of Diamond Wood are translated into € at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of Diamond Wood which arise throughout the period are translated into € at the weighted average exchange rate for the period.

4.20 Borrowing costs

Borrowing costs are capitalised when they are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.21 Related parties

(a) A person, or a close member of that person’s family is related to the Diamond Wood Group if that person:

- (i) has control or joint control over the Diamond Wood Group;
- (ii) has significant influence over the Diamond Wood Group; or
- (iii) is a member of key management personnel of the Diamond Wood Group or the Diamond Wood Group’s parent.

(b) An entity is related to the Diamond Wood Group if any of the following conditions apply:

- (i) The entity and the Diamond Wood Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of either the Diamond Wood Group or an entity related to the Diamond Wood Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;
(ii) children of that person's spouse or domestic partner; and
(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Diamond Wood Group's consolidated financial information requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and certain disclosures. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities in the future.

In the process of applying the Diamond Wood Group's accounting policies which are described in note 4, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, as described below.

Key sources of estimation uncertainty

Impairment of non-current assets
The Diamond Wood Group assesses the impairment of intangible assets subject to amortisation whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important that could trigger an impairment review include the following:

- significant underperformance relative to historical or projected future operating results;
- significant changes in the manner of the use of the assets, funding assumptions or the strategy for the overall business; and
- significant negative industry or economic trends.

The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent in the application of the Diamond Wood Group's accounting estimates in relation to intangible assets affect the amounts reported in the financial information, especially the estimates of the expected useful economic lives and the carrying values of those assets.

Uncertainty exists due to the significant cash outlay in relation to the construction of the manufacturing facility, estimated to cost €70 million, based on detailed engineering and business plans. The directors plan to raise these funds from a mixture of debt and equity. If business conditions were different, or if different assumptions were used in the application of this and other accounting estimates, it is likely that materially different amounts could be reported in the financial information.

6. REVENUE

The principal activities of the Diamond Wood Group are the sale of specialist wood products, technology licensing, sourcing and procurement, business development and investment holding.

Revenue, which is also the Diamond Wood Group's turnover, represents the sales value of goods supplied to customers. The amount of each significant category of revenue recognised in revenue and other revenue during the periods are as follows:

	For the year ended 31 March	
	2015	**2016**
	€'000	**€'000**
Revenue		
Commission income	-	54
Sale of goods	-	730
	-	784
Other revenue		
Gain on disposal of land use right	-	-
Net foreign exchange gain	8	8
Reversal of inventories written down	-	15
Others	6	-
Sundry income (Note 22(b))	2,311	-
	2,325	23

Note: Sundry income represents the damages, the legal cost and interest reimbursements received from Titan Wood. There was no revenue from individual customers representing more than 10% of total revenue in the year ended 31 March 2015 or 31 March 2016.

7. LOSS BEFORE TAXATION

The Diamond Wood Group's loss before taxation is arrived at after charging the following:

	For the year ended 31 March	
	2015	**2016**
	€'000	**€'000**
a) Staff costs		
Salaries, wages and other benefits (including directors' remuneration)	930	948
Share-based payments	802	-
Contribution to defined contribution retirement plans	13	1
	1,745	949
b) Other items		
Auditors' remuneration		
- audit services	75	69
Cost of inventories	-	622
Impairment of receivables	229	(28)
Depreciation of property, plant and equipment	1	3
Operating lease rentals in respect of buildings	10	10
Amortisation of:		
- intangible assets	1,140	1,140
- Land use right	-	-

8. FINANCE COSTS

	2015 €'000	2016 €'000
Interest on borrowings wholly repayable within five years	2,706	385
Loan arrangement fees	2,300	-
Unwinding of discount	-	-
Total interest expense on financial liabilities	5,006	385

9. INCOME TAX

(a) Income tax in the consolidated statement of profit or loss represents:

No provision has been made for Hong Kong Profits Tax as the Diamond Wood Group did not earn any assessable profit subject to Hong Kong Profits Tax for the year ended 31 December 2016 (2015: Nil). Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profit for the year.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2015: 25%). No provision has been made for PRC Enterprise Income Tax as the Diamond Wood Group did not earn any assessable profit subject to PRC Enterprise Income Tax for the year ended 31 March 2016 (2015: Nil).

(b) Reconciliation between tax expense and accounting loss at the applicable tax rates:

	Years ended 31 March	
	2015 €'000	2016 €'000
Loss before taxation	(8,743)	(3,964)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	(1,478)	(662)
Tax effect of unused tax losses not recognised	237	329
Tax effect of non-taxable income	-	(2)
Tax effect of temporary differences not recognised	-	187
Utilisation of previously unrecognised tax losses	-	(62)
Tax effect of non-deductible expenses	1,241	210
Tax charge	-	-

(c) Deferred tax assets:

At 31 March 2016, there are no material unrecognised deferred tax liabilities arising from temporary differences (31 March 2015).

The Diamond Wood Group has not recognised deferred tax assets arising from the accumulated tax losses. Subject to the agreement by the Hong Kong Inland Revenue Department and the PRC local tax authority, these tax losses can be carried forward against future taxable income.

At 31 March 2016 the Diamond Wood Group has not recognised deferred tax assets in respect of unused tax losses of €20,973,000 (31 March 2015: €22,717,000) available for offsetting against future profits that may be carried forward for up to five years for EIT purpose (refer to note 20).

10. DIRECTORS' REMUNERATION

	As at 31 March	
	2015 €'000	2016 €'000
Directors' fees	46	46
Salaries and allowances	580	655
Share-based payments	802	-
	1,428	701

All directors' remuneration is classified as a short term employee benefit.

11. LOSS PER SHARE

a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Diamond Wood of approximately €3,964,000 (2015: €8,743,000) and the weighted average number of 930,670,743 ordinary shares (2015: 689,999,510 ordinary shares) in issue during the year.

b) Diluted loss per share

In accordance with IAS 33 *"Earnings per share"*, where an entity has reported a loss for the period, the shares are not diluted.

12. INTANGIBLE ASSET AND LICENCE FEE PAYABLE

a) Intangible asset

	As at 31 March	
	2015 €'000	2016 €'000
Cost		
As at 1 April 2013 and 31 March	19,383	19,383
Less: Accumulated amortisation		
Beginning of the year	464	1,604
Amortisation	1,140	1,140
End of the year	1,604	2,744
Net book value		
As at 31 March	17,779	16,639

On 12 August 2010, Diamond Wood and Titan Wood entered into the Technology Licence Agreement in order to replace previous licence agreements signed in prior years. During 2013, the Diamond Wood Group returned the land use right of a piece of land in Nanjing, where it was intended to be used for the construction of the manufacturing plant, to Nanjing CIPAC. The Directors are of the opinion that it is appropriate to commence the amortisation from the date on which the land use right was returned to the Nanjing CIPAC.

12. INTANGIBLE ASSET AND LICENCE FEE PAYABLE (Continued)

The key terms of the Licence Agreement are summarised as follows:

Grant of rights

Titan Wood granted Diamond Wood the rights to use patent and technical information ("**Intellectual Property Rights**") as follows:

i) an exclusive licence to use the Intellectual Property Rights in the PRC, including the Special Administrative Regions and Taiwan plus the member states of the Association of South East Asian Countries (ASEAN) (the "**Territory**").

ii) an exclusive licence to use the Intellectual Property Rights in the Territory to manufacture a maximum capacity of 750,000m^3 of timber annually until the expiry of the Term of the Licence; and an exclusive licence to market, distribute and sell Accoya® Wood until 1 July 2030 for the ASEAN markets, so long as at 1 July 2020, Diamond Wood is operating an Accoya Production facility capable of producing more than 57.086 m3 of estimated capacity, and actively promoting the distribution and sale of Accoya® wood.

iii) a right of first refusal to enter into exclusive licensing arrangements for Tricoya Wood Elements technology in the PRC.

Impairment review

The Diamond Wood Group evaluates whether the Technology Licence Agreement has suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows, assuming that the Diamond Wood Group is able to obtain sufficient funds to finance the construction of manufacturing plant to realise the economic benefits of the non-current assets. These calculations require the use of estimates and the going concern assumption.

The value in use calculation as at 31 March 2016 applied a discounted cash flow model using cash flow projections of future expenditure on the plant, together with the expected revenue generated from the plant through to the expiry of the rights of the intangible asset. These projections reflect management's best estimate of the future results of the Cash Generating Unit ("CGU") based on past experience and future outlook, having undertaken various market studies on the prospects of this industry in Asia. Based on the value in use calculation, the recoverable amount of the CGU exceeds its carrying amount as at 31 March 2016.

The key assumptions used for the value in use calculation include the following:

- The manufacturing plant will be constructed in Nanjing, China and is expected to be fully operational by 31 December 2018 at an estimated cost, based on detailed engineering and business plans, of €70 million and a further €20 million will be needed for working capital. The directors plan to raise these funds in 2017 through a mixture of debt and equity.

- The gross contribution will improve significantly following the construction of the plant as a result of lower production costs whilst maintaining/gradually increasing the selling price of Accoya® acetylated wood. If the Group does not raise sufficient funds to construct a factory the projections will not be achieved and the value of the intangible will be impaired.

- Sales volume prior to operation of the Diamond Wood Group's own manufacturing facilities will reflect the volume of supply it can secure from the Licensor. Once the Diamond Wood Group's manufacturing plant is operational, production capacity is forecast to progressively increase and reach an operational level of 94% (135,000m^3) of theoretical capacity by 31 December 2019.

12. **INTANGIBLE ASSET AND LICENCE FEE PAYABLE** (Continued)

- The selling price of Accoya® acetylated wood is projected to increase by 2.7% year on year up to the period ending 31 December 2017, and is then assumed to decrease by 22.5% during the first full year of production.

- Direct cost of selling Accoya® acetylated wood is assumed to increase by 2.0% – 3.0% year on year throughout the projections.

- Operating overheads are assumed to increase by 3%.

- A discount rate of 12% has been applied in the value in use calculation for the period from 1 October 2014 to 31 December 2030.

b) Licence fee payable

The Diamond Wood Group has a licence fee payable as follows:

	Present value of the minimum fee payable **€'000**	Total minimum fee payable **€'000**
As at 31 March 2015 and 31 March 2016		
Repayable		
- not exceeding one year	-	-
- over one year	545	571
	545	571

As at 31 March 2016, licence fee payable was €545,000, which will be settled nine months after the plant construction commences according to the Licence Agreement. According to the Licence Agreement, Diamond Wood shall also pay Titan Wood a royalty fee ("**Royalty Fee**") of €25 per m^3 of Accoya® Wood sold for the first 20 years following commissioning of the respective production project and thereafter, an amount equal to 25% of the royalty payable during the last year of payments. The first payment shall be made at the end of the first full month following the end of commissioning period and payments shall be indexed annually by reference to the Euro Harmonised Index of Consumer Prices (HICP) as published by the European Central Bank. As plant construction has not yet commenced as at 31 March 2016, the repayment term of licence fee payable are not yet effective, and no such royalty fee is due to Titan Wood.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Computer equipment	Construction in progress	Total
	€'000	€'000	€'000	€'000	€'000
Cost					
At 1 April 2014	148	45	162	2,468	2,823
Written off	-	-	-	(2,468)	(2,468)
Exchange difference	33	8	23	-	64
At 31 March 2015	181	53	185	-	419
At 1 April 2015	181	53	185	-	419
Additions	-	-	12	-	12
Exchange difference	(16)	(4)	(13)	-	(33)
At 31 March 2016	165	49	184	-	398
Accumulated depreciation and impairment					
At 1 April 2014	148	44	161	2,468	2,821
Written off	-	-	-	(2,468)	(2,468)
Charge for the year	-	-	1	-	1
Exchange difference	33	8	23	-	64
At 31 March 2015	181	52	185	-	418
At 1 April 2015	181	52	185	-	418
Charge for the year	-	-	3	-	3
Exchange difference	(16)	(3)	(13)	-	(32)
At 31 March 2016	165	49	175	-	389
Carrying amount					
At 31 March 2016	-	-	9	-	9
At 31 March 2015	-	1	-	-	1

14. LAND USE RIGHT

	As at 31 March	
	2015	2016
	€'000	€'000
At the beginning of the year	-	-
Amortisation	-	-
Disposal (see below)	-	-
Exchange difference	-	-
At the end of the year	-	-

On 3 June 2013 (the "**execution date**"), the Diamond Wood Group entered into a cancellation agreement with Nanjing CIPAC. According to the cancellation agreement, the Diamond Wood Group returned the land use right of a piece of land in Nanjing to Nanjing CIPAC and received the refund of the land cost in full. In June 2013, the Diamond Wood Group received 70% of the refund, amounting to RMB33,810,000 (equivalents to approximately €4,158,000), whilst the remaining refund, amounting to RMB14,490,000 (equivalents to approximately €1,783,000), was received in November 2013, upon the completion of the cancellation of land use right certificate.

On 3 June 2013, Nanjing CIPAC further agreed to reserve a new parcel of land located in the Nanjing Chemical Industrial Park with similar areas for the Diamond Wood Group for 3 years starting from the execution date of the supplementary agreement. The Diamond Wood Group is granted with the right to purchase the land use right of that parcel of land at same unit price of the one returned, with expiry date of 2 June 2016. During the year ended 31 March 2016, the Diamond Wood Group had not exercised the right. The right remained unexercised and therefore expired on 2 June 2016.

15. INVENTORIES

	As at 31 March	
	2015 **€'000**	**2016** **€'000**
Merchandise	92	69
Less: inventory provision	(38)	(22)
	54	47

The analysis of the amount of inventories recognised as an expense is as follows:

	As at 31 March	
	2015 **€'000**	**2016** **€'000**
Carrying amount of inventories sold	-	622
Reversal of write-down of inventories	-	(15)
	-	607

16. TRADE AND OTHER RECEIVABLES

	As at 31 March	
	2015 **€'000**	**2016** **€'000**
Trade receivables	190	173
Less: allowance for impairment loss	(190)	(151)
	-	22
Loans and receivables	157	165
Prepayment and deposits	253	261
	410	426

All of the other receivables are expected to be recovered or recognised as expense within one year.

17. CASH AND CASH EQUIVALENTS

	As at 31 March	
	2015	**2016**
	€'000	**€'000**
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	196	51

Bank balances carried interest rates which ranged from 0% to 0.35% per annum (2015:0% to 0.35% per annum). The bank balances were deposited with creditworthy banks with no recent history of default.

At 31 March 2016, bank balances of €1,500 (2015: €20,000) were deposited in the bank accounts of the subsidiaries in the PRC. The amounts can only be remitted outside the PRC through the approval of an application of remittance of foreign exchange by the State Administration for Exchange Control.

18. OTHER PAYABLES AND ACCRUALS

	As at 31 March	
	2015	**2016**
	€'000	**€'000**
Other payables and accruals	649	1,133

All the other payables are expected to be settled within one year.

19. INTEREST BEARING BORROWINGS

The interest-bearing borrowings are repayable as follows:

	As at 31 March	
	2015	**2016**
	€'000	**€'000**
Within 1 year or on demand	1,928	4,137
	1,928	4,137

Terms of loan facility effective from 16 February 2013

On 16 February 2013, the loan facility secured from a shareholder of Diamond Wood was increased from €2,500,000 to €8,000,000. An arrangement fee €330,000 was charged to the income statement for the increase in the loan facility, and was payable on demand to the shareholder via the issuance of ordinary shares within 180 days from 16 February 2013 or via cash.

On 17 June 2013, an amendment letter was signed with the shareholder, to extend the period of the loan facility from 31 July 2014 to 31 December 2018 and the loan facility was available for drawing at any time prior to 31 December 2018. The drawdown amount per calendar month was capped at €350,000, pro-rated for incomplete months and is inclusive of any interest charges accrued on this facility.

According to the above-mentioned amendment letter, it was agreed that the arrangement fee of €330,000 would be settled through the issuance of 33,000,000 ordinary shares of Diamond Wood to the shareholder. The issuance of ordinary shares was completed in July 2013 (Note 21(b)).

The interest rate remained at 20% per annum and all amounts drawn and the accrued interest thereon are repayable on 31 December 2018, the expiry date of the loan facility.

Terms of loan facility effective from 20 May 2014

On 20 May 2014, a further amendment letter was signed, to amend the maturity date of the loan facility to the date upon which the legal proceedings between Diamond Wood and Titan Wood were finally determined (the "**Long Stop Date**"), with the loan facility being available for drawing from at any time. The drawdown amount per calendar month was capped at €700,000 and was exclusive of any interest charges accrued on the facility.

An arrangement fee of €2,200,000 was charged to the income statement in May 2014 and was payable on demand to the lender via the issuance of 220,000,000 new ordinary shares of Diamond Wood. The issuance of ordinary shares was completed on August 2014 (Note 21(c)).

A one-off interest payment amounting to the aggregate amount of loans drawn as at the Long Stop Date will be charged. All the amounts drawn down under the facility and accrued interest are payable within 90 days of the Long Stop Date (the "**Repayment Date**").

Terms of loan facility effective from 18 August 2014

On 18 August 2014, another amendment letter was signed to amend the expiry date of the loan facility from the Long Stop Date to 31 December 2015. The loan facility amount available was reduced from €8,000,000 to €5,000,000 and is available for drawing from 18 August 2014 up to one month prior to 31 December 2015. The cap of the drawdown amount per calendar month is reduced to €250,000 and is exclusive of any interest charges accrued on this facility.
Also €2,200,000 of utilised loan balances as at 18 August 2014 was to be settled via conversion to 220,000,000 ordinary shares of Diamond Wood. The issuance of ordinary shares was completed on 1 October 2014.

The interest rate per annum was amended to 12% per annum and all amounts drawn and the accrued interest thereon are repayable on 31 December 2015.

The shareholder is entitled to convert all or any part of the loans owing under the facility into ordinary shares at any time prior to 31 December 2015. Such conversion would have been conditional on shareholders' approval.

Terms of loan facility effective from 1 March 2015

On 1 March 2015, another amendment letter was signed to amend the expiry date of the loan facility from the Long Stop Date to 31 December 2016 with an arrangement fee of €100,000. The interest rate was amended to 15% per annum and all amounts drawn and the accrued interest thereon shall be repayable on 31 December 2016.

The balance outstanding under this loan facility was €3,700,000 as at 31 March 2016 (2015: €1,306,000).

Loan facility II

Terms of loan facility effective from 26 February 2015

On 26 February 2015, the Diamond Wood Group entered into another loan facility agreement with the Company. The principal of the loan facility was approximately €344,000, equivalent to £250,000, and secured by the corporate guarantee of the subsidiaries of the Diamond Wood Group. The interest rate per annum was 10% and the maturity date was 30 June 2015. Further on 20 Mach 2015, the principal amount was increased to approximately €619,000, equivalent to £450,000, and the other terms remained unchanged.

The balance outstanding under this loan facility was €622,000 as at 31 March 2015.

Terms of loan facility effective from 30 June 2015

On 30 June 2015, another amendment letter was signed to amend the maturity date of the loan facility from 30 June 2015 to 31 August 2015 and to increase the principal amount to approximately, equivalent to £500,000, other terms remain unchanged.

Terms of loan facility effective from 18 November 2015

On 18 November 2015, another amendment letter was signed to amend the maturity date of the loan facility from 31 August 2015 to 31 March 2016, and other terms remain unchanged.

Terms of loan facility effective from 31 March 2016

On 31 March 2016, another amendment letter was signed to amend the maturity date of the loan facility from 31 March 2016 to 30 June 2016, and other terms remain unchanged.

The balance outstanding under this loan facility was €437,000 as at 31 March 2016 (2015: €622,000).

20. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2015 €'000	2016 €'000
Balance as at 31 March	-	-

(b) Deferred tax assets not recognised

At 31 March 2016, in accordance with the accounting policy set out in note 4.15, the Diamond Wood Group has not recognised deferred tax assets in respect of unused tax losses of €20,973,000 (2015: €22,717,000) available for offsetting against future profits that may be carried forward for up to five years for EIT purpose.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate of 5% is applied to the Diamond Wood Group as there is a tax treaty between the PRC and Hong Kong.

The Diamond Wood Group is therefore liable to withholding taxes on dividends distributed by the subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

21. SHARE CAPITAL

Share capital and share premium

	Authorised ordinary shares	
	No. of shares	€'000
At 31 March 2014 and 31 March 2015	1,000,000,000	10,000

	Issued and fully paid	
	Number of shares	€'000
At 1 April 2014	415,670,743	49,829
Issued during the year (Note (a))	515,000,000	5,150
At 31 March 2015 and 1 April 2015	930,670,743	54,979
At 31 March 2016	930,670,743	54,979

Note:

(a) As detailed in Note 19, on 20 May 2014, a further amendment letter relating to the loan facility agreement dated 16 February 2013 was signed with a shareholder of Diamond Wood. On 7 August

2014, according to the amendment letter mentioned above, it was agreed that the arrangement fee of €2,200,000 charged under the loan facility agreement dated 20 May 2014 be settled through the issuance of 220,000,000 ordinary shares of Diamond Wood. The issuance of ordinary shares was completed on 7 August 2014.

As detailed in Note 19, on 18 August 2014, a further amendment letter relating to the loan facility agreement dated 20 May 2014 was signed with a shareholder of Diamond Wood. It was agreed that any utilised loan balances and accrued interest can be settled via conversion into ordinary shares of Diamond Wood. Diamond Wood issued 220,000,000 and 75,000,000 ordinary shares on 1 October 2014 and 16 December 2014 respectively.

Share options

An Employee Share Option Scheme (the "**2013 Scheme**") was approved and adopted by the shareholders on 24 June 2013. Pursuant to the written resolutions of the shareholders dated 19 January 2015, selected directors of Diamond Wood were granted a total 42,577,074 shares options. The total number of shares over which options can be issued may not exceed 10% of the fully diluted share capital of Diamond Wood from time to time, under the 2013 Scheme. The exercise price per option share under the 2013 Scheme is €0.08 per share option. An option shall be exercisable after 12 months from the date on which it is granted and has a 10-year exercisable period from 24 June 2013 and ending on the expiration of tenth anniversary of the date of granted. In an extraordinary general meeting dated 19 January 2015, the 2013 Scheme was approved and the exercise price was amended to €0.01 per share option.

On 17 November 2014, 15,000,000 share options were granted to a company controlled by another director of Diamond Wood under the Employee Share Option Scheme 2014 (the "**2014 Scheme**"), which entitles the option holder to subscribe for the shares of the company for €0.01 per share. The option shall be exercisable after 12 months from the grant date and has a 10 year exercisable period from 17 November 2014 subject to a successful public listing of the company and ending on the expiration of the tenth anniversary of the grant date.

The number and weighted average exercise prices of share options under the 2013 Scheme are as follows:

	Weighted average exercise price	**Number of options**
	€	**'000**
Outstanding / exercisable at beginning of the period	0.01	57,577,074
Outstanding / exercisable at the end of the period	0.01	57,577,074

The fair value of services received in return for share options granted and modified during the year was €Nil (2015: €927,000) and was determined at the services received and options modification date by using the Binomial Option Pricing Model. The contractual life of the share options is used as an input into this model.

Fair value of share options and assumptions

	2014 Scheme	2013 Scheme (New)	2013 Scheme (Old)
Fair value of share options at measurement date	€0.02	€0.02	€0.01
Share price	€0.03	€0.03	€0.03
Exercise price	€0.01	€0.01	€0.08
Expected volatility	48.99%	49.61%	49.61%
Option life	10 years	8.43 years	8.43 years
Expected dividends	0.00%	0.00%	0.00%
Risk-free interest rate	3.65%	3.47%	3.47%

Expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options) of listed companies operating in similar industries to that of Diamond Wood. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimates.

On 20 June 2013, Diamond Wood issued warrants that entitled shareholders to subscribe for 10,100,000 ordinary shares of Diamond Wood with a subscription price of €0.08 per share. The exercise price was subsequently amended to €0.01 in an extraordinary general meeting held on 19 January 2015.

22. MATERIAL RELATED PARTY TRANSACTIONS

The Diamond Wood Group had the following significant transactions with its related parties including shareholders.

(a) Key management personnel remuneration

The key management personnel of the Diamond Wood Group are the directors of Diamond Wood. Details of their remuneration are as follows:

	Year ended 31 March	
	2015 **€'000**	**2016** **€'000**
Salaries and other short-term employee benefits	626	701
Share-based payments	802	-
	1,428	701

(b) All of the transactions were carried out in the normal course of the Diamond Wood Group's business and on terms as agreed between the transacting parties. They were summarised as follows:

	Year ended 31 March	
	2015 **€'000**	**2016** **€'000**
Purchases of goods from a subsidiary of a shareholder (Note (i))	-	622
Legal award from a subsidiary of a shareholder, including legal cost and interest income (Note (ii))	2,311	-
Corporate advice fees charged by a related party (Note (iii))	211	240
Share-based payment to a related company (Note (vi))	125	-
Fund raising fee charged by a shareholder (Note (iv))	2,300	-
Interest charged by a shareholder (Note (v))	2,741	326
Commission income from a subsidiary of a shareholder	-	54

Notes:

(i) Diamond Wood purchased Accoya® Wood from Titan Wood B.V., a subsidiary of Accsys, which is a shareholder of Diamond Wood and held 2.3% of the issued ordinary shares as at 31 March 2016 (2015: 2.3%).

(ii) The Arbitration Tribunal announced that Diamond Wood's exclusive Accoya® licence agreement with Titan Wood be reaffirmed and that Titan Wood shall pay the damages, legal costs, other costs and related interest charges amounting to approximately €Nil (2015: €2,311,000, being equivalent to £1,833,000). Diamond Wood recommenced its business operations during the year ended 31 March 2016.

(iii) In 2014, corporate advisory fees of approximately €130,000 were charged by Drummond & Smythe, for the provision of services in relation to potential private equity investment and other general corporate matters. Drummond & Smythe and the director of Drummond & Smythe are both shareholders of Diamond Wood.

In 2016, corporate advisory fees of approximately €240,000 (2015: €211,000) were charged by Morinaka S.L., for the provision of services in relation to liaison with shareholders, government officials, business partners and potential investors. The director of Morinaka S.L. is one of the directors of Diamond Wood.

22. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(iv) Arrangement fees of €Nil were charged for the year ended 31 March 2016 (2015: €2,300,000) by a shareholder of Diamond Wood in respect of the revised loan facility signed with the shareholder on 20 May 2014 and 1 March 2015.

(v) Interest of €326,000 was charged for the year ended 31 March 2016 (2015: €2,741,000) by a shareholder of Diamond Wood at a range of interest rate from 12%-20% (2015: 12%-20%) per annum on the loan facility drawdown amount.

(vi) 15,000,000 share options at a fair value of approximately €Nil (2015: €125,000) were granted to a related company for providing consulting services. The related company is controlled by one of the directors of Diamond Wood.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Diamond Wood Group's principal financial instruments comprise trade and other receivables, cash and cash equivalents, trade and other payables and interest-bearing borrowings.

The main risks arising from the Diamond Wood Group's financial instruments are credit risk, liquidity risk, interest rates risk and foreign currency risk. The Diamond Wood Group seeks to minimise the effects of certain interest rate and foreign currency risks by using derivative financial instruments to hedge these risk exposures.

a) Credit risk

The Diamond Wood Group's credit risk is primarily attributable to trade and other receivables and the deposits with banks and other current financial assets.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These take into account the customer's past payment history, financial position and other factors. Trade receivables are due within 30 days of the date of billing. There is no concentration of credit risk due to the customer base being large and unrelated. The Diamond Wood Group does not hold any collateral over these balances.

The Diamond Wood Group mitigates its exposure to credit risk on bank deposits by placing deposits with financial institutions with established credit ratings. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

At 31 March 2016, the Diamond Wood Group has certain concentration of credit risk as 98% (2015: 98%) of total bank balances were deposited at two financial institutions in PRC with high credit ratings.

b) Liquidity risk

The Diamond Wood Group monitors its risk of a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial liabilities and financial assets (e.g. trade receivables) and projected cash flows from operations.

The Diamond Wood Group's objective is to maintain a balance between continuity of funding and flexibility through the use of its own operating cash reserve and interest-bearing borrowings. The Diamond Wood Group maintains good business relations and ensures compliance with covenants as stipulated in the facility agreements.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The maturity profile of the Diamond Wood Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted cash flows, is as follows:

As at 31 March 2016

	Within 1 year or on demand €'000	**More than 1 year but less than 2 years** €'000	**More than 2 years but less than 5 years** €'000	**More than 5 years** €'000	**Total contractual undiscounted cash flows** €'000	**Carrying amount** €'000
Interest-bearing borrowings	4,621	237	-	-	4,858	4,137
Other payables and accruals	1,133	-	-	-	1,133	1,133
Licence fee payable	-	545	-	-	545	545
	5,754	782	-	-	6,536	5,815

As at 31 March 2015

	Within 1 year or on demand €'000	**More than 1 year but less than 2 years** €'000	**More than 2 years but less than 5 years** €'000	**More than 5 years** €'000	**Total contractual undiscounted cash flows** €'000	**Carrying amount** €'000
Interest-bearing borrowings	2,103	120	-	-	2,223	1,928
Trade and other payables	649	-	-	-	649	649
Licence fee payable	-	545	-	-	545	545
	2,752	665	-	-	3,417	3,122

c) Foreign currency risk

The Diamond Wood Group's exposure to foreign currency risk related primarily to cash and cash equivalents, trade and other receivables, trade and other payables that are denominated in currencies other than the functional currency of the relevant group entities.

i) Exposure to currency risk

The following table details the Diamond Wood Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. Differences resulting from the translation of the financial statements of the entity within the Diamond Wood Group into the Diamond Wood Group's presentation currency are excluded.

	31 March 2015				**31 March 2016**				
		Hong Kong Dollars	**British Pounds**	**United States Dollars**	**United Arab Emirates Dirhams**	**Hong Kong Dollars**	**British Pounds**	**United States Dollars**	**United Arab Emirates Dirhams**
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	
Cash and cash equivalents	-	141	-	-	-	-	-	-	
Trade and other receivables	-	11	92	-	-	13	98	-	
Other payables and accruals	(46)	(73)	(111)	(20)	(63)	(54)	(233)	(209)	
Overall exposure to currency risk	(46)	79	(19)	(20)	(63)	(41)	(135)	(209)	

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

ii) Sensitivity analysis

The following table indicates the instantaneous change in the Diamond Wood Group's loss for the period and accumulated losses that would arise if foreign exchange rates to which the Diamond Wood Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	31 March 2015		31 March 2016	
	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses €'000	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses €'000
Hong Kong Dollars	5%	(2)	5%	(3)
	(5)%	2	(5)%	3
British Pounds	5%	3	5%	(2)
	(5)%	(3)	(5)%	2
United States Dollars	5%	(1)	5%	(6)
	(5)%	1	(5)%	6
United Arab Emirates Dirhams	5%	(1)	5%	(9)
	(5)%	1	(5)%	9

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects the Diamond Wood Group's loss and equity measured in the respective functional currencies, translated into Euro and Hong Kong Dollar respectively at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Diamond Wood Group which expose the Diamond Wood Group to foreign currency risk at the end of the reporting period.

d) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2016 and 31 March 2015.

24. CONTINGENT LIABILITIES

The Diamond Wood Group had no material contingent liabilities as at 31 March 2016.

25. COMMITMENTS

The Diamond Wood Group had not entered into any capital commitments as at 31 March 2016.

26. SUBSEQUENT EVENTS

On 4 November 2016, Cleantech Building Materials PLC ("CBM") made a conditional offer to acquire the entire issued share capital of Diamond Wood China Limited in consideration for the issue of 6 CBM Ordinary Shares for every 250 ordinary shares in Diamond Wood.

27. NATURE OF FINANCIAL INFORMATION

This consolidated financial information presented above does not constitute statutory financial statements for the period under review.

B) UNAUDITED INTERIM REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF THE DIAMOND WOOD GROUP FOR THE THREE MONTHS ENDED 30 JUNE 2016

Set out below is the unaudited financial information of the Diamond Wood Group for the three months ended 30 June 2016.

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

The statement of consolidated comprehensive income of the Diamond Wood Group for the three months ended 30 June 2016 is set out below:

	Note	Three months ended 30 June 2016 €'000 *(Unaudited)*
Revenue		208
Cost of sales		(172)
Gross profit		36
General and administrative expenses		(772)
Loss from operations		(736)
Finance costs		(145)
Loss before taxation		(881)
Income tax		-
Loss for the period		(881)
Basic and diluted loss per share	4	(€0.001)
* in accordance with IAS33 "Earnings per share", where the entity has reported a loss for the period, the shares are not diluted		
Other comprehensive loss		(16)
Total comprehensive loss for the period		(897)

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

The statement of consolidated financial position of the Diamond Wood Group as at 30 June 2016 is set out below:

	Note	**As at 30 June 2016 €'000** *(Unaudited)*
Non-current assets		
Intangible asset	5	16,353
Property, plant and equipment		8
		16,361
Current assets		
Trade and other receivables		489
Cash and cash equivalents		113
		602
Current liabilities		
Other payables and accruals		1,115
Interest-bearing borrowings	6	4,843
		5,958
Net current liabilities		(5,356)
Total assets less current liabilities		11,005
Non-current liabilities		
Licence fee payable		545
Net assets		**10,460**
Equity attributable to owners of Diamond Wood		
Share capital	7	54,979
Share-based payment reserves		927
Exchange reserves		2,042
Accumulated losses		(47,488)
Total Equity		**10,460**

Statements of Consolidated Changes in Equity

	Attributable to equity shareholders of Diamond Wood				
	Share capital €'000	**Share-based payment reserves €'000**	**Accumulated losses €'000**	**Foreign currency translation reserve €'000**	**Total equity €'000**
Balance at 31 March 2016	54,979	927	(46,607)	2,058	11,357
Other comprehensive income	-	-	-	(16)	(16)
Loss for the three months ended 30 June 2016	-	-	(881)	-	(881)
Balance at 30 June 2016	54,979	927	(47,488)	2,042	10,460

Statements of Consolidated Cash Flows

The statement of consolidated cash flows for the Diamond Wood Group for the three months ended 30 June 2016 is set out below:

	Three months ended 30 June 2016 €'000 (Unaudited)
Operating activities	
Loss before taxation	(881)
Adjustment for:	
Finance costs	145
Depreciation and amortisation	286
Operating loss before changes in working capital	(450)
Decrease in inventories	47
Increase in trade and other receivables	(63)
Decrease in trade and other payables	(18)
Cash generated from operating activities	(34)
Net cash used in operating activities	(484)
Financing activities	
Net proceeds of interest-bearing borrowings	562
Net cash generated from financing activities	562
Net increase in cash & cash equivalents	78
Effects of foreign exchange translation	(16)
Cash and equivalent at beginning of period	51
Cash and cash equivalent at end of period	113

Notes to the Interim Financial Information

1. Presentation currency

The Financial Information has been presented in Euro (€) and rounded to the nearest thousand except where otherwise indicated.

2. Summary of significant accounting policies

Basis of preparation

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

HKFRS has completed a process of IFRS convergence. Hong Kong has now adopted national standards that are equivalent to IFRS.

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

3. Income Tax expense

The tax charge on profits assessable has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

4. Loss per share

a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Diamond Wood of approximately €881,000 and the weighted average number of 930,670,743 ordinary shares in issue during the year.

b) Diluted loss per share

In accordance with IAS 33 *"Earnings per share"*, where an entity has reported a loss for the period, the shares are not diluted.

5. Intangible asset

	As at 30 June 2016 €'000 Unaudited
Cost	
As at 31 March 2016	19,383
Less: Accumulated amortisation	
Beginning of the period	2,744
Amortisation	286
End of the period	3,030
Net book value	
As at 30 June 2016	16,353

Impairment review

The Diamond Wood Group evaluates whether the Licence Agreement has suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows, assuming that the Diamond Wood Group is able to obtain sufficient funds to finance the construction of manufacturing plant to realise the economic benefits of the non-current assets. These calculations require the use of estimates and the going concern assumption.

The value in use calculation as at 30 June 2016 applied a discounted cash flow model using cash flow projections of future expenditure on the plant, together with the expected revenue generated from the plant through to the expiry of the rights of the intangible asset. These projections reflect management's best estimate of the future results of the Cash Generating Unit ("**CGU**") based on past experience and future outlook, having undertaken various market studies on the prospects of this industry in Asia. Based on the value in use calculation, the recoverable amount of the CGU exceeds its carrying amount as at 30 June 2016.

6. Interest bearing borrowings

	As at 30 June 2016 €'000 Unaudited
Loan facility 1	4,477
Loan facility 2	366
	4,843

Loan facility 1

On 1 March 2015, the existing loan facility was amended to extend the maturity date. The principal terms as at 30 June 2016 are for an unsecured €5,000,000 convertible loan facility with an interest rate per annum of 15%, a maturity date of 30 September 2017 and an exercise price for the conversion of €0.01 per share.

Loan facility 2

On 26 February 2015, the Diamond Wood Group entered into a loan facility agreement with the Company, which has since been amended on several occasions. The principal terms as at 30 June 2016 are for a £500,000 facility secured by the corporate guarantee of the subsidiaries of the Diamond Wood Group. The interest rate per annum is 10% and the maturity date is 30 September 2016.

7. Share capital

Issued and fully paid	**Number of shares**	**Share capital €'000**
At 31 March 2016	930,670,743	54,979
Issued during the period	-	-
At 30 June 2016	930,670,743	54,979

8. Nature of financial information

The financial information does not constitute Statutory Accounts for the period under review.

9. Subsequent Events

On 4 November 2016, Cleantech Building Materials PLC ("CBM") made a conditional offer to acquire the entire issued share capital of Diamond Wood China Limited in consideration for the issue of 6 CBM Ordinary Shares for every 250 ordinary shares in Diamond Wood.

C) AUDITED ACCOUNTS OF THE COMPANY FOR THE PERIOD FROM INCORPORATION ON 16 DECEMBER 2014 TO 31 DECEMBER 2015

The following information is extracted from the audited financial statements of the Company. The auditors issued an unqualified opinion on the financial statements.

Income Statement for the period 16 December 2014 – 31 December 2015	£
Turnover	-
Administrative Expenses	(553,758)
Interest receivable	36,603
Loss before tax	(517,155)
Taxation	-
Loss for the period	(517,155)

Balance Sheet 31 December 2015	£
Current Assets	
Debtors	380,666
Cash at Bank	2,807
	383,473
Creditors	
Amounts due within one year	123,128
Net Current Assets	260,345
Total Assets Less Current Liabilities	**260,345**
Capital and Reserves	
Share Capital	777,500
Retained Earnings	(517,155)
Shareholders Funds	**260,345**

D) UNAUDITED INTERIM REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF THE COMPANY FOR THE SIX MONTHS ENDED 30 JUNE 2016

Set out below is the unaudited financial information of the Company for the six months ended 30 June 2016.

STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income of the Company for the six months ended 30 June 2016 is set out below:

	Six months ended 30 June 2016
	£'000
	(Unaudited)
Loan interest received	15
General and administrative expenses	(70)
Loss from operations	(55)
Finance costs	(10)
Loss before taxation	(65)
Income tax	-
Loss for the period	(65)
Other comprehensive income	-
Total comprehensive loss attributable to owners of the Company	(65)

STATEMENT OF FINANCIAL POSITION

The statement of financial position of the Company as at 30 June 2016 is set out below:

	Note	**As at 30 June 2016**
		£'000
		(Unaudited)
Current assets		
Other receivables	3	262
Cash and cash equivalents		3
		265
Current liabilities		
Trade and other payables		(70)
		(70)
Net assets		195
Equity attributable to owners of the Company		
Share capital	4	777
Accumulated losses	5	(582)
Total Equity		195

Statements of Changes in Equity

	Attributable to equity shareholders of the Company		
	Share capital £'000	**Accumulated losses £'000**	**Total equity £'000**
Balance at 31 March 2016	777	(517)	260
Loss for the six months ended 30 June 2016	-	(65)	(65)
Balance at 30 June 2016	777	(582)	195

Statements of Cash Flows

The statement of cash flows for the Company for the six months ended 30 June 2016 is set out below:

	Six months ended 30 June 2016 £'000 (Unaudited)
Operating activities	
Loss before taxation	(65)
Adjustment for finance income	(15)
Operating loss before changes in working capital	(80)
Decrease in trade and other receivables	118
Decrease in trade and other payables	(100)
	18
Net cash used in operating activities	(62)
Investing activities	
Interest received	15
Net cash generated from investing activities	15
Financing activities	
Director loans	47
Net cash generated from financing activities	47
Net increase in cash & cash equivalents	-
Cash and equivalent at beginning of period	3
Cash and equivalent at end of period	3

Notes to the Interim Financial Information

1. General Information

The Company was incorporated in England and Wales on 16 December 2014 as a public company with limited liability under the UK Companies Act. The registered office of the Company is 7 Trebeck Street, London, W1J 7LU. The Company did not trade during the period under review. The Company's nature of operations is to act as a special purposes acquisition company.

2. Accounting policies

Basis of preparation
The financial information of the Company has been prepared on a historical basis as varied by the use of fair value in accordance with IFRS, International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union.

Presentation currency
The financial information of the Company is presented in Pound Sterling ("**£**") and rounded to the nearest thousand.

Standards and interpretations issued by not yet applied
At the date of authorisation of this financial information, the directors have reviewed the Standards in issue by the International Accounting Standards Board ("**IASB**") and IFRIC, which are effective for annual accounting periods ending on or after the stated effective date. In their view, none of these standards would have a material impact on the financial reporting of the Company.

3. Other receivables

On 26 February 2015 the Company entered into a loan agreement with Diamond Wood for £500,000. As at 30 June 2016 the outstanding principal and interest owed to the Company was £262,417. The short term loan is due for repayment on 30 September 2016.

4. Share capital

On incorporation on 16 December 2014, Veritas Investments (UK) Limited subscribed for one Ordinary Share of £0.01 in the Company, as subscriber to the memorandum of association of the Company. On 23 January 2015, the Company was authorised to issue 4,999,999 shares of £0.01 each of one class, designated as Ordinary Shares and on the same date, the Company issued a further 4,999,999 Ordinary Shares of £0.01 each to Veritas Investments (UK) Limited.

On 13 February 2015, pursuant to the aforementioned subscription, investors subscribed £727,500 for an aggregate of 72,750,000 New Ordinary Shares, to be issued conditional on admission, at the subscription price of £0.01 per share. Admission took place on 18 February 2015.

5. Subsequent events

On 4 November 2016, the Company made a conditional offer to acquire the entire issued share capital of Diamond Wood in consideration for the issue of 6 Ordinary Shares for every 250 ordinary shares in Diamond Wood

On 30 September 2016, the Company extended the maturity date of the aforementioned loan agreement with Diamond Wood to 31 December 2016.

6. Nature of financial information

The financial information does not constitute Statutory Accounts for the period under review.

E) UNAUDITED PRO FORMA STATEMENT OF NET ASSETS AND EARNINGS OF THE GROUP

Crowe Clark Whitehill LLP

Chartered Accountants
Member of Crowe Horwath International
St Bride's House
10 Salisbury Square
London EC4Y 8EH, UK
Tel +44 (0)20 7842 7100
Fax +44 (0)20 7583 1720
DX: 0014 London Chancery Lane
www.croweclarkwhitehill.co.uk

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London,

Dear Sirs

We report on the unaudited pro forma statement of consolidated net assets of Cleantech Building Materials Plc (the "**Company**") (the "**Pro Forma Financial Information**") set out in this Part 6(E) of the company description dated 20 December 2016 of the **Company** and its subsidiaries (the "**Group**") (the "**Company Description**"), which has been prepared on the basis described, for illustrative purposes only, to provide information about how the acquisition by the Company of 93.2 per cent. of the issued share capital of Diamond Wood might have affected the Statement of Net Assets and the Statement of Earnings for the three months ended 30 June 2016 presented on the basis of the accounting policies adopted by the Group in preparing the financial information.

Responsibilities

It is the responsibility of the directors of the Company (the "**Directors**") to prepare the Pro Forma Financial Information.

It is our responsibility to form an opinion as to the proper compilation of the Pro Forma Financial information and to report that opinion to you.

To the fullest extent permitted by law, we do not assume any responsibility and will not accept any liability to any person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement consenting to its inclusion in the Company Description.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Opinion

In our opinion:

a) the Pro Forma Financial Information has been properly complied on the basis stated; and
b) such basis is consistent with the accounting policies of the Company and Diamond Wood Group.

Declaration

We are responsible for this report as part of the Company Description and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

Crowe Clark Whitehill LLP
Chartered Accountants

*Crowe Clark Whitehill LLP is a limited liability partnership registered in England and Wales with registered number 07372348 and its registered office at St. Bride's House, 10 Salisbury Square, London, EC4Y 8EH, United Kingdom. Crowe Clark Whitehill LLP is the United Kingdom member firm of Crowe Horwath International ("**CHI**"), a private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.crowehorwath.net for a detailed description of the legal structure of CHI and its member firms.*

1. Unaudited Pro Forma Statement of Net Assets

Set out below is an unaudited pro forma statement of aggregated net assets of Cleantech Building Materials Plc (the "**Company**"), which has been prepared on the basis of the Company's unaudited financial information as at 30 June 2016 and the unaudited financial information of the Diamond Wood Group as at 30 June 2016.

It has been prepared for illustrative purposes only. Because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position.

	The Company 30 June 2016 (Unaudited) €'000 *(Note 1)*	**Diamond Wood Group 30 June 2016 (Unaudited) €'000** *(Note 2)*	**Pro forma adjustments €'000** *(Note 3)*	**Transaction costs €'000** *(Note 4)*	**Pro forma net assets (Unaudited) €'000** *(Note 5)*
Non-current assets					
Intangible asset	-	16,353	-	-	16,353
Property, plant and equipment	-	8	-	-	8
Loan	316	-	(316)	-	-
	316	16,361	(316)	-	16,361
Current assets					
Trade and other receivables	-	489	-	-	489
Cash at bank	3	113	-	(90)	26
	3	602	-	(90)	515
Current liabilities					
Other payables and accruals	(84)	(1,115)	-	-	(1,199)
Interest-bearing borrowings	-	(4,843)	316	-	(4,527)
	(84)	(5,958)	316	-	(5,726)
Non-current liabilities					
Licence fee payable	-	(545)	-	-	(545)
	-	(545)	-	-	(545)
Net assets/(liabilities)	**235**	**10,460**	**-**	**(90)**	**10,605**

Notes:

The unaudited pro forma financial information has been prepared on the following basis:

1. The net assets of the Company have been extracted from the unaudited interim financial information on the Company as set out in Part 6(D) of the Company Description, converted into Euros from GBP using a third party exchange rate as at 30 June 2016, of 1.206. No account has been taken of the activities of the Company subsequent to 30 June 2016.

2. The net assets of the Diamond Wood Group have been extracted from the unaudited financial information on the Diamond Wood Group as set out in Part 6(B) of the Company Description without adjustment. No account has been taken of the activities of the Diamond Wood Group subsequent to 30 June 2016.

3. The pro-forma adjustment reflects the elimination of the intercompany loan between the Company and Diamond Wood of approximately €316,000.

4. Transaction costs not provided within the financial information above of approximately €90,000 in relation to the acquisition of Diamond Wood and admission to trading on Nasdaq First North exchange.

5. The Directors consider that the substance of the acquisition of the Diamond Wood Group by the Company is that of a reverse acquisition and that, in order to give a true and fair view, the reverse acquisition accounting method, as permitted by IFRS 3 "Business combinations", will be adopted as the basis of consolidation in the first published accounts of the Company following completion of the acquisition. Any goodwill arising under reverse acquisition accounting will be accounted for within the financial statements on consolidation.

2. Unaudited Pro Forma Statement of Earnings

Set out below is an unaudited pro forma statement of earnings of the Company, which has been prepared on the basis of the Company's unaudited financial information for the 6 months ended 30 June 2016 and the unaudited financial information of the Diamond Wood Group for the 3 months ended 30 June 2016.

It has been prepared for illustrative purposes only. Because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Company's actual financial performance.

	The Company six months ended 30 June 2016 (Unaudited) €'000	**Diamond Wood Group three months ended 30 June 2016 (Unaudited) €'000**	**Pro forma adjustments €'000**	**Pro forma earnings €'000**
	(Note 1)	*(Note 2)*		
Revenue	-	208	-	208
Cost of sales	-	(172)	-	(172)
Gross profit	-	36	-	36
Other revenue	19	-	(19)	-
General and administrative expenses	(89)	(772)	-	(861)
Finance costs	(13)	(145)	19	(139)
Loss for the period	(83)	(881)	-	(964)

Notes:

The unaudited pro forma financial information has been prepared on the following bases:

1. The financial information of the Company has been extracted from the unaudited interim financial information of the Company as set out in Part 6(D) of this Company Description, converted into Euros from GBP using a third party exchange rate of 1.284 being the average over the period. No account has been taken of the activities of the Company subsequent to 30 June 2016.

2. The financial information of the Diamond Wood Group has been extracted from the unaudited interim financial information of the Diamond Wood Group as set out in Part 6(B) of this Company Description without adjustment. No account has been taken of the activities of the Diamond Wood Group subsequent to 30 June 2016.

7. UK TAXATION

7.1 Taxation in the United Kingdom

The following information is based on UK tax law and HM Revenue and Customs ("**HMRC**") practice currently in force in the UK. Such law and practice (including, without limitation, rates of tax) is in principle subject to change at any time. . The information that follows is for guidance purposes only. Any person who is in any doubt about his or her position should contact their professional advisor immediately.

7.1.1 Tax treatment of UK investors

The following information, which relates only to UK taxation, is applicable to persons who are resident in the UK and who beneficially own Ordinary Shares as investments and not as securities to be realised in the course of a trade. It is based on the law and practice currently in force in the UK. The information is not exhaustive and does not apply to potential investors:

a) who intend to acquire, or may acquire (either on their own or together with persons with whom they are connected or associated for tax purposes), more than 10 per cent., of any of the classes of shares in the Company; or

b) who intend to acquire Ordinary Shares as part of tax avoidance arrangements; or

c) who are in any doubt as to their taxation position.

Such Shareholders should consult their professional advisers without delay. Shareholders should note that tax law and interpretation can change and that, in particular, the levels, basis of and reliefs from taxation may change. Such changes may alter the benefits of investment in the Company.

Shareholders who are neither resident nor temporarily non-resident in the UK and who do not carry on a trade, profession or vocation through a branch, agency or permanent establishment in the UK with which the Ordinary Shares are connected, will not normally be liable to UK taxation on dividends paid by the Company or on capital gains arising on the sale or other disposal of Ordinary Shares. Such Shareholders should consult their own tax advisers concerning their tax liabilities.

7.1.2 Dividends

Under current UK legislation the Company is not required to withhold tax on dividend payments to shareholders (irrespective of their country of residence).

Danish investors will therefore receive dividend payments without deduction of UK withholding tax, but must take advice as to the taxation of such dividends in their home jurisdiction.

Where the Company pays dividends, Shareholders who are resident in the UK for tax purposes will, depending on their circumstances, be liable to UK income tax or corporation tax on those dividends.

UK resident individual Shareholders who are domiciled in the UK, and who hold their Shares as investments, will be subject to UK income tax on the amount of dividends received from the Company.

Dividend income received by UK tax resident individuals will have a £5,000 dividend tax allowance. Dividend receipts in excess of £5,000 will be taxed at 7.5 per cent. for basic rate taxpayers, 32.5 per cent for higher rate taxpayers , and 38.1 per cent. for additional rate taxpayers.

Shareholders who are subject to UK corporation tax should generally, and subject to certain anti-avoidance provisions, be able to claim exemption from UK corporation tax in respect of any dividend received but will not be entitled to claim relief in respect of any underlying tax or withholding tax imposed.

7.1.3 Disposals of Ordinary Shares

Any gain arising on the sale, redemption or other disposal of Ordinary Shares will be taxed at the time of such sale, redemption or disposal as a capital gain.

For gains accruing after 6 April 2016 the rate of capital gains tax on disposal of Ordinary shares by basic rate taxpayers will reduce from 18 per cent. to 10 per cent. , and for upper rate and additional rate taxpayers the rate will fall from 28 per cent. to 20 per cent.

For Shareholders within the charge to UK corporation tax, indexation allowance may reduce any chargeable gain arising on disposal of Ordinary Shares but will not create or increase an allowable loss.

Subject to certain exemptions, the corporation tax rate applicable to its taxable profits is currently being 20 per cent. from 1 April 2015 falling to 19% after 1 April 2017 and 17% after 1 April 2020.

7.1.4 Further information for Shareholders subject to UK income tax and capital gains tax

“Transactions in securities”

The attention of Shareholders (whether corporates or individuals) within the scope of UK taxation is drawn to the provisions set out in, respectively, Part 15 of the Corporation Tax Act 2010 and Chapter 1 of Part 13 of the Income Tax Act 2007, which (in each case) give powers to HM Revenue and Customs to raise tax assessments so as to cancel “tax advantages” derived from certain prescribed “transactions in securities”.

7.1.5 Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

No stamp duty or SDRT will generally be payable on the issue of Ordinary Shares. Stamp Duty will not be payable on Ordinary Shares transferred which are on a share register held abroad provided the transaction is abroad. Stamp Duty would usually be payable on shares transferred if recorded on the UK share register.

SDRT will be payable at 0.5% on shares transferred using the UK-based central depository CREST system. Use of the Official Danish Central Securities Depository and designated Securities Settlement System operated by VP SECURITIES A/S will usually avoid SDRT. Transfer of Ordinary Shares within that system will not be subject to SDRT, but investors may find SDRT of 1.5% is payable when Ordinary Shares are placed in that system from outside. It may be possible to transfer shares listed on Nasdaq First North using other clearance systems, in which case it will be necessary for shareholders to take advice as to the SDRT position.

7.1.6 Ordinary Shares held in certificated form

No UK stamp duty will be payable on the issue of Ordinary Shares. In practice, UK stamp duty should generally not need to be paid on an instrument transferring Ordinary Shares, provided that such transfer instruments are executed and retained outside of the UK. Whether or not an instrument is stamped, however, will not affect the registration of the transfer in the Company’s register of members so long as that register is kept outside of the UK. No stamp duty reserve tax will be chargeable on the issue or transfer of the Ordinary Shares where the Company’s register of members is kept outside of the UK.

8. SHARE CAPITAL & OWNERSHIP STRUCTURE

8.1 Share capital of the Company

There is only one class of shares in issue being Ordinary Shares of £0.10 each. The Ordinary Shares have no redemption or conversion rights.

The Company has no preference shares in issue and the rights of holders of the Ordinary Shares are summarised at paragraph 8.8 below.

8.2 Shares in Issue

Prior to Admission, there are 7,775,000 fully paid up Ordinary Shares of £0.10 each in issue.

With effect on Admission, a further 20,808,519 Consideration Shares will be issued pursuant to the Offer.

The issued share capital is therefore summarised as

	Existing		*On Admission*	
	Nominal Value (£)	*Number of Ordinary Shares*	*Nominal Value (£)*	*Number of Ordinary Shares*
Issued and fully paid	777,500	7,775,000	2,858,351.90	28,583,519

8.3 Previous Listings (and Applications for Listings) of Shares

The Company was formed as a special purpose investment vehicle and its shares were admitted to listing on the Official List (standard listing segment) of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities on 18 February 2015. On 2 June 2015, the Company announced that it would be making an offer to acquire all of the issued share capital of Diamond Wood and, as a result of that announcement, trading in its shares was suspended. On 5 June 2015, the Company applied to cancel its standard listing on the Official List of the UK Listing Authority in anticipation of its acquisition of Diamond Wood and its decision to seek a listing on an appropriate international stock exchange or market to be agreed between the Company and Diamond Wood; the cancellation became effective on 26 June 2015.

The Directors confirm that the Company has not applied for, and has no current plans to apply for, the Ordinary Shares to be admitted to listing or trading on any stock exchange or stock market other than Nasdaq First North.

8.4 Ownership Structure

Following Admission, the ten largest holders of Ordinary Shares in the Company will be:

Shareholder	Shareholding (%)
SVS (Nominees) Limited	7.65%
SVS Securities (Nominees) Limited	4.45%
Zica S.A.	2.77%
Drummond & Smythe RAK FZE	2.58%
Veritas Investments (UK) Limited	2.54%
Hugues Lamotte	2.35%
David Instance	2.34%
Stonefield Holdings Limited	2.33%
BS Altena AG	2.31%
Swiss Renewables AG	2.31%

The Shares held by Veritas Investments (UK) Limited form part of the holding of Jeff Jaffrey, a Director of the Company.

8.5 Directors' Shareholdings

Following Admission, the holdings of Ordinary Shares in the Company by the Directors will be:

Director	Number of Ordinary Shares	Percentage of Enlarged Issued Share Capital
Syed Jeff Erik Jaffrey	744,010	2.60%
Andrew Paul Richards	182,400	0.64%
Jonathan Sumner	12,602	0.04%

In addition, the Directors are interested in share options over an aggregate of 102,185 Ordinary Shares as set out in 8.7 below.

8.6 Free Float

Immediately following Admission, 24.7% of the Company's Ordinary Shares will be in public hands.

8.7 Rights to Acquire Shares

Dependent on the further acceptances of the Offer by Diamond Wood Shareholders received after Admission, the Company may issue up to a total of 1,527,540 further new Ordinary Shares in the period of 90 days following Admission.

Save as disclosed in this Company Description, there are no acquisition rights or obligations over the unissued capital, nor is there an undertaking to increase the share capital of the Company.

The Company has granted options conditional on Admission, and which expire five years following Admission, as set out below:

	Ordinary shares subject to option	Price
DW Nominees Limited [1]	919,665	€0.35
Morinaka S.L.[2]	360,000	€0.35
Jonathan Sumner	102,185	€0.35
Drummond & Smythe RAK FZE	242,400	€0.35

[1] DW Nominees Limited is controlled by David Sumner, one of the directors of Diamond Wood.
[2] Morinaka S.L. is controlled by John Gregory Lee Ranck, one of the directors of Diamond Wood.

In addition, as set out in paragraph 9.2.2:

i. Zica has the right to acquire up to a maximum of 6,960,000 Ordinary Shares by converting amounts drawn under the New Facility Agreement at a rate of 24 Ordinary Shares for every €10 converted; and

ii. Zica has the right to acquire up to a maximum of 360,000,000 ordinary shares in Diamond Wood by converting amounts drawn under the New DW Facility Agreement at a rate of 100 ordinary shares for every €1 converted. In addition, any ordinary shares in Diamond Wood acquired by converting amounts drawn under the New DW Facility Agreement may, subject to certain conditions being met, be exchanged for Ordinary Shares at a rate of 6 Ordinary Shares for every 250 ordinary shares in Diamond Wood. Therefore, Zica has the conditional right to acquire up to a maximum of 8,640,000 Ordinary Shares by converting amounts drawn under the New DW Facility Agreement.

In addition, the Company has granted a warrant conditional on Admission to Keswick Global AG ("**Keswick**"), its Certified Adviser, under which Keswick may subscribe for up to 475,000 Ordinary Shares at a price of €0.93 per Ordinary Share. The warrant expires three years after the date of Admission and may not be exercised by Keswick in the six month period following Admission.

Rights to acquire shares may therefore be summarised as:

Ordinary Shares in issue on Admission	28,583,519
Maximum further Ordinary Shares to be issued as a result of further acceptances of the Offer	1,527,540
Ordinary Shares subject to options and warrants	2,099,250
Ordinary Shares to be issued assuming full conversion of the Zica New Facility Agreement	6,960,000
Ordinary Shares to be issued assuming full conversion of the Zica New DW Facility Agreement	8,640,000
Fully Diluted Ordinary Share capital	47,810,309

8.8 Articles of Association

In this paragraph 8.8, "**Statutes**" means the UK Companies Act and every other statute or statutory instrument, rule, order or regulation from time to time in force concerning companies so far as they apply to the Company.

The Articles contain provisions, among others, to the following effect (the following being a summary of certain provisions of the Articles, which summary is qualified in its entirety by the entire contents of the Articles):

(a) *Share Capital*

The Company's share capital currently consists of Ordinary Shares. The Company may issue shares with such rights or restrictions as may be determined by ordinary resolution, including shares which are to be redeemed, or are liable to be redeemed at the option of the Company or the holder of such shares

(b) *Voting*

The Shareholders have the right to receive notice of, and to vote at, general meetings of the Company. Each Shareholder who is present in person (or, being a corporation, by representative) at a general meeting on a show of hands has one vote and, on a poll, every such holder who is present in person (or, being a corporation, by representative) or by proxy has one vote in respect of every share held by him.

(c) *Variation of rights*

Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class and may be so varied and abrogated whilst the Company is a going concern or during or in contemplation of a winding up.

(d) *Dividends*

The Company may, subject to the provisions of the UK Companies Act and the Articles, by ordinary resolution from time to time declare dividends to be paid to members not exceeding the amount recommended by the Directors. Subject to the provisions of the UK Companies Act in so far as, in the Directors' opinion, the Company's profits justify such payments, the Directors may pay interim dividends on any class of shares except for shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears.

Any dividend, unclaimed after a period of 12 years from the date such dividend was declared or became payable shall, if the Directors resolve, be forfeited and shall revert to the Company. No dividend or other moneys payable on or in respect of a share shall bear interest as against the Company.

(e) *Transfer of Ordinary Shares*

Each member may transfer all or any of his shares which are in certificated form by means of an instrument of transfer in any usual form or in any other form which the Directors may approve. Each member may transfer all or any of his shares which are in uncertificated form by means of a relevant system in such manner provided for, and subject as provided in, the UK's Uncertificated Securities Regulations 2001 (*SI 2001/3775*).

The Board may, in its absolute discretion, refuse to register a transfer of certificated shares unless:

(i) it is for a share which is fully paid up;

(ii) it is for a share upon which the Company has no lien;

(iii) it is only for one class of share;

(iv) it is in favour of a single transferee or no more than four joint transferees;

(v) it is duly stamped or is duly certificated or otherwise shown to the satisfaction of the Board to be exempt from stamp duty; and

(vi) it is delivered for registration to the registered office of the Company (or such other place as the Board may determine), accompanied (except in the case of a transfer by a person to whom the Company is not required by law to issue a certificate and to whom a certificate has not been issued or in the case of a renunciation) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor (or person renouncing) and the due execution of the transfer or renunciation by him or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so.

The Directors may refuse to register a transfer of uncertificated shares in any circumstances that are allowed or required by the Uncertificated Securities Regulations 2001 (*SI 2001/3755*) and the relevant system. determine, or if no ordinary resolution has been passed or so far as the resolution does not make specific provision, as the Directors may determine (including shares which are to be redeemed, or are liable to be redeemed at the option of the Company or the holder of such shares).

(f) *Allotment of shares and pre-emption rights*

Subject to the UK Companies Act and to any rights attached to existing shares, any share may be issued with or have attached to it such rights and restrictions as the as the Company may by ordinary resolution determine, or if no ordinary resolution has been passed or so far as the resolution does not make specific provision, as the Directors may determine (including shares which are to be redeemed, or are liable to be redeemed at the option of the Company or the holder of such shares).

In accordance with section 551 of the UK Companies Act, the Directors may be generally and unconditionally authorised to exercise all the powers of the Company to allot shares up to an aggregate nominal amount equal to the amount stated in the relevant ordinary resolution authorising such allotment.

The provisions of section 561 of the UK Companies Act (which confer on shareholders' rights of pre-emption in respect of the allotment of equity securities which are paid up in cash) apply to the Company except to the extent disapplied by special resolution of the Company.

(g) *Alteration of share capital*

The Company may by ordinary resolution consolidate and divide all of its share capital into shares of larger nominal value than its existing shares, or cancel any shares which, at the date of the ordinary resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the nominal amount of shares so cancelled and sub-divide its shares, or any of them, into shares of smaller nominal value.

The Company may, in accordance with the UK Companies Act, reduce or cancel its share capital or any capital redemption reserve or share premium account in any manner and with and subject to any conditions, authorities and consents required by law.

(h) *Directors*

Unless otherwise determined by the Company by ordinary resolution, the number of Directors (other than any alternate Directors) shall not be less than two, but there shall be no maximum number of Directors.

Subject to the Articles and the UK Companies Act, the Company may by ordinary resolution appoint a person who is willing to act as a Director and the Board shall have power at any time to appoint any person who is willing to act as a Director, in both cases either to fill a vacancy or as an addition to the existing Board.

At the first annual general meeting all Directors shall retire from office and may offer themselves for re-appointment by the Shareholders by ordinary resolution.

At every subsequent annual general meeting any director who:

(i) has been appointed by the Directors since the last annual general meeting; or

(ii) was not appointed or re-appointed at one of the preceding two annual general meetings

must retire from office and may offer themselves for reappointment by the Shareholders by ordinary resolution.

Subject to the provisions of the Articles, the Board may regulate their proceedings as they think fit. A Director may, and the secretary at the request of a Director shall, call a meeting of the Directors.

The quorum for a Directors' meeting shall be fixed from time to time by a decision of the Directors, but it must never be less than two and unless otherwise fixed, it is two.

Questions arising at a meeting shall be decided by a majority of votes of the participating directors, with each director having one vote. In the case of an equality of votes, the chairman shall have a second or casting vote.

The Directors shall be entitled to receive such remuneration as the Directors shall determine for their services to the Company as directors and for any other service which they undertake for the Company provided that the aggregate fees (which are not taken to mean any remuneration by way of salary, bonus, share-based or other form of option arrangement or payment or advisory or consultancy income) payable to the Directors in respect of additional consulting or similar fees must not exceed £200,000 in any one financial year. The Directors shall also be entitled to be paid all reasonable expenses properly incurred by them in connection with their attendance at meetings of Shareholders or class meetings, board or committee meetings or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the Company.

The Board may, in accordance with the requirements in the Articles, authorise any matter proposed to them by any Director which would, if not authorised, involve a Director breaching his duty under the UK Companies Act to avoid conflicts of interests.

A Director seeking authorisation in respect of such conflict shall declare to the Board the nature and extent of his interest in a conflict as soon as is reasonably practicable. The Director shall provide the Board with such details of the matter as are necessary for the Board to decide how to address the Conflict together with such additional information as may be requested by the Board.

Any authorisation by the Board will be effective only if:

- (i) to the extent permitted by the UK Companies Act, the matter in question shall have been proposed by any Director for consideration in the same way that any other matter may be proposed to the Directors under the provisions of the Articles;
- (ii) any requirement as to the quorum for consideration of the relevant matter is met without counting the conflicted Director and any other conflicted Director; and
- (iii) the matter is agreed to without the conflicted Director voting or would be agreed to if the conflicted Director's and any other interested Director's vote is not counted.

Subject to the provisions of the UK Companies Act, every Director, secretary or other officer of the Company (other than an auditor) is entitled to be indemnified against all costs, charges, losses, damages and liabilities incurred by him in the actual purported exercise or discharge of his duties or exercise of his powers or otherwise in relation to them.

(i) *General Meetings*

The Company must convene and hold annual general meetings in accordance with the UK Companies Act.

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the choice or appointment of a chairman of the meeting which shall not be treated as part of the business of the meeting. Save as otherwise provided by the articles, two Shareholders present in person or by proxy and entitled to vote shall be a quorum for all purposes.

(j) *Borrowing Powers*

Subject to the Articles and the UK Companies Act, the Board may exercise all of the powers of the Company to:

- (i) borrow money;
- (ii) indemnify and guarantee;
- (iii) mortgage or charge;
- (iv) create and issue debentures and other securities; and
- (v) give security either outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(k) *Capitalisation of profits*

The Directors may, if they are so authorised by an ordinary resolution of the Shareholders, decide to capitalise any undivided profits of the Company (whether or not they are available for distribution), or any sum standing to the credit of the Company's share premium account or capital redemption reserve. The Directors may also, subject to the aforementioned ordinary resolution, appropriate any sum which they so decide to capitalise to the persons who would have been entitled to it if it were distributed by way of dividend and in the same proportions

(l) *Uncertificated Shares*

Subject to the UK Companies Act, the Directors may permit title to shares of any class to be issued or held otherwise than by a certificate and to be transferred by means of a relevant system without a certificate.

The Directors may take such steps as they see fit in relation to the evidencing of and transfer of title to uncertificated shares, any records relating to the holding of uncertificated shares and the conversion of uncertificated shares to certificated shares, or *vice versa*.

The Company may by notice to the holder of an uncertificated share, require that share to be converted into certificated form.

The Board may take such other action that the Board considers appropriate to achieve the sale, transfer, disposal, forfeiture, re-allotment or surrender of an uncertificated share or otherwise to enforce a lien in respect of it.

8.9 Pre-emption Rights

Section 561(1) of the UK Companies Act gives the Company’s shareholders pre-emption rights on any new issue of equity securities (as defined in section 560 of the UK Companies Act) for cash by the Company except for issues of shares under an employee share scheme as defined in Section 1166 of the UK Companies Act, to the extent that such pre-emption rights have not been disapplied by a special resolution passed pursuant to Section 569(1) of the UK Companies Act.

Such a resolution was passed on 10 March 2016 and replaced by a special resolution passed on 15 July 2016, under which the Directors are authorised to issue equity securities to an aggregate nominal value of £4,861,033.92 without such shares first being offered to existing holders of Ordinary Shares.

8.10 Share Registrars

The Company’s share registrars are:

Neville Registrars Limited
Neville House
18 Laurel Lane Halesowen
West Midlands B63 3DA

The registrars are responsible for the issuance of shares into the CREST system and the execution of relevant corporate actions.

8.11 Lock-In Arrangements

On Admission, the Diamond Wood Shareholders shall hold 20,808,519 Ordinary Shares in the Company representing 72.8 per cent. of the Company's issued share capital. Under the terms of the Offer each of the Diamond Wood Shareholders has given an undertaking to the Company not to sell any of their Ordinary Shares for a period of 12 months commencing from Admission, except in certain limited circumstances, to another shareholder of the Company or otherwise with the prior written permission of the Company.

9. ADDITIONAL INFORMATION

9.1 Incorporation of the Company

The Company was incorporated and registered in England and Wales on 16 December 2014 as a public limited company under its current name. Its registered number is 9357256.

The registered office of the Company is 7 Trebeck Street, London, W1J 7LU, UK which is currently its principal place of business.

Following Admission, the Group's place of business will be the registered office address of Diamond Wood, i.e. 3905 Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

9.2 Material Contracts

The following material contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group in the two years preceding the date of this document or are other contracts that contain provisions under which the members of the Group have an obligation or entitlement which is material to the Group as at the date of this document:

9.2.1 Technology Licence Agreement

Licence

Titan Wood (a subsidiary company of Accsys) and Diamond Wood entered into the Technology Licence Agreement on 12 August 2010 under which Titan Wood has granted Diamond Wood an exclusive licence to use certain defined intellectual property of Titan Wood (being patent and technical information) (the "**IPR**") in the People's Republic of China, the Special Administrative Regions, Taiwan, Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam (together, the "**Far East Region**") and a non-exclusive licence in respect of all other territories.

Further, the Licence entitles Diamond Wood on an exclusive basis to use the IPR in respect of Accoya® Wood to manufacture a maximum of 750,000 m3 annually of Accoya® Wood in accordance with Accsys' processes until the expiry of the term of the Licence. In addition, Diamond Wood is entitled to manufacture, market, distribute and sell any acetylated wood which is not Accoya® Wood in any territory in which it is permitted to sell Accoya® Wood provided it is not sold as 'Accoya'. Diamond Wood also has a right of first refusal to enter into the exclusive licencing arrangements for Tricoya Wood Elements technology in the People's Republic of China.

Term and termination

The term of the Licence is from the Effective Date, ie 19 November 2007 until the last to expire of the Patent Rights or so long as the Technical Information remains confidential, whichever is the later. The exclusive rights relating to the marketing, distribution and sale of Accoya® Wood in Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam (the "ASEAN Countries"), last until 1 July 2030, provided that such exclusive rights relating to the ASEAN Countries will terminate on 1 July 2020 if by that date projects to be undertaken by Diamond Wood to produce an estimated maximum capacity of 57,086 m3 of Accoya® Wood (including the construction of a manufacturing facility and the active promotion of Accoya® Wood) have not been completed. The Licence in respect of the Far East Region is terminable if, *inter alia*: (i) Diamond Wood directly or indirectly opposes any patent application of Accsys in respect of the rights in Accoya® Wood or assists any third party to oppose Accsys' patent rights or, broadly, assists a third party in asserting the invalidity of Accsys' patents or the confidential nature of Accsys' technical information; (ii) Diamond Wood is in material irremediable breach of its obligations under the Licence or commits any continuing, persistent or material breach of the Licence; (iii) Diamond Wood enters into administration or a voluntary arrangement with its creditors or a receiver or administrator is appointed over its assets or it enters into liquidation; or (iv) either party is prevented or delayed from carrying out its obligations under the licence through force majeure.

Diamond Wood is subject to a number of obligations under the terms of the Licence, which include: (i) not to hold itself out as an agent of Accsys; (ii) to comply with all applicable laws and regulations; (iii) to comply with Accsys' requirements as to brand protection; (iv) to use its reasonable endeavours to promote the development, distribution and sale of Accoya® Wood and products containing Accoya® Wood in accordance with the Licence and use reasonable commercial endeavours to make available all necessary selling and manufacturing facilities to meet all reasonable demands of such products in the Licence territory; (v) to ensure all Accoya® Wood it produces and sells is in accordance with Accsys' process and complies with Accsys' requirements and vi) to comply with Accsys' quality standards and permits Accsys to inspect.

Licence fee and royalties

There is an upfront technology fee payable by Diamond Wood which is based on the estimated maximum capacity of Accoya® Wood that Diamond Wood will produce. There is then a reconciliation based on the actual amount produced.

There is also an index-linked royalty payable of €25 for each m^3 of Accoya® Wood sold by Diamond Wood until the 20th anniversary of the first of such payments. There is also a royalty payable equal to 25 per cent. of the aggregate royalties paid during the final 12-month period of the royalty term.

As at 30 November 2016 (the latest practicable date prior to the publication of this document), an aggregate of €19.7 million has been paid by Diamond Wood to Titan Wood in licence fees.

9.2.2 Zica Facility Agreements

On 1 December 2016, the Company entered into an unsecured loan facility agreement with Zica (the **"New Facility Agreement**"), the commencement of which is contemporaneous with the publication of this document by the Company. Pursuant to the terms of the New Facility Agreement, the Company shall assume financial obligations commensurate with those financial obligations of Diamond Wood which are outstanding, but shall cease to have force and effect, upon the termination of the Prior Facility Agreement. Zica shall provide the Company with a Euro 2,900,000 loan facility until 31 January 2019 ("**New Facility Maturity Date**") which shall be available for drawdown until one month prior to the New Facility Maturity Date. The facility (which carries a one-off arrangement fee of €100,000) attracts an annual rate of interest of 15 per cent. and is calculated monthly. The New Facility Agreement contains no restrictions on the Company as to the application of funds it receives under the facility or on the operation of the Company's business. The Company shall have the right to convert an amount equivalent to all sums drawn down under the New Facility Agreement together with interest and fees due to Zica under it into Ordinary Shares at a rate 24 (twenty-four) Ordinary Shares for each €10 (ten Euro) converted. This conversion right would terminate if the Company were to issue any new shares prior to the New Facility Maturity Date save in respect of shares issued either: (a) under option agreements with Drummond & Smythe RAK FZE, DW Nominees Limited, Jonathan Sumner, Morinaka SL or Keswick, or (b) to Zica or a third party, upon the written request of Zica to the Company, under the New Facility Agreement. Zica has the right to convert up to a maximum amount of € 2,900,000 of any of the outstanding amount drawn down under the New Facility Agreement at a rate of 24 (twenty-four) Ordinary Shares for every €10 (ten Euro). The New Facility Agreement is subject to Swiss law.

On 1 December 2016, Diamond Wood entered into an unsecured loan facility agreement with Zica (the "**New DW Facility Agreement**"), the commencement of which is contemporaneous with the publication of this document by the Company. The New DW Facility Agreement replaces certain prior arrangements between Diamond Wood and Zica which automatically terminate on Admission. Pursuant to the terms of the New DW Facility Agreement, Zica shall provide the Company with a €3,600,000 loan facility until 31 January 2019 ("**New DW Facility Maturity**

Date") which shall be available for drawdown until one month prior to the New DW Facility Maturity Date. The facility attracts an annual rate of interest of 15 per cent. and is calculated monthly. The New DW Facility Agreement contains no restrictions on Diamond Wood as to the application of funds it receives under the facility or on the operation of its business. Diamond Wood shall have the right to convert an amount equivalent to all sums drawn down under the New DW Facility Agreement together with interest and fees due to Zica under it into ordinary shares in Diamond Wood at a rate of 100 (one hundred) ordinary shares for every €1 (one Euro) converted. This conversion right would terminate if Diamond Wood were to issue any new ordinary shares prior to the New DW Facility Maturity Date save in respect of ordinary shares issued either to Zica or a third party, upon the written request of Zica to Diamond Wood, under the New DW Facility Agreement. Zica shall have the right to convert any amount equivalent to all sums drawn under the New DW Facility Agreement (up to a maximum amount of €3,600,000) into ordinary shares in Diamond Wood at a rate of 100 (one hundred) ordinary shares for every €1 (one Euro) converted. Zica shall also have the right, conditional upon the terms defined therein, to convert any amount of the ordinary shares acquired under the New DW Facility Agreement into new Ordinary Shares in the Company at a rate of 6 new Ordinary Shares for every 250 ordinary shares. The New DW Facility Agreement is subject to Swiss law.

9.3 Working capital

The Directors confirm that, having made due and careful enquiry, the Group has a sufficiency of working capital for a period of at least 12 months following the proposed date of Admission.

9.4 Governmental, Legal or Arbitration Proceedings

The Company is not involved and has not in the 12 months immediately preceding the date of this document been involved in any governmental, legal or arbitration proceedings which have or may have had in the recent past a significant effect on its financial position or profitability nor so far as the Company is aware, are any such proceedings pending or threatened by or against the Company.

Diamond Wood is not (and no member of the Diamond Wood Group is) involved and has not in the 12 months immediately preceding the date of this document been involved in any governmental, legal or arbitration proceedings which have or may have had in the recent past a significant effect on its financial position or profitability nor so far as Diamond Wood is aware, are any such proceedings pending or threatened by or against Diamond Wood or any member of its group.

9.5 Significant changes

Except for the making of the Offer, and as set out in this document there has been no significant change in the financial or trading position of the Company since 30 June 2016, the date to which the most recent unaudited financial statements of the Company have been published.

Except as set out in this document there has been no significant change in the financial or trading position of Diamond Wood since 30 June 2016, the date to which the most recent unaudited financial statements of the Diamond Wood Group have been published.

9.6 Related Party Transactions

Other than as disclosed in this document, during the period from its incorporation to the date of this document, the Company has not entered into any related party transactions.

Other than as disclosed in this document, Diamond Wood and its subsidiaries has not entered into any related party transactions that are outstanding.

9.7 Consent

The reporting accountants, Crowe Clark Whitehill LLP, has given and not withdrawn its written consent to the issue of this document with the inclusion in it of its reports and references to it and to its name in the form and context in which they appear. Crowe Clark Whitehill LLP is a member firm of the Institute of Chartered Accountants in England and Wales.

9.8 Dividend Policy

It is the intention of the Board to provide Shareholders with a continuing yield return through dividends, once the Group has achieved a satisfactory level of operating profit. In the short term, the Board is unlikely to declare dividends until such time as the Group has completed the construction of the proposed factory and an acceptable level of turnover has been achieved. The declaration and payment of dividends by the Company will be subject to the provisions of the Act and the Articles and to the availability of distributable profit.

9.9 Corporate Governance

Although the UK Corporate Governance Code is not compulsory for companies whose shares are admitted to trading on Nasdaq First North, the Board intends to apply the principles of this UK Corporate Governance Code following Admission as far as practicable and appropriate for a relatively small public company as follows:

- The Board, which comprises a Non-Executive Chairman, two Executive Director and two Non-Executive Directors, will meet regularly to consider strategy, performance, approval of major capital projects and the framework of internal controls.
- In addition, the Executive Directors will meet on a regular basis for operational meetings.
- To enable the Board to discharge its duties, all Directors will receive appropriate and timely information.
- Briefing papers will be distributed to all Directors in advance of Board meetings.
- All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with.
- The appointment and removal of the Company Secretary is a matter for the Board as a whole.
- In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

It should be noted that on Admission:

- Syed Jeff Erik Jaffrey, one of the Non-Executive Directors, will be interested in 744,010 shares in the Company, comprising 2.60 per cent. of the enlarged share capital; and
- Andrew Paul Richards, the Non-Executive Chairman, will be interested in 182,400 shares in the Company, comprising 0.64 per cent. of the enlarged share capital.

The Board does not consider this interest to be so large as to prejudice the independence of the directors concerned.

Directors are subject to retirement by rotation and re-election by the Shareholders at annual general meetings of the Company, as required by the Company's Articles, and any Director appointed by the Board shall hold office only until the next annual general meeting and shall then be eligible for election.

Committees of the Board

Four Committees of the Board have been set up in anticipation of Admission, each of which will be chaired by Andrew Paul Richards and will comprise both the independent Non-Executive Directors, Syed Jeff Erik Jaffrey and Adrian Wyn-Griffiths.

Audit Committee

This committee will have primary responsibility for monitoring the quality of internal controls ensuring that the financial performance of the Company is properly measured and reported on and reviewing reports from the Company's auditors relating to the Company's accounting and internal controls, in all cases having due regard to the interests of Shareholders. The Audit Committee will meet at least four times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required..

Remuneration Committee

This committee will set the remuneration policy for all Executive Directors and review the performance of the Executive Directors and determine their terms and conditions of service, including their remuneration and pension rights and the grant of options, having due regard to the interests of Shareholders. The Remuneration Committee will meet at least twice a year and at such other times as may be required.

Nomination Committee

This committee will regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes and give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company and the skills and expertise needed on the Board in the future. The Nomination Committee will meet annually and as required.

Risk Committee

This committee will consider all matters referred to the Committee by executives responsible for health, safety and risk management and any of its members. The Risk Committee will meet at least four times a year and at appropriate intervals and such other times as the Board and/or chairman of the Committee shall require.

The Company is dedicated to good corporate governance and recognises the importance of social responsibility.

Share Dealings

The Company has adopted a code for dealings in shares by its Board and employees which is appropriate for a company whose shares are admitted to trading on Nasdaq First North. The Board will comply with this code and with the Market Rules relating to directors' dealings and will, in addition, take all reasonable steps to ensure compliance by the Group's applicable employees.

10. APPENDIX

A) DEFINED TERMS

In this document, where the context permits, the terms set out below shall have the following meanings:

"**Accoya® Wood**"	Titan Wood's registered trademark and brand name of acetylated wood produced using the patented acetylation process owned by Titan Wood, which meets certain quality standards in accordance with the Technology Licence Agreement
"**Accsys**"	Accsys Technologies PLC, a company incorporated in England and Wales with company number 5534340, the holding company of Titan Wood and listed on Euronext and AIM (AIM: AXS)
"**Acquisition**"	the conditional acquisition of the issued share capital of Diamond Wood by the Company under the terms of the Offer
"**Admission**"	admission of the Ordinary Shares of the Company to trading on Nasdaq First North becoming effective in accordance with the Market Rules
"**Articles**"	the articles of association of the Company
"**ASEAN**"	The Association of Southeast Asian Nations, comprising of Brunei Darussalam, Myanmar, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand and Vietnam
"**CBM**" or the "**Company**"	Cleantech Building Materials plc, a company incorporated in England and Wales with registered number 9357256
"**China**" or "**PRC**"	People's Republic of China and its Special Administrative Regions
"**Consideration Shares**"	the 20,808,519 new Ordinary Shares to be issued at Admission under the terms of the Offer
"**CREST**"	the computer based system and procedures which enable title to securities to be evidenced and transferred without a written instrument, administered by Euroclear UK & Ireland Limited
"**Diamond Wood**"	Diamond Wood China Limited, a company incorporated in Hong Kong under the Companies Ordinance with the Hong Kong Company Registration No. 1175732 and which is the licensee of the technology under the Technology Licence Agreement
"**Diamond Wood Directors**"	the directors of Diamond Wood
"**Diamond Wood Group**"	Diamond Wood and its subsidiaries
"**Diamond Wood Shareholders**"	the shareholders of Diamond Wood immediately before Admission
"**Directors**" or "**Board**"	the directors of the Company whose names are set out on Section 5 of this document

"**DWN**"	Diamond Wood Nanjing Manufacturing Company Limited (PRC Registration No. 320100400041407)
"**DWS**"	Diamond Wood (Shanghai) Trading Company Limited (PRC Registration No. 310000400585443)
"EBITDA"	earnings before interest, taxes, depreciation and amortisation
"**Far East Region**" or "**Far East Regions**"	China, ASEAN and Taiwan
"**Group**"	CBM and its subsidiaries (including as from Admission, Diamond Wood and its subsidiaries)
"**Hong Kong**"	Hong Kong Special Administrative Region of the PRC
"**Hong Kong Dollar**"	the currency of Hong Kong
"**IAS**"	International Accounting Standards
"**IFRS**"	International Financial Reporting Standards
"**IP**"	Intellectual Property
"**Jiangsu PFT & EC Commission**"	the Jiangsu Provincial Foreign Trade and Economic Cooperation Commission
"**Lock-in Agreements**"	the agreements between the Company and Diamond Wood shareholders, as described in paragraph 8.11 of this document
"**Market Rules**"	the market rules of Nasdaq First North published by Nasdaq Copenhagen A/S from time to time
"**Nasdaq First North"** or the **"Market"** or the **"Exchange**"	Nasdaq First North, Copenhagen, the market operated by Nasdaq Copenhagen A/S;
"**NCIP**"	Nanjing Chemical Industry Park, PRC
"**Offer**"	the offer made by the Company on 4 November 2016 to the holders of ordinary shares in Diamond Wood to acquire all their shares in consideration for the issue to them in aggregate of the Consideration Shares at the Offer Price per share
"**Offer Price**"	€0.788 per Consideration Share, being the price per share at which a Consideration Share has been conditionally allotted under the Offer, being the mid-market value of an Ordinary Share at the close of business on 12 May 2015 on the London Stock Exchange
"**Ordinary Shares**"	ordinary shares of £0.10 each in the capital of the Company
"**p**" or "**pence**"	one hundredth of one pound Sterling
"**Shareholders**"	holders of Ordinary Shares
"**Technology Licence Agreement**" or the **"Licence"**	the agreement entered into between Diamond Wood and Titan Wood dated 12 August 2010 relating to Diamond Wood's licence to manufacture and sell Accoya® Wood, further details of which are set out in paragraph 9.2.1 of Section 9 of this document

"**Titan Wood**"	Titan Wood Limited, a company incorporated in England and Wales with the registered number 4738951, which is wholly-owned by Accsys, and is the licensor of the technology under the Technology Licence Agreement and the registered owner of the trademark Accoya® Wood
"**Titan Wood B.V.**"	Titan Wood B.V., a company incorporated in the Netherlands with the company number KvK 9136412, which is wholly owned by Accsys
"**UK**" or "**United Kingdom**"	the United Kingdom of Great Britain and Northern Ireland
"**UK Companies Act**"	the Companies Act 2006, as amended and supplemented
"**UK Corporate Governance Code**"	the UK Corporate Governance Code published by the UK Financial Reporting Council
"**U.S.**"	the United States of America
"**VAT**"	(i) within the EU, any tax imposed by any Member State in conformity with the Directive of the Council of the European Union on the common system of value added tax (2006/112/EC); and (ii) outside the EU, any tax corresponding to, or substantially similar to, the common system of value added tax referred to in paragraph (i) of this definition
"**Zica**"	Zica S.A., a company incorporated in Switzerland with company registration number 66011320014
"**€**" or "**Euro**"	Euro, the lawful currency of the European Union
"**¥**" or "**RMB**"	Renminbi, the lawful currency of China
"**£**" or "**Sterling**"	pounds sterling, the lawful currency of the United Kingdom

In this document, all references to times and dates are to London, times and dates.