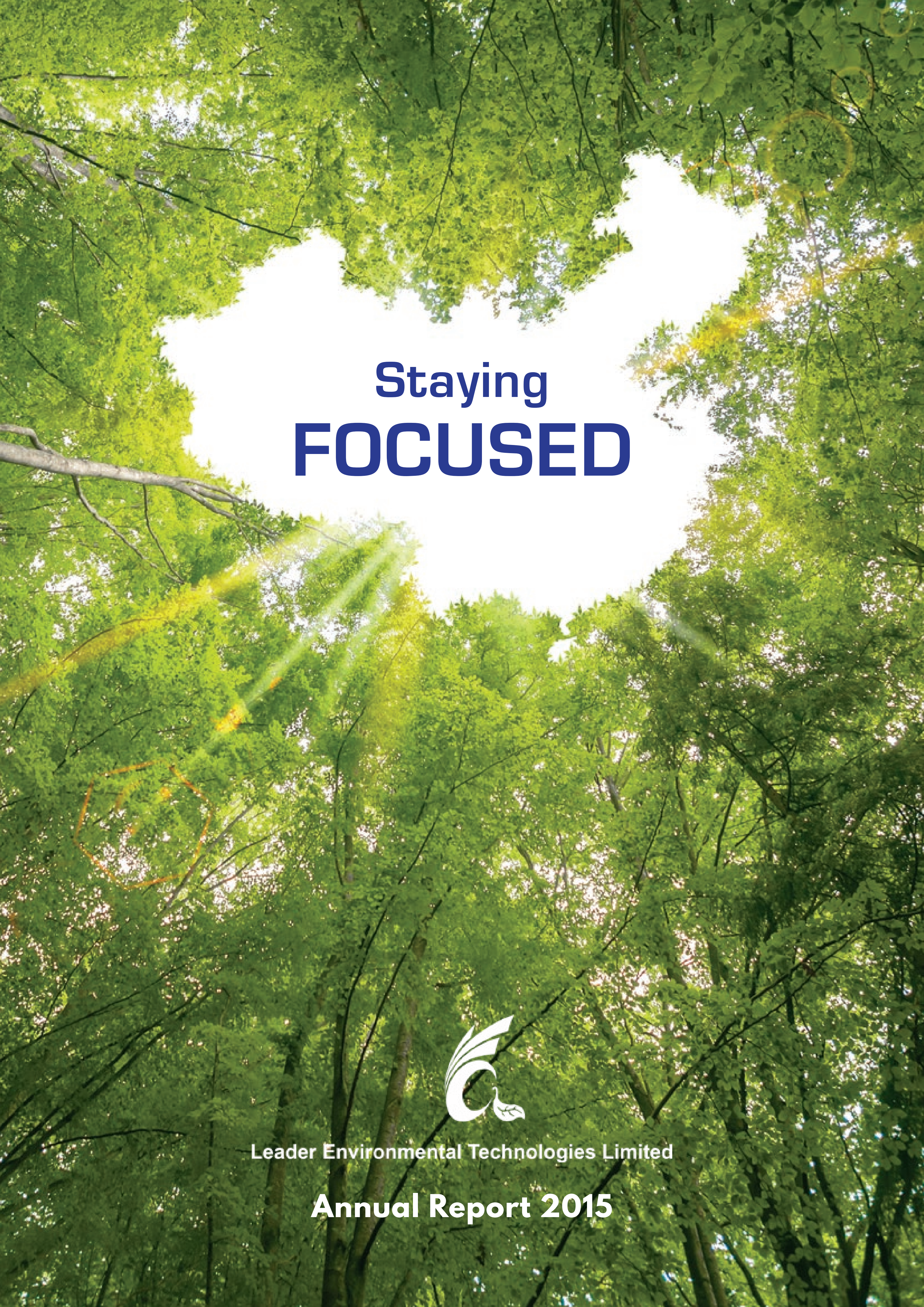


Staying FOCUSED

Leader Environmental Technologies Limited

Annual Report 2015

We are a comprehensive one-stop environmental solutions provider.

Contents

Corporate Information

BOARD OF DIRECTORS

LIN BAIYIN (林柏银)
Executive Chairman and Chief Executive Officer

ZANG LINYING（臧林颖)
Executive Director and Finance Director

GOH KAY SENG EDWIN (吴啟昇）
Independent Non-Executive Director
(Appointed on 15 July 2015)

MAK YEN-CHEN ANDREW (麦迎程)
Independent Non-Executive Director

ZHAI GUIHUA (翟桂华)
Independent Non-Executive Director

AUDIT COMMITTEE

GOH KAY SENG EDWIN (Chairman)

MAK YEN-CHEN ANDREW

ZHAI GUIHUA

NOMINATING COMMITTEE

ZHAI GUIHUA (Chairman)

LIN BAIYIN

GOH KAY SENG EDWIN

REMUNERATION COMMITTEE

MAK YEN-CHEN ANDREW (Chairman)

GOH KAY SENG EDWIN

ZHAI GUIHUA

COMPANY SECRETARY

LIM POH YEOW, FCCA

REGISTERED OFFICE

36 Armenian Street #06-12
Singapore 179934

SHARE REGISTRAR

M&C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

PRINCIPAL PLACE OF BUSINESS AND CONTACT NUMBERS

Room 1303
No. 5445 Lin He Street
Economic Development Zone
Changchun City, Jilin Province
The People's Republic of China ("PRC")
Postal Code: 130033
Telephone : (86) 431 8678 7555
Facsimile : (86) 431 8678 5550

AUDITORS

Foo Kon Tan LLP
Public Accountants and Chartered Accountants
47 Hill Street #05-01
Singapore Chinese Chamber of Commerce &
Industry Building
Singapore 179365

Partner-in-charge: CHANG FOOK KAY
(Year of appointment: with effect from the financial year ended 31 December 2012)

PRINCIPAL BANKERS

Bank of Communications, Changchun Branch,
High-Tech Development Zone Sub-Branch
(交通银行长春分行高新技术开发区支行)
2601 Tongzhi Street
Changchun City, Jilin Province
The People's Republic of China

Changchun Rural Commercial Bank
（农村商业银行亚泰街支行）
Jilin Yatai Street No 7499
Changchun City, Jilin Province
The People's Republic of China

China Merchants Bank Co. Ltd.,
Changchun Branch
(招商银行股份有限公司长春分行)
1177 Freedom Road
Changchun City, Jilin Province
The People's Republic of China

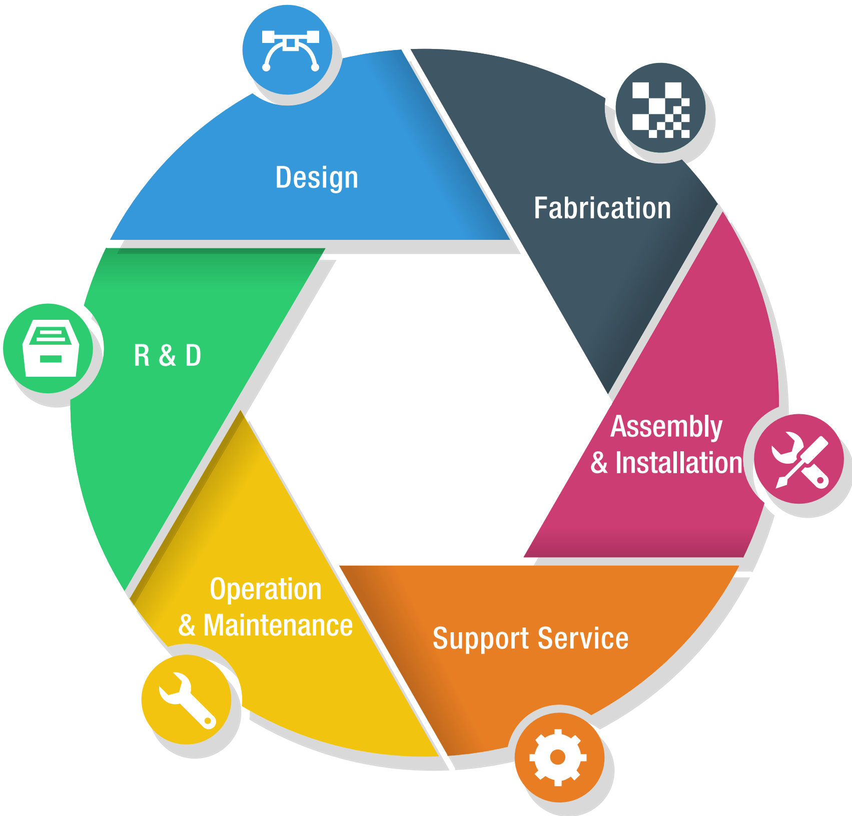
Corporate Profile

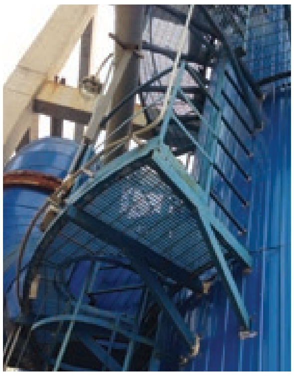
Based in the PRC, Leader Environmental Technologies Limited is principally engaged in the business of research and development, design, manufacturing, assembly, installation and support services of environmental protection systems, primarily for industrial wastegas and wastewater treatments. We also undertake operation and maintenance work on behalf of customers who do not have the resources and prefer to outsource their non-core business activity to us.

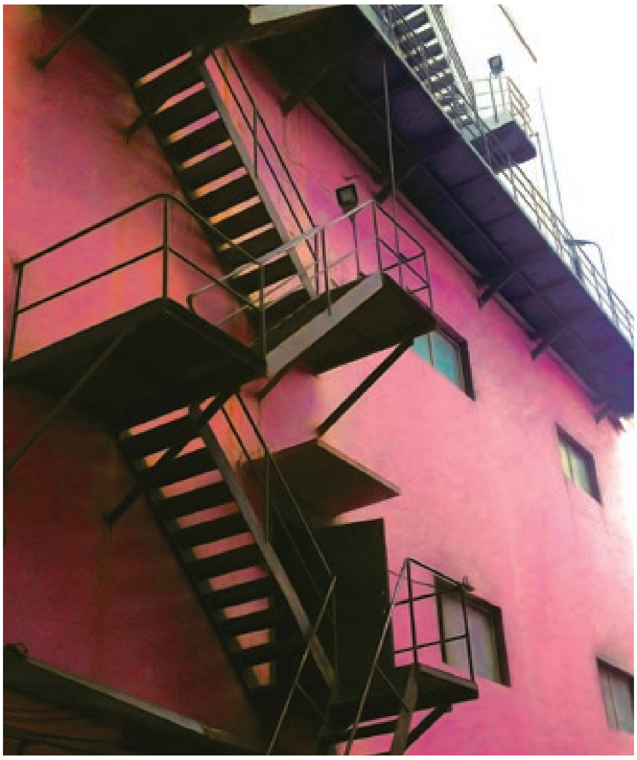
We operate mainly in the Northern region of the PRC as the region is severally affected by heavily polluted air. Our head office and manufacturing facility are located in Changchun City, Jilin Province. We also have representative offices located in Shanghai and in the Northern region of the PRC, namely, Lanzhou, Xinjiang, Shenyang and Xi'an to service our customers.

With the latest in-house developed and patented dust elimination technology, we have increased our range of environmental protection systems and products to offer customers more choices to meet their requirements and needs. With innovation as one of our key competitive strengths, we will commit more resources on our research and development efforts to develop and improve environmental protection systems and products that can satisfy the stringent emission requirements as imposed by the PRC government's legislations.

Comprehensive
One-Stop Solutions Provider







Systems and Technologies

Dust Elimination

LFDM Series Dust Elimination Equipment with Low-Tension Pulse Fabric Filter attached with U-Type Setting Room and Built-in Bypass Flue

This technology was recognised by the Jilin Province Association of Environmental Protection Industry (JAEPI) as the 2007 Jilin Province's Key Environmental Protection Technological Method (Category B).

BFS Series Dual In-Line Amplitude Modulated Component for Flat Fabric Filter

This technology was certified with the Environmental Protection Product Assurance Certification issued by the JAEPI.

SHG-II Wet Desulphurization Dust Elimination Equipment

A simple and compact system which combines the process of desulphurization and dust elimination.

Dust Elimination Equipment with Pulsating Rotary Positioning Mechanism

This technology was successfully awarded the invention patent on 10 December 2014.

The strength of this latest dust elimination technology lies in its capability to reduce dust emission to almost 15 mg/m^3. There are very few technologies in the PRC that can achieve similar standards. The common market average dust elimination emission standard is approximately 30 mg/m^3.

Desulphurization

Dual Source Semi-Dry Material Circulating Fluidised Bed Flue Gas Desulphurization

This technology was conferred the "Energy Conserving and Discharge Reducing Key New Technological Product in the PRC" by the Energy Resources and Environmental Professionals Committee of All-China Environment Federation.

Double Alkali Desulphurization and Magnesium Oxide Desulphurization

2 new in-house developed technologies which meet the standards set by the Ministry of Environmental Protection of the PRC suitable for large-scale heat-supply companies based in the northern region of the PRC that utilise industrial boilers (which emits from 35 to 220 tonnes of steam per hour) in their heat-supply systems.

Denitrification

Selective Non-Catalytic Reduction ("SNCR") Method

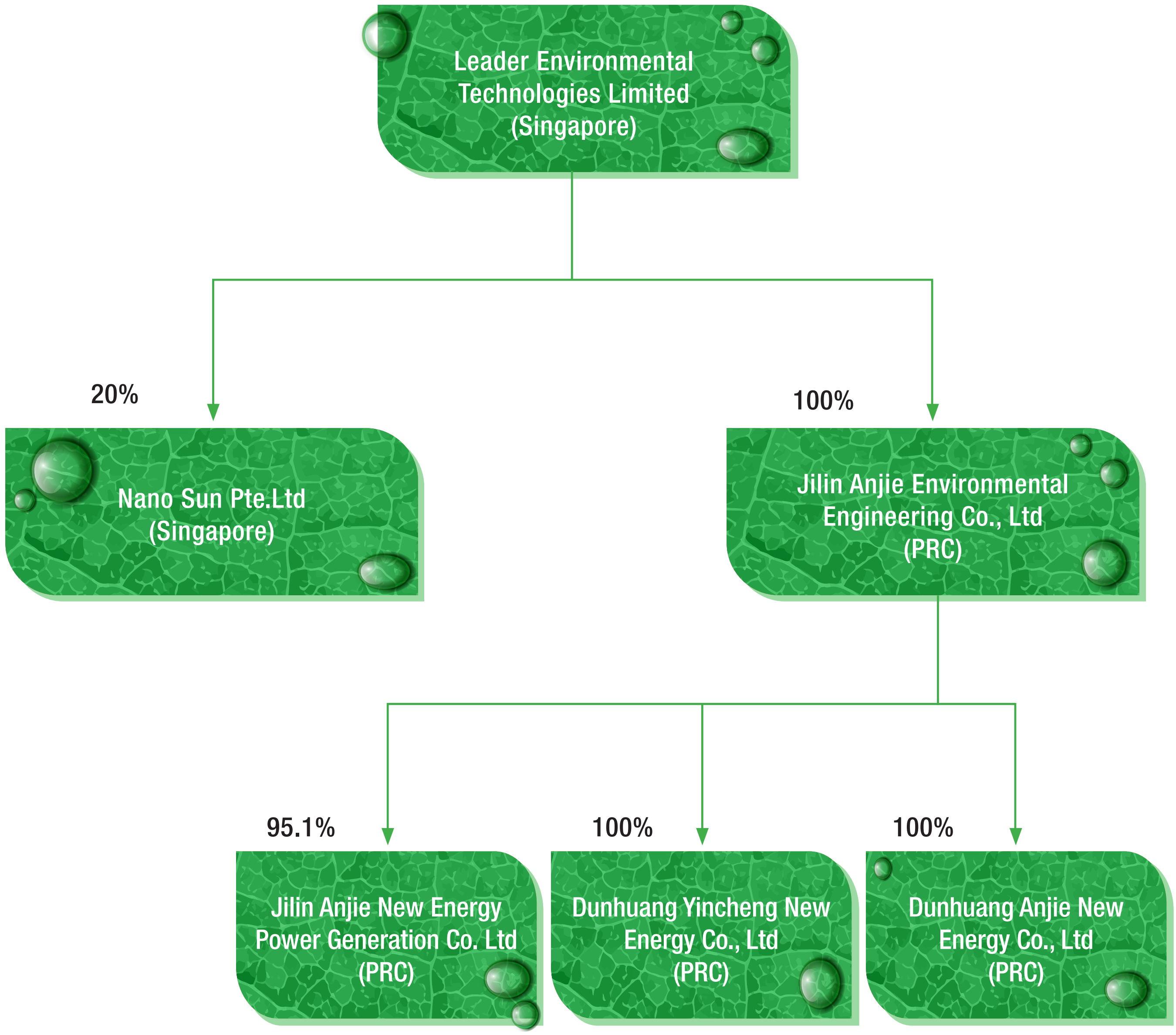
This in house developed de-nitrification technology has an efficiency rate of more than 70% in removing nitrogen oxides emissions in conventional power plant and the system is suitable for those customers with space constraint.

The process involves injecting ammonia into the furnace where the flue gas is between 800 - 1000°C to react with the nitrogen oxides formed in the combustion process. Nitrogen will be discharged after the reaction.

Moving with
CLARITY

Our focus has always been on developing and delivering comprehensive environmental solutions for the benefit of clients, stakeholders and the environment at large. We will continue leveraging on the competencies that we have established and continually improve on what we do to improve on the quality and value we deliver.

Group Structure



Chairman's Statement

Lin Bai Yin
Executive Chairman and
Chief Executive Officer

" Yielding to pressure to seek earnings growth amidst increasingly difficult market conditions, our Group had inadvertently been overly engaged in achieving revenue targets over the past few years; and conspicuously at the expense of adequate customer financial health audits and acceptance checks "

Dear Shareholders,

On behalf of the Board of Directors, I hereby present Leader Environmental Technologies Limited's Annual Report and Audited Financial Statements of the Group for the financial year ended 31 December 2015 ("FY2015").

Year in review

FY2015 has been a difficult and unquestionably disappointing year for the Group, capped by an unprecedented full year loss of RMB272.6 million. The Group's already weak performance was exacerbated by the substantial write-down and impairment charge on the doubtful debts, work-in-progress and investment amounting to RMB266.0 million. While we have performed fairly well in our desulphurization business segment, achieving more than a threefold year-on-year increase in revenue, all the other business segments have registered a decline in sales. The Group was able to maintain its overall gross profit margin at 30.6% in FY2015 although gross profit dropped to RMB15.7 million compared to RMB22.2 million the year before.

We are buoyed by the continuing support from our principal bankers. Even as operations are clearly entrenched in the economic trough of its business cycle, we were able to successfully renew our bank loan facility for another year. In the process, the Group has pared down the external funding from RMB170.0 million to RMB80.0 million after a rigorous review of the Group's cash flows requirements in the near term. Yielding to pressure to seek earnings growth amidst increasingly difficult market conditions, our Group had inadvertently been overly engaged in achieving revenue targets over the past few years; and conspicuously at the expense of adequate customer financial health audits and acceptance checks. Our oversight did not go unpunished, as evidenced by the massive impairment of doubtful debts suffered in the current financial year. We must, and will, re-examine our business dynamics to ensure that such financial catastrophe will not recur.

Chairman's Statement

Outlook

The broad construction sector is facing a protracted downturn in China. Many of our customers and suppliers have endured long periods of enormous financial headwinds; battling dwindling margins and increasing operating costs; severely cash-strapped and unable to obtain external financing as banks have become more cautious about lending. Many of them are now on the verge of business cessation. China will continue to implement more structural reforms so as to attain an equitable and sustainable economic structure. We expect the slowing economic growth and tight credit environment to persist and our Group has braced itself for an even more difficult and challenging business environment in the next twelve months.

Not all is bleak though. Our investment in research and development to enhance and improve our technologies has paid off. During the year, we applied our latest patented dust elimination technology with pulsating rotary positioning mechanism in a project for an oil and gas customer. The project was a resounding success and will certainly put us in good stead to secure more of such large contracts in future. The strength of this latest dust elimination technology lies in its capability to reduce dust emission to almost 15 mg/m^3. There are very few technologies in the PRC that can achieve similar standards. The common market average dust elimination emission standard is approximately 30 mg/m^3, therefore providing us the competitive edge over our competitors during tenders for new contracts. The Group is also evaluating other business avenues linked to the environmental sector to generate new income streams.

Acknowledgement

On behalf of the Board, I would like to welcome Mr Goh Kay Seng Edwin as our new Independent Non-Executive Director and Chairman of the Audit Committee as well as say a word of gratitude to Mr Lee Gee Aik, who stepped down as a Lead Independent Non-Executive Director on 27 April 2015.

The massive bad debts our Group has suffered in FY2015 are a stark illustration of the difficult times and challenges facing China. We are part of the system; we are not spared. The business environment in China remains bleak in the near term, laden by over-capacity amidst slowing growth. Nevertheless, we will continue to strive to rein in the downturn in our operations by exploring new business opportunities and strengthening our core technical know-how. We hope to create a stable platform for the future development of our business. Shareholders can be buoyed by the respite that our Group's cash flows remain healthy in the face of the significant loss suffered in the last financial year. Looking ahead, our Board is cautiously optimistic on the Group's business prospects in the next financial year. Once again, I would like to thank all our shareholders for their continuing support.

LIN BAI YIN

Executive Chairman and CEO

Operations and Financial Review

Revenue

Total revenue decreased by RMB21.2 million or 29.3%, from RMB72.4 million in FY2014 to RMB51.2 million in FY2015. All the business segments, except desulphurization segment and denitrification segment reported lower sales in FY2015. Revenue from the industrial wastewater segment and operation and maintenance ("O&M") segment decreased by RMB20.0 million and RMB19.0 million respectively because there was no new industrial wastewater contracts secured and undertaken in FY2015 coupled by the termination of an O&M contract because it was not deemed to be economically viable by management. In addition, revenue from dust elimination and design and technical segments also decreased by RMB6.5 million and RMB1.0 million as unlike FY2014, the dust elimination contracts were mainly at the tail ends and customers do not offer stand-alone design and technical service contracts of late. The overall decrease in revenue of RMB46.5 million was partly offset by higher revenue generated from desulphurization and denitrification segments of RMB22.8 million and RMB2.5 million respectively due to more desulphurization contracts and works performed coupled by the successful bidding and performance of the bulk of the construction and engineering works for a de-nitrification contract.

Profitability

Cost of sales of the Group constituted 69.4% each of its revenue in FY2015 and FY2014 respectively. In line with the decrease in revenue of 29.3%, cost of sales also decreased by 29.2%, from RMB50.2 million in FY2014 to RMB35.5 million in FY2015. Consequently, total Group's gross profit also decreased by 29.4%, from RMB22.2 million in FY2014 to RMB15.7 million in FY2015. Overall gross profit margin remained unchanged at 30.6% in FY2015. Lower gross profit margin was generated in the desulphurization segment of 20% as compared to 35.3% in FY2014 because the bulk of the gross profit margin went to the subcontractors as a large scale desulphurization contract was outsourced. The lower gross profit margin was neutralized by the premium charged on the latest patented in-house developed dust elimination technology by the Group which lifted the gross profit margin in the dust elimination segment by 15.2%, from 25.4% in FY2014 to 40.6% in FY2015.

Financial income

Financial income for FY2015 increased by RMB1.5 million, from RMB0.2 million in FY2014 to RMB1.7 million in FY2015 as approximately RMB1.0 million of financial income relates to FY2014, but was inadvertently recognized in FY2015.

Other Income

Other income for FY2015 decreased by RMB0.2 million or 57.7%, from RMB0.4 million in FY2014 to RMB0.2 million in FY2015 due mainly to the absence of rental income of RMB0.2 million, derived from sub-letting part of the operating plant in FY2014. In addition, the gain on disposal of motor vehicle was lower by RMB0.1 million. The overall decrease of RMB0.3 million was partly offset by the final distribution of RMB0.1 million resulting from the liquidation of Pioneer Membrane Pte Ltd as there was no such income in 2014.

Operating Expenses

Selling and distribution expenses increased by RMB0.3 million or 19.5%, from RMB1.5 million in FY2014 to RMB1.8 million

Operations and Financial Review

in FY2015 as a result of pay increments and new hire of sales personnel relating to the new subsidiary for the photovoltaic business of RMB0.2 million. Travelling and promotional expenses and office expenses also increased by RMB0.2 million as they were working on the tenders for new contracts to be awarded prior to Chinese New Year. The overall increase of RMB0.4 million was partly offset by lower miscellaneous expenses of RMB0.1 million.

Administrative expenses increased by RMB5.7 million or 47.6%, from RMB12.0 million in FY2014 to RMB17.7 million in FY2015 due to a non-cash charge of RMB2.8 million, being the fair value of the 13.95 million ordinary shares issued to 20 employees pursuant to the Company's Performance Share Scheme. There was a new payroll of RMB0.6 million in 4Q2015 relating to the new subsidiary set up for the photovoltaic business. Professional fees and travelling and entertainment expenses also increased in FY2015 by RMB0.6 million and RMB0.9 million respectively. The increase in professional fees was mainly attributable to internal audit and valuation of the proposed target company as there were no such expenses in FY2014. Similarly, travelling and entertainment expenses have also increased along with more frequent travelling by the administrative personnel to project sites to obtain status updates and inspect the work quality, and also by those involved in the due diligence in connection with potential acquisition targets. Other increases in administrative expenses also include welfare expenses, miscellaneous and amortization expenses of RMB0.5 million, RMB0.4 million and RMB0.2 million, respectively. Higher welfare expenses were incurred mainly on meal allowances as we set aside a bigger budget to support the personnel working on project sites to ensure better work quality and development of new patents relating to new products and technologies. The increase in amortization expenses of RMB0.2 million was attributed to the registered patent in respect of the in-house developed dust elimination technology which only commenced amortization in December 2014. The overall increase of RMB6.0 million was partly offset by downward revisions of Directors' remunerations and staff payroll amounting to RMB0.3 million in aggregate.

Higher finance costs of RMB7.5 million were incurred in FY2015 against RMB6.5 million in the corresponding period of last year as the additional unsecured loan quantum obtained of RMB30.0 million in 4Q2014 was only repaid in 4Q2015, which contributed to higher finance costs in FY2015, partly offset by lower interest rate offered by China Merchants Bank.

Other expenses amounted to RMB266.8 million in FY2015, comprised allowance for impairment of trade receivables and advances to trade supplier of RMB174.8 million and RMB84.7 million respectively, impairment loss on investment in associate of RMB3.4 million, bad debt written off of RMB1.9 million, unbilled work-in-progress written off of RMB1.2 million, tax recoverable of RMB0.5 million written off, exchange loss of RMB0.2 million, and contributions to flood prevention fund and fixed asset written of RMB0.1 million in aggregate. In FY2014, others relate mainly to exchange loss and flood prevention fund of RMB41,000 and RMB37,000 respectively.

The share of results of associate company was RMB0.3 million in FY2015. In view of the consecutive losses of the associate, the Group recognized an allowance for impairment of RMB3.4 million in FY2015.

Income Tax

There was a tax expense of RMB1.9 million in FY2014 as opposed to a tax credit of RMB4.0 million in FY2015. Deferred tax liabilities of RMB4.6 million were written back as the subsidiary, Jilin Anjie Environmental Engineering Co., Ltd no longer has any undistributed profits due to the heavy losses suffered during the financial year. The income tax credit of RMB4.6 million was partly offset by corporate tax on PRC subsidiary's taxable profits of RMB0.6 million in the first and second quarters of FY2015 as the impairments and write-offs were deemed to be non-tax deductible.

Operations and Financial Review

In the light of the foregoing, the Group reported a substantial loss after taxation of RMB272.6 million in FY2015, reversing from a profit after taxation position of RMB96,000 in FY2014.

Financial Position

As at 31 December 2015, the Group's non-current assets amounted to RMB17.3 million and comprised property, plant and equipment ("PPE") of RMB11.0 million, intangible assets of RMB5.6 million and club membership of RMB0.7 million. The decrease in non-current assets of RMB4.6 million, from RMB21.9 million as at 31 December 2014 to RMB17.3 million as at 31 December 2015, attributed to decrease in investment in associate of RMB3.7 million as a result of recognition of the share of post-acquisition loss of RMB0.3 million in Nano Sun Pte Ltd ("Nano Sun") for the period ended 30 June 2015, followed by impairment loss of RMB3.4 million in 3Q2015. In addition, the decrease in intangible assets and club membership of RMB1.4 million and RMB46,000 respectively was due to amortizations during the year. The overall decrease of RMB5.1 million was partly offset by increase in PPE of RMB0.5 million because of PPE additions of RMB1.4 million, partly offset by depreciation, PPE disposal and written off of RMB0.8 million, RMB11,000 and RMB6,000 respectively.

As at 31 December 2015, current assets amounted to RMB210.2 million, representing a decrease of RMB327.1 million over end of FY2014. The decrease was due to decrease in trade and other receivables of RMB175.7 million, prepayments of RMB58.8 million, bank deposits pledged of RMB44.2 million, cash and cash equivalents of RMB49.0 million and inventories of RMB0.4 million. The overall decrease of RMB328.1 million was partly offset by gross amount due from customers for work-in-progress of RMB1.0 million.

Cash and cash equivalents amounted to RMB26.1 million as at 31 December 2015, from RMB75.1 million a year ago. The net cash flows used in the Group's operating activities amounted to RMB46.3 million. Net cash outflows from investing activities amounted to RMB1.4 million and net outflows from financing activities amounted to RMB1.1 million. The cash outflows from these activities contributed to the overall decrease in cash and cash equivalents of RMB48.8 million, further decreased by exchange loss from translation of cash and cash equivalents of RMB0.2 million to RMB49.0 million.

As at 31 December 2015, current liabilities amounted to RMB166.8 million, representing a decrease of RMB67.9

million. The overall decrease was attributed to lower loans and borrowings of RMB75.6 million, other liabilities of RMB11.8 million, income tax payable of RMB1.2 million and amount due to customers for work-in-progress of RMB1.2 million. The aggregate decrease of RMB89.8 million was partly offset by increase in trade and other payables of RMB21.9 million.

Non-current liabilities comprised mainly deferred tax liabilities and was nil as at 31 December 2015 because the subsidiary, Jilin Anjie Environmental Engineering Co., Ltd no longer has any undistributed profits due to the heavy losses suffered during the financial year, hence, the deferred tax liabilities of RMB4.6 million as at 31 December 2014 was written back.

The Group's total shareholder's equity comprised share capital, PRC statutory reserve fund, merger reserve and accumulated profits. Between 31 December 2015 and 31 December 2014, our shareholder's equity decreased from RMB319.9 million to RMB60.6 million due mainly to the share issuance expenses of RMB0.2 million and loss after tax of RMB272.6 million. The decrease of RMB272.8 million was partly offset by the issuance of new ordinary shares amounting to RMB10.7 million pursuant to a private placement exercise, award of performance shares under LET Performance Share scheme of RMB2.8 million to reward long serving employees. In addition, the Group also accounted for non-controlling interest of RMB18,000, derived from the incorporation of a new subsidiary which was 95.1% owned.

Exploring

POSSIBILITIES

We will continue exploring other potential business options linked to the environmental business to widen our avenues of value creation. By making strategic and complimentary acquisitions, we are able to do more for the environment and our stakeholders.

LIN BAIYIN

Lin Baiyin is our founder, Executive Chairman and CEO and is responsible for the formulation of business strategies, overall management and overseeing the daily operations of our Group. From 1994 to 1999, Lin Baiyin was the factory manager of Changchun City Sanma Wastewater Treatment Equipment Factory, a company he established with two unrelated third parties, where he was responsible for the growth of the company as well as the development and implementation of the company's business strategies. From 1999 to 2000, Lin Baiyin was the managing director of Jilin EPT Environmental Engineering Design Institute ("EPT Design"), a company he established with his cousins and third parties, where he was responsible for the overall management. From 2001 to 2006, Lin Baiyin was the chairman of Jilin EPT Environmental where he was responsible for reviewing, formulating and implementing the company's business strategies and overall management. In 2005, Lin Baiyin established Anjie Environmental and was appointed as our CEO in 2006. Lin Baiyin is a member of the executive committee of the 4th Council of the CAEPI , the vice president of the JAEPI, the standing vice president of the Fujia Chamber of Commerce in Changchun City and the vice president of the Fuzhou Chamber of Commerce in Changchun City. Lin Baiyin obtained a Diploma in Commercial Economic Enterprise Management from the School of Continuing Education of the Beijing Normal University in 2000. He obtained the senior economist qualification from the Jilin Provincial Personnel Department in 2009. In 2001, Lin Baiyin was conferred the PRC's Outstanding Environmental Science and Technology Industrialist Award by the China Society for Environmental Sciences. In October 2009, Lin Baiyin was conferred the Outstanding Entrepreneur of the China Association of Environmental Protection Industry award by the CAEPI.

ZANG LINYING

Zang Linying is our Executive Director and Finance Director and is responsible for the overall financial management, accounting matters and administration functions of our Group. Zang Linying started her career as an accountant in Changchun Chemical Raw Material Co., Ltd. in 1987 where she remained till 1995. Zang Linying worked in the Changchun Certified Accountants Firm's audit department as an audit manager from 1995 to 1998. From 1998 to 2006, Zang Linying was a partner in Changchun Hengxin Certified Public Accountants Firm. In 2006, Zang Linying joined Anjie Environmental as financial controller overseeing the overall financial matters of Anjie Environmental. Zang Linying obtained the Bachelor Degree in Economics from Jilin University in 1991. In 1996, she obtained the Certified Public Accountant from the Chinese Institute of Certified Public Accountants and in 2007, she received the senior accountant qualification from Jilin Provincial Personnel Department.

Board of Directors

GOH KAY SENG EDWIN

Goh Kay Seng Edwin is our Independent Non-Executive Director. He is currently a Chartered accountant in Singapore and has over 16 years of experience in financial, accounting and tax matters. He was previously the Chief Financial Officer and joint secretary of China Animal Healthcare Ltd and currently serves as the company's Non-Executive director. He obtained a Bachelor's degree in accountancy from Nanyang Technological University in 1998 and has also previously worked for Ernst & Young, Arthur Andersen and KPMG.

MAK YEN-CHEN ANDREW

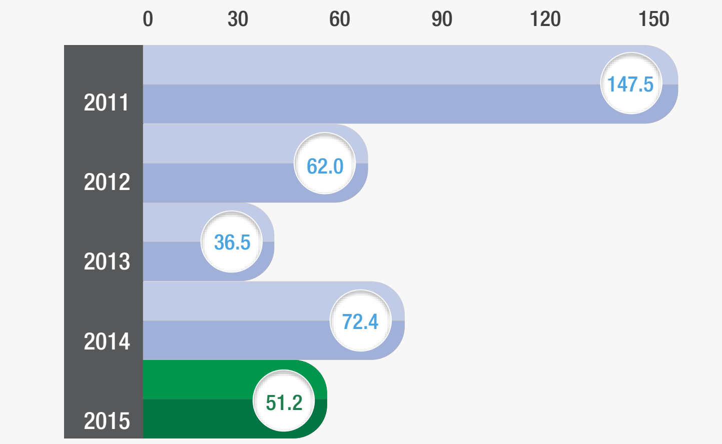
Mak Yen-Chen Andrew is our Independent Non-Executive Director. He is a practising lawyer with more than 20 years' experience in legal practice. He is currently a consultant with Fortis Law Corporation. Mak Yen-Chen Andrew is an independent director of Falcon Energy Group Limited (a company listed on the Main Board of the SGX-ST) and Far East Group Limited (a company listed on the Catalist Board of the SGXST). In addition, he also volunteers his time in community service. Amongst other appointments, Mak Yen-Chen Andrew is a member of the Telok Blangah Citizens' Consultative Committee. He was awarded the Public Service Medal (PBM) by the President of Singapore in the 2012 Singapore National Day honours list. He graduated from the National University of Singapore in 1994 with a Bachelor of Laws (Second Class Honours Upper Division).

ZHAI GUIHUA

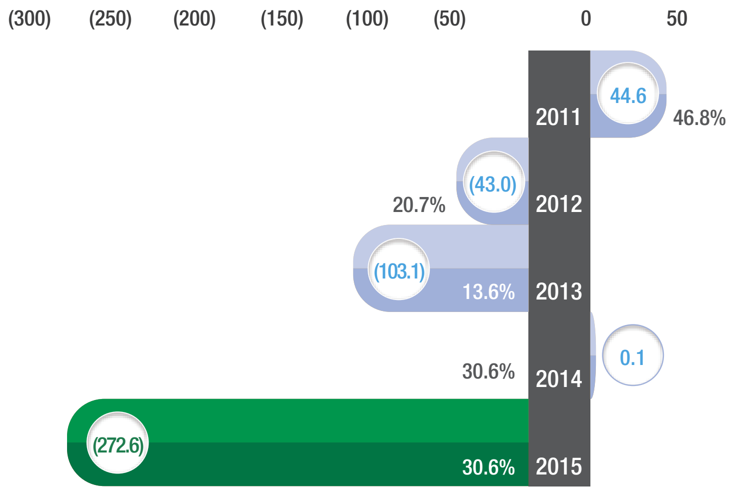
Zhai Guihua is our Independent Non-Executive Director. She is presently a consultant to the Changchun National High-Technology Industry Development District Environmental Protection Bureau ("CHIDA"). From 1984 to 1995, she was an engineer at the Changchun City Environmental Protection Bureau ("CCEPB"). From 1995 to 1998, she was the head of the Changchun City Environmental Protection Institute, an affiliate of the CCEPB, where she was responsible for the institute's day-to-day operations. From 1998 to 1999, she was the head of Changchun City Environmental Protection Research Institute where she was responsible for environmental research projects carried out in the research institute, as well as managing the research institute's administration matters. From 1999 to 2006, she was the head of CHIDA where she was responsible for the environmental protection projects undertaken by the development zone. In 2006, Zhai Guihua became the consultant to CHIDA. She obtained the Bachelor Degree in Chemistry from Jilin University in 1980 and the Master Degree of Science from Beijing Normal University in 1988. In addition, she has a senior engineer qualification from the Jilin Provincial Personnel Department in 1997. She is a member of the Chinese Society for Environmental Sciences.

Financial Highlights

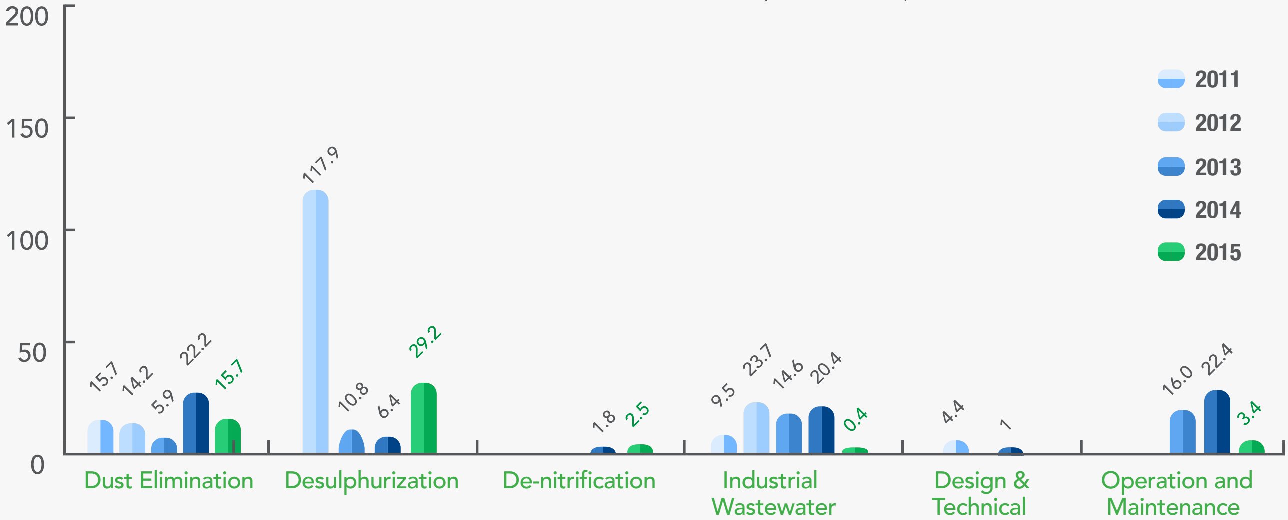
REVENUE (RMB' million)



NET PROFIT (RMB' million) & GROSS PROFIT MARGIN (%)



REVENUE BY BUSINESS SEGMENT (RMB' million)



Financial Contents

The Board of Directors ("Board") and management ("Management") of Leader Environmental Technologies Limited ("Company") and its subsidiaries (collectively, "Group") recognise the importance of, and are committed to, maintaining, a high standard of corporate governance. Good corporate governance provides the framework for an ethical and accountable corporate environment, which will protect the interests of the Company's shareholders and promote investor confidence.

As the Company's shares are listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Company seeks to comply with the listing rules of the SGX-ST as prescribed in the Listing Manual of the SGX-ST ("Listing Rules") and is guided in its corporate governance practices by the revised Code of Corporate Governance issued in 2012 ("Code").

The Board of Directors is pleased to outline in this report the Company's corporate governance practices and structures in the financial year ended 31 December 2015 ("FY2015"), with specific reference made to each of the principles set out in the Code. Other than deviations which are explained in this report, the Company has generally adhered to the principles and guidelines set out in the Code.

BOARD MATTERS

The Board's Conduct of Affairs

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

The Board is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group. The principal functions of the Board, apart from its statutory responsibilities, include:

- to review and oversee the management of the Group's business affairs and financial controls, performance and resource allocation;
- to approve matters such as corporate strategy and business plans, corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets and major corporate policies on key areas of operations;
- to approve the release of the Group's quarterly, half-year and full-year financial results and related party transactions of a material nature;
- to establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholder's interests and the Group's assets;
- to identify the key stakeholder groups and recognise that their perceptions affect the Group's reputation; and
- to consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

The Board has delegated, but without abdicating its responsibility, the day-to-day management and running of the Group to the Management headed by the Executive Chairman and Chief Executive Officer, Mr Lin Baiyin, and the Executive Director and Finance Director, Ms Zang Linying. Mr Lin Baiyin and Ms Zang Linying are involved in the management of the Group's operations. Both Directors shall discharge their duties and responsibilities at all times as fiduciaries in the interests of the Group.

The Board has established three Board committees, namely, the Audit Committee, the Nominating Committee and the Remuneration Committee, all of which are chaired by Independent Directors and operate within clearly defined and written terms of reference and functional procedures, which are reviewed on a regular basis. Each of these committees reports its activities regularly to the Board. The Board will meet at least four times a year and as warranted by particular circumstances. In view that certain members of the Board are not resident in Singapore and to facilitate the execution of the Board's responsibilities, the constitution of the Company ("Constitution") also provide for tele-conference meetings. The number of meetings held, and the attendance at meetings, of the Board and Board committees during the financial year under review are as follows:

		Board Committees		
	Board	**Audit**	**Nominating**	**Remuneration**
Number of meetings held	4	4	1	1
	Number of meetings attended			
Mr Lin Baiyin	4	4*	1	1*
Ms Zang Linying	4	4*	1*	1*
Mr Lee Gee Aik[1]	1	1	–	–
Mr Goh Kay Seng Edwin[2]	3	3	1	1
Mr Mak Yen-Chen Andrew	4	4	1*	1
Ms Zhai Guihua	2	2	1	1

*By Invitation

[1] Mr Lee Gee Aik did not seek re-election and retired at the conclusion of the Annual General Meeting held on 27 April 2015.

[2] Mr Goh Kay Seng Edwin was appointed on 15 July 2015 as an Independent Non-Executive Director.

All Directors are expected to exercise due diligence and independent judgment, and make decisions objectively in the best interests of the Group.

A formal letter of appointment will be sent to newly appointed Directors upon their appointment setting out the Director's duties and obligations. The Board ensures that any incoming Director will be given an orientation on the Group's business strategies and operations and governance practices to facilitate the effective discharge of his duties. A visit to the Company's operation and plant will be arranged as part of the orientation programme.

Board members have been and will be encouraged to attend seminars and receive training to improve themselves in the discharge of their duties as Directors. The Group will work closely with professionals to provide its Directors with updates on changes to relevant laws, regulations and accounting standards. In addition, the Company also made arrangements for Directors to attend seminars and technical updates for them to stay abreast of relevant business developments and outlook. The seminars and technical updates attended by the Directors in FY 2015 include:

Moore Stephens Singapore Financial Reporting & Corporate Governance Seminar 2015,

Launch of Singapore Board of Director Survey 2015 organised by the Singapore Institute of Directors,

ACRA: SGX - SID Audit Committee Seminar, and

SGX's Sustainability Reporting Requirement Seminar.

Directors are also provided with an insight into the Group's operational facilities and periodically meet with the Management to gain a better understanding of the Group's business operations. The Board as a whole is updated on risks management and the key changes in the relevant regulatory provisions which have an important bearing on the Group and the Directors' obligations to the Group.

The Management did not enter into any major transaction or business proposal out of the ordinary course of business.

Board Composition and Guidance

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

The Board comprises five members, two of whom hold executive positions:

Mr Lin Baiyin	Executive Chairman and Chief Executive Officer
Ms Zang Linying	Executive Director and Finance Director
Mr Goh Kay Seng Edwin	Independent Non-Executive Director
Mr Mak Yen-Chen Andrew	Independent Non-Executive Director
Ms Zhai Guihua	Independent Non-Executive Director

The Group endeavours to maintain a strong and independent element on the Board. Where the Executive Chairman and the Chief Executive Officer is the same person, the requirement of the Code that at least half the Board comprises Independent Directors is satisfied as there are three Independent Non-Executive Directors on the Board. The Board considers an Independent Director as one who has no relationship with the Company, its related corporations, officers, or its shareholders with shareholdings of 10% or more voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment in the best interests of the Group.

The Nominating Committee has reviewed and determined, according to the Code's definition of "Independent Director" and relevant guidance, that for FY2015, each of Mr Goh Kay Seng Edwin, Mr Mak Yen-Chen Andrew and Ms Zhai Guihua is non-executive and independent. There are no Independent Directors who have served on the Board beyond nine (9) years from the date of his or her first appointment. The independence of each Director has been and will be reviewed annually by the Nominating Committee based on the guidelines set forth in the Code.

The Board has examined its size and is satisfied that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Group, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and board committees. The Nominating Committee is of the view that no individual or small group of individuals dominates the Board's decision-making process.

The Board periodically examines its size to ensure that it is of an appropriate number for effective decision-making, taking into account the scope and nature of the operations of the Group. The Nominating Committee is of the view that the current Board comprises directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge to the Group. The Directors also provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge required for the Board to be effective. The Board comprises five Directors, three of whom are independent. There are three male Directors and two female Directors. Details of the Board members' qualifications and experience are presented in this Annual Report under the heading "Board of Directors".

The Independent Non-Executive Directors have constructively challenged and assisted with the development of business proposals and strategies. They have also assisted with the review of Management's performance against agreed goals and objectives. Where required under the Code and where necessary, the Independent Non-Executive Directors would have internal discussions without the presence of Management.

Chairman and Chief Executive Officer

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

The Group's Executive Chairman, Mr Lin Baiyin, is also the Chief Executive Officer of the Group. The Board is of the view that it is not necessary to separate the roles of the Executive Chairman and the Chief Executive Officer, after taking into consideration the size, scope and the nature of the operations of the Group. Mr Lin Baiyin has been with the Group since its establishment and has played an instrumental role in developing our business. He has considerable industry experience and business network and has also provided the Group with strong leadership and vision. The Board is of the view that it is in the best interest of the Group to adopt a single leadership structure. In addition, there are sufficient safeguards and checks in place to ensure that the Management is accountable to the Board as a whole.

As the Executive Chairman and Chief Executive Officer of the Group, Mr Lin Baiyin is in charge of the management and day-to-day operation of the Group. He is also responsible for developing the overall strategic directions of the Group, as well as the business strategies and policies of the Group.

To ensure effectiveness of the Board, he is assisted by the Directors, Company Secretary and Management, to schedule meetings and to prepare meeting agenda. A culture of openness and debate is promoted at the Board.

Mr Goh Kay Seng Edwin has been appointed on 15 July 2015 as an Independent Non-Executive Director as well as the Chairman of the Audit Committee. In the interest of corporate governance and in accordance with the Code, Mr Goh Kay Seng Edwin is available to shareholders where they have concerns and for which contact through the normal channels of the Chairman, Chief Executive Officer, Finance Director or Chief Financial Officer has failed to resolve or is inappropriate.

The Independent Non-Executive Directors would meet or discuss with one another without the presence of the other Directors, as and when necessary, and then provide the feedback to the Chairman for consideration or further discussion.

Board Membership

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

The Nominating Committee comprises three directors, the majority of whom, including the Chairman, are non-executive and independent:

-	Ms Zhai Guihua	Chairman, Independent Non-Executive Director
-	Mr Goh Kay Seng Edwin	Independent Non-Executive Director
-	Mr Lin Baiyin	Executive Chairman and Chief Executive Officer

The principal roles and functions of the Nominating Committee are as follows:

- to make recommendations to the Board on all board appointments, including re-nominations, having regard to the Directors' contribution and performance (for example, attendance, preparedness, participation and candour);

- to determine annually whether or not a Director is independent;

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

- to decide how the Board's performance may be evaluated and propose objective performance criteria, as approved by the Board, that allows comparison with its industry peers and addresses how the Board has enhanced long term shareholders' value;

- to assess the performance of the Board and contribution of each Director to the effectiveness of the Board;

- to review board succession plans for Directors; and

- to review the training and professional development programmes for the Board.

The Nominating Committee has put in place a formal and transparent process for all appointments to the Board. It has adopted written terms of reference defining its membership, administration and duties.

The Nominating Committee is responsible for identifying candidates and reviewing all nominations for the appointments of new directors. When the need for a new director arises, the Nominating Committee, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointment as new director. The Nominating Committee then meets with the shortlisted potential candidates with the appropriate profile to assess suitability and to ensure that the candidates are aware of the expectation and the level of commitment required, before nominating the most suitable candidate to the Board for appointment as director.

Mr Goh Kay Seng Edwin was appointed as a new Independent Non-Executive Director of the Company based on the above procedures. The Nominating Committee and the Board considered Mr Goh Kay Seng Edwin to be suitable for the position and were satisfied with his independence.

For re-appointment of Directors to the Board, the Nominating Committee will determine annually whether a Director with multiple board representations and principal commitments is able to and has adequately discharge his duties as a Director of the Company.

The Nominating Committee deliberates annually, and as and when circumstances require, to determine the independence of a Director, bearing in mind the salient factors set out in the Code as well as all other relevant circumstances and facts. No member of the Nominating Committee should participate in the deliberation in respect of his own status as an Independent Director. The Nominating Committee has confirmed the independence of all the Independent Non-Executive Directors based on the results of the annual assessment.

In assessing the performance of each individual Director, the Nominating Committee considers whether he has multiple board representations and other principal commitments, and is able to and has adequately carried out his duties as a Director notwithstanding such commitments. The Nominating Committee is satisfied that sufficient time and attention to the affairs of the Company has been given by those Directors who have multiple board representations.

To address the competing time commitments that are faced when Directors serve on multiple boards, the Nominating Committee has reviewed and the Board has determined and set that as a general rule, the maximum number of listed company board appointments be not more than six (6) companies. However, any Directors may hold more than six (6) listed company board representations should the Nominating Committee be satisfied and is of the view that such Directors are able to devote sufficient time and attention to the affairs of the Company after taking into account their individual circumstances, contributions, responsibilities and other principal commitments. Non-Executive Directors may consult the Chairman of the Nominating Committee before accepting any appointments as Directors. Currently, none of the Directors holds more than six (6) directorships in listed companies.

Directors are encouraged to attend relevant training programmes conducted by the relevant institutions and organisations. The cost of such training will be borne by the Company.

CORPORATE GOVERNANCE REPORT

Article 104 of the Constitution requires one-third of the Directors to retire from office at least once every three years at an Annual General Meeting ("AGM"). Article 106 of the Constitution provides that the retiring Directors are eligible to offer themselves for re-election. In addition, Article 114 of the Constitution provides that any Director appointed by the Board to fill a casual vacancy shall hold office until the next AGM, and shall be eligiblle for re-election. The Nominating Committee recommended to the Board that Ms Zhai Guihua and Mr Goh Kay Seng Edwin be retired pursuant to Article 104 and Article 114 respectively, and be nominated for re-election at the forthcoming AGM. Ms Zhai Guihua will, upon re-election as an Independent Non-Executive Director, remain as the Chairman of the Nominating Committee and a member of Audit Committee and Remuneration Committee. Mr Goh Kay Seng will, upon re-election as an Independent Non-Executive Director, remain as the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee. In making the recommendations, the Nominating Committee has considered the Directors' overall contributions and performances. Neither Ms Zhai Guihua nor Mr Goh Kay Seng Edwin participated in reviewing, recommending and approving her or his own re-election.

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

Name	Appointment	Date of initial appointment	Date of last re-election	Directorship in other listed companies
Lin Baiyin Age: 49	Executive Chairman and Chief Executive Officer	28 December 2006	27 April 2015	Nil
Zang Linying Age: 52	Executive Director	28 December 2006	25 April 2014	Nil
Goh Kay Seng Edwin Age: 42	Independent Non-Executive Director	15 July 2015	–	**Present Directorship** China Animal Healthcare Limited **Past Directorships (in the last three preceding years)** Nil
Mak Yen-Chen Andrew Age: 46	Independent Non-Executive Director	21 June 2010	25 April 2014	**Present Directorship** Far East Group Limited Falcon Energy Group Limited **Past Directorships (in the last three preceding years)** Nil
Zhai Guihua Age: 61	Independent Non-Executive Director	21June 2010	29 April 2013	Nil

Key information on the individual directors and their shareholdings in the Company are set out on pages 13 and 14 of this Annual report.

Board Performance

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

The Nominating Committee had adopted processes for the evaluation of the Board's performance and effectiveness as a whole and the performance of the board committees and the individual Directors, based on performance criteria set by the Board. For the evaluation of the performance of the Board and the board committees, the assessment criteria include return on assets, return on equity and the Company's share price performance. Such indicators allow the Company to make comparisons with its industry peers and are linked to long-term shareholders' value.

The assessment process involves and includes inputs from Board members, applying the performance criteria of the Nominating Committee and approved by the Board. These inputs are collated and reviewed by the Chairman of the Nominating Committee, who presents a summary of the overall assessment to the Nominating Committee for review. Areas where the Board's performance and effectiveness could be enhanced and recommendations for improvements are then submitted to the Board for discussions and, where appropriate, approval for implementation.

The individual performance criteria include qualitative and quantitative factors such as performance of principal functions and fiduciary duties, level of participation at meetings and attendance record.

The Nominating Committee has assessed the current Board's performance to date and is of the view that the performance of the Board as a whole was satisfactory.

Access to Information

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

Each member of the Board has complete access to such information regarding the Group as may be required for the discharge of his duties and responsibilities. Prior to each Board meeting, the members of the Board are each provided with board papers and all relevant materials and information (including background and explanatory statements, financial statements, budgets, forecasts and progress reports of the Company's business operations) necessary for them to comprehensively understand the issues to be deliberated upon and make informed decisions thereon. Directors are entitled to request from the Management, and would be promptly provided with, such additional information as needed to make informed decisions.

As a general rule, notices are sent to the Directors at least one week in advance of Board meetings, followed by the Board papers in order for the Directors to be adequately prepared for the meetings. Key management personnel, if required, will attend Board meetings to address queries from the Directors. The Directors also have unrestricted access to the Company's key management personnel. Requests for the Company's information by the Board are dealt with promptly.

The Directors have separate and independent access to the Company Secretary. The Company Secretary and/or his representatives attend/s all Board meetings and ensures that Board procedures and the provisions of applicable laws, the Companies Act, the Constitution and the Listing Rules are followed. The Company Secretary also assists with the circulation of Board papers, updates the Directors on changes in laws and regulations relevant to the Company as well as advises the Board on all governance matters. The appointment and removal of the Company Secretary are subject to the Board's approval.

The Board (whether as individual members or as a group) has direct access to independent professional advisers, where so requested by the Board, at the expense of the Group.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

The Remuneration Committee of the Company comprises entirely Non-Executive and Independent Directors:

- Mr Mak Yen-Chen Andrew — Chairman, Independent Non-Executive Director
- Mr Goh Kay Seng Edwin — Independent Non-Executive Director
- Ms Zhai Guihua — Independent Non-Executive Director

The Remuneration Committee has in place written terms of reference which clearly set out its authority and duties.

The responsibilities of the Remuneration Committee are:

- to recommend to the Board a framework of remuneration for the Board and key management personnel, including but not limited to Director's fees, salaries, allowances, bonuses, options and benefits in kind;

- to recommend specific remuneration packages for each director, including the Chairman;

- to review the remuneration of key management personnel;

- to perform an annual review of the remuneration of employees related to the Directors and substantial Shareholders (if any) to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scope and level of responsibilities;

- to review the level and structure of remuneration to align with the long-term interest and risk policies of the Company in order to attract, retain and motivate the Directors and key management personnel;

- to review, approve and administer the shares awarded for each Director and employees under the Company's performance share scheme;

- to review and approve any bonuses, pay increases and/or promotion for these employees; and

- to review the Group's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The recommendations of the Remuneration Committee have been submitted for endorsement by the entire Board of Directors. Each member of the Remuneration Committee shall abstain from voting on any resolution in respect of his remuneration package.

Level and Mix of Remuneration

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

In setting remuneration packages, the Remuneration Committee will ensure that the Directors are adequately but not excessively remunerated as compared to the industry and comparable companies.

The remuneration for Executive Directors and key management personnel takes into account the performance of the Group and the individual. The remuneration packages include a fixed salary and a variable performance related bonus which is designed to align the interests of the Executive Directors with those of shareholders and promote the long-term success of the Group. The fees for Independent Directors are based on the effort, time spent and responsibilities of the Independent Directors, and are subject to approval at AGMs.

The Company has entered into service agreements with the Executive Directors, Mr Lin Baiyin and Ms Zang Linying. Each service agreement is valid for an initial period of three years with effect from 21 June 2010. Upon the expiry of the initial period of three years, the aforesaid service agreements have been automatically renewed on a year-to-year basis on such terms and conditions as agreed by the parties. During the continuance of the Service agreement, either party may terminate the Service Agreement at any time by giving to the other party not less than six months' prior notice in writing, or in lieu of notice, payment of an amount equivalent to six months' salary of the relevant Executive Director.

Disclosure on remuneration

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

The Remuneration Committee reviews and recommends to the Board remuneration packages for the Board, the Chief Executive Officer and key management personnel to ensure that the remuneration structure is competitive and sufficient to attract, retain and motivate senior management to run the Company successfully in order to maximize shareholders' value. The recommendations of the Remuneration Committee on the remuneration of Directors and key management personnel have been submitted for endorsement by the Board. The members of the Remuneration Committee do not participate in any decisions concerning their own remuneration.

The remuneration for the Executive Directors is based on the terms as set out in their respective service contracts entered into with the Company. Based on the terms of their service contracts which were applicable for FY2015, Mr Lin Baiyin, being the Chief Executive Officer, is entitled to (i) a basic monthly salary, (ii) one month of annual wage supplement, (iii) an annual incentive bonus ("Incentive Bonus"), which is dependent on the performance of the Company and the Group, as further outlined below, (iv) a discretionary bonus, to be recommended by the Remuneration Committee and approved by the Board, (v) contributions to defined contribution plan, and (vi) personal income tax paid on behalf. In the case of Ms Zang Linying, being the Finance Director, her remuneration package includes (i) a basic monthly salary, (ii) one month of annual wage supplement, (iii) a discretionary bonus, to be recommended by the Remuneration Committee and approved by the Board, (iv) contributions to defined contribution plan, and (v) personal income tax paid on behalf.

The discretionary bonus of the Executive Directors is generally awarded based on a certain number of months of their basic monthly salary, and will only be given if recommended by the Remuneration Committee and approved by the Board. In line with the market practice, it is intended as an additional tool to incentivise the Executive Directors for their efforts, contributions and performances which may not be directly linked to the financial performances of the Company and Group. So far, no discretionary bonus has been paid to both Executive Directors in FY2015.

The aggregate Incentive Bonus is calculated and based on the consolidated net profit before tax, extraordinary items and exceptional items ("NPBT") of the Group (as shown in the audited consolidated accounts of the Company and its subsidiaries and associated company from time to time) as follows:

NPBT	Amount of incentive bonus
More than RMB100.0 million but less than RMB120.0 million	2.5% of NPBT
RMB120.0 million and above	4.0% of NPBT

The performance conditions computed based on NPBT were benchmarked closely to market practice and the quantum of the reward is comparable to companies of the same size. No incentive bonus was paid to Mr Lin Baiyin in FY2015.

The Executive Directors are also entitled to participate in the performance share scheme (known as the "Leader Environmental Performance Share Scheme"). The entitlement would be based on the achievement of certain key performance indicators for a specific time period set and approved by the Remuneration Committee. The performance share scheme offers an additional tool for the Group to craft a more balanced and innovative remuneration package that will link the Executive Directors' total remuneration to the performance of the Group. The performance shares to be awarded to Mr Lin Baiyin will be subject to shareholders' approval.

Remuneration of the Directors and Chief Executive Officer and Key Management Personnel

A breakdown showing the level and mix of each individual Director's remuneration for the financial year ended 31 December 2015 is set out below:

Remuneration band (in S$)/Name of Directors	Salary	Fees*	Bonus[1]	Other Benefits[2]
	%	%	%	%
S$250,000 to S$499,999				
Mr Lin Baiyin	66.8	–	5.4	27.8
S$100,000 to S$249,999				
Ms Zang Linying	72.8	–	5.9	21.3
Below S$100,000				
Mr Lee Gee Aik[3]	–	100	–	–
Mr Goh Kay Seng Edwin	–	100	–	–
Mr Mak Yen-Chen Andrew	–	100	–	–
Ms Zhai Guihua	–	100	–	–

** Fees paid to the Independent Non-Executive Directors during FY2015 have been approved at the last AGM held on 27 April 2015.*

[1] No discretionary bonus or Incentive Bonus was paid to any Executive Directors. The bonus referred to in the table refers to the annual wage supplement.

[2] Other benefits include contributions to defined contribution plans and personal income tax paid on behalf.

[3] Director's fee was paid till his last day of retirement on 27 April 2015 as lead independent Non-Executive Director.

The remuneration of key management personnel generally comprises a basic salary component, contributions to defined contribution plans, personal income tax paid on behalf and one month of annual wage supplement or variable bonuses, based on the performance of the Company and the Group as a whole and individual performance.

Similarly, the key management personnel are entitled to participate in the Leader Environmental Performance Share Scheme and the award is based on the fulfilment of certain key performance indicators over a specific time frame as set by the various department heads and approved by the Remuneration Committee.

There were only four key management personnel (who are not Directors or the Chief Executive Officer) whom the Company considered to be the key executives of the Group. A breakdown showing the level and mix of each individual Key Executive's remuneration for the financial year ended 31 December 2015 is set out below:

Name of Key Executive	Salary	Bonus[1]	Other benefits[2]	Performance shares
	%	%	%	%
Below S$250,000				
Wang Xiaoyan	46.5	–	7.5	46.0
Mu Zongguang	43.0	–	15.5	41.5
Sun Weili	39.4	–	15.6	45.0
Lim Poh Yeow	86.0	7.0	7.0	–

[1] No variable bonus was paid/awarded to any key management personnel. The bonus referred to in the table refers to the annual wage supplement.

[2] Other benefits include contributions to defined contribution plans and personal income tax paid on behalf.

The Company has not disclosed exact details of the remunerations of its Executive Directors, Independent Directors and Key Executives as it is not in the best interests of the Company and the employees to disclose such details due to the sensitive nature of such information and as our industry is highly competitive in respect of the recruitment of experienced executives. The annual aggregate remuneration paid to the top four Key Executives of the Company (who are not Directors or the Chief Executive Officer) for FY2015 is S$387,600 (RMB1,772,000).

No employee who is an immediate family member of a Director was paid more than S$50,000 during FY2015. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister, and parent of such person.

Employees' Share Option Scheme and Performance Share Scheme

The Company has adopted an employee share option scheme (known as the "Leader Environmental ESOS") approved at an extraordinary general meeting of the Company held on 22 June 2010 to reward, attract and retain Executive Directors and capable employees by way of granting options. In addition, the Company has adopted the Leader Environmental Performance Share Scheme approved by shareholders at an extraordinary general meeting of the Company held on 30 April 2012 to reward, attract and retain Executive Directors and capable employees by way of granting share awards.

The Remuneration Committee is appointed to administer both the Leader Environmental ESOS and the Leader Environmental Performance Share Scheme, by determining the eligibility of Executive Directors and full-time employees of the Company to participate in the relevant schemes and the number of options or award of shares to be offered to each participant, in accordance with the approved guidelines of the Leader Environmental ESOS and the Leader Environmental Performance Share Scheme, respectively. No member of the Remuneration Committee shall be involved in any deliberations in respect of any options and award of shares granted to him.

The Non-Executive Directors, and the controlling shareholders of the Company or their associates, are not eligible to participate in the Leader Environmental ESOS, but allowed to participate in the Leader Environmental Performance Share Scheme. A separate resolution will be passed for each of the controlling shareholders and their associates (if any), where applicable.

Since the commencement of the Leader Environmental ESOS and the Leader Environmental Performance Share Scheme respectively to the end of FY2015, no option to subscribe for shares has been granted to any eligible participant by the Company under the Leader Environmental ESOS, whereas, under the Leader Environmental Performance Share Scheme, 4,600,000 and 13,950,000 of ordinary shares were issued to eligible employees in FY2013 and FY2015 respectively.

ACCOUNTABILITY AND AUDIT

Accountability

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

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects, including interim and other price-sensitive public reports, and reports to regulators (if required). Information is presented to shareholders on a timely basis through SGXNet and/or the press.

The Board is also responsible for ensuring compliance with legislative and regulatory requirements, including requirements under the Listing Rules.

The Management regularly (and as and when requested) presents the Board with the Group's quarterly financial results and prospects, annual financial statements and profit forecasts to enable the Board to discharge its duties and responsibilities. Moreover, the Board members also visit the subsidiaries' office, plant and project site once a year in order to obtain further updates and understanding of the Group's business and operating environment. In this respect, the Management provides the Board with a balanced and understandable assessment of the Group's performance, position and prospects on a regular basis.

Risk Management and Internal Controls

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

The Board acknowledges that it is responsible for ensuring a sound system of internal controls to safeguard the shareholders' investments and the Group's assets. The following sets out the work performed which serve as the basis for the Board to form an opinion with regard to the adequacy of the Group's internal controls:

(i) Both the Finance Director and senior management of the Company currently assume the responsibilities of the risk management function. They regularly assess and review the Company's business and operational environment in order to identify areas of significant business and financial risks, such as credit risks, foreign exchange risks, liquidity risks and interest rate risks, as well as adopt appropriate measures to control and mitigate these risks. This is part of the on-going efforts by the Management to continuously strengthen the existing internal controls already put in place.

(ii) The Audit Committee has met with the Management and external auditors once during FY2015 to review and discuss the external auditors' audit plans. In addition, as part of the annual statutory audit on financial statements, certain internal control weaknesses that the external auditors identified during their audit have been communicated to the Audit Committee in the form of a management letter. Management will either follow up on the external auditors' recommendations in an effort to strengthen the Group's internal audit systems or explain to the external auditors the type of internal controls already in place to mitigate these risks so that the external auditors can perform additional verification works to satisfy themselves that such controls are adequate to allay their concerns.

(iii) The Board of Directors has also received assurance from Chief Executive Officer, Finance Director and Chief Financial Officer (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances for the year ended 31 December 2015; and (b) regarding the effectiveness of the Group's risk management and internal control systems.

(iv) The former Audit Committee chairman and committee members, after due consideration, had taken the view that a separate internal audit was not necessary in FY2014. The Audit Committee however acknowledges that the business landscape in China has evolved; and consequently the business and operational risks facing the Group are likely to have changed as well. Bad debts were of a lesser concern during the years when the Chinese economy was thriving and our business partners were generally in sound financial health. However, the emergence of significant doubtful receivables in FY2015 has prompted the Audit Committee to revaluate the Group's existing internal controls and risk management process. In the interim, the Board has resolved that all payments, whether in advance or in arrears, to any single supplier above RMB10 million will require prior approval from the Board. Management has also been asked to exercise more stringency in accepting customer contracts. Collection of customer deposits upfront will be a precondition to the undertaking of new projects. Advances to suppliers will be proscribed unless under compelling circumstances which the Board is apprised of.

(v) The Audit Committee has also, in December 2015, appointed MS Risk Management Pte Ltd to review the internal controls pertaining to revenue to collection cycle and procurement to payment cycle, as well as to follow up on prior years' internal audit issues. The review work is still in progress, albeit substantially completed as of the date of this report. The Audit Committee has had a preliminary discussion with the internal auditors on the work performed. The internal audit review did not highlight any significant internal controls lapses or deficiencies, although controls improvement recommendations can be expected in their final internal control review report to the Audit Committee.

The Board has taken into account the internal controls established and maintained by the Group, work performed by the independent external and internal auditors (which did not highlight any major areas of concern requiring immediate actions by the Board), regular reviews carried out by Management and Audit Committee as well as the aforementioned assurance received from the Chief Executive Officer, Finance Director and Chief Financial Officer. The Board, with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls addressing financial, operational and compliance and information technology controls and risks management systems were adequate during the year ended 31 December 2015. The Audit Committee will continue to monitor the effectiveness of these controls and augment them with new controls implementation to make the internal controls system more robust.

Audit Committee

Principle 12: ***The board should establish an audit committee with written terms of reference which clearly set out its authority and duties.***

The Audit Committee comprises three Non-Executive Directors, all of whom, including the Chairman, are independent:

- Mr Goh Kay Seng Edwin — Chairman, Independent Non-Executive Director
- Mr Mak Yen-Chen Andrew — Independent Non-Executive Director
- Ms Zhai Guihua — Independent Non-Executive Director

The Audit Committee has adopted written terms of reference defining its membership, administration and duties. The principal roles and functions of the Audit Committee are as follows:

- reviewing the audit plans of the external auditors and the internal auditors, including the results of the external and internal auditors' review and evaluation of the system of internal controls;

- reviewing the annual consolidated financial statements and the external auditors' report on those financial statements, and discussing any significant adjustments, major risk areas, changes in accounting policies, compliance with international financial reporting standards, concerns and issues arising from their audits, including any matters which the auditors may wish to discuss in the absence of management, where necessary, before submission to the Board for approval;

- reviewing the periodic consolidated financial statements comprising the profit and loss statements and the balance sheets and such other information required by the Listing Manual, before submission to the Board for approval;

- reviewing and discussing with external and internal auditors (if any), any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position and the Management's response;

- reviewing the co-operation given by the Management to the external auditors;

- reviewing the report of the internal control review to be conducted within one year after the Company's admission to the Official List of the SGX-ST and to consider and make recommendations to the Board whether to continue such reviews;

- considering the appointment and re-appointment of the external auditors and matters relating to resignation or dismissal thereof;

- reviewing and ratifying any interested person transactions falling within the scope of Chapter 9 of the Listing Manual;

- reviewing the guidelines and review procedures relating to interested person transactions and potential conflicts of interest and future interested person transactions, if any;

- reviewing any potential conflicts of interest;

- reviewing the adequacy and supervision of the finance and accounting team on an on-going basis;

- reviewing the procedures by which employees of the Group may, in confidence, report to the Chairman of the Audit Committee, possible improprieties in matters of financial reporting or other matters and ensuring that there are arrangements in place for independent investigation and follow-up actions in relation thereto;

- undertaking such other reviews and projects as may be requested by the Board, and reporting to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee; and

- undertaking generally such other functions and duties as may be required by law or the Listing Rules, and by such amendments made thereto from time to time.

The Chairman of the Audit Committee, Mr Goh Kay Seng Edwin, is a Chartered Accountant and he has acquired the relevant accounting, auditing and risk management experience. The other members of the Audit Committee have many years of experience in the legal profession and in business management. The Board is of the view that the Chairman and members of the Audit Committee have recent and relevant accounting or related financial management expertise or experience to discharge the Audit Committee's functions.

During FY2015, the Audit Committee Chairman attended technical updates and seminars conducted by the Institute of Singapore Chartered Accountants, Singapore Institute of Directors Accounting and Corporate Regulatory Authority and Singapore Exchange Securities Trading Limited. In addition, the Audit Committee was also briefed by the external auditors in respect of the latest changes to accounting standards and issues which have a direct impact on the financial statements.

The Audit Committee has explicit authority to investigate any matter within the terms of reference which are necessary to enable it to discharge the functions properly. The Audit Committee meets with the external auditors separately, at least once a year, without the presence of the Management to discuss the reasonableness of the financial reporting process, to review the adequacy of audit arrangements, with particular emphasis on the observations and recommendations of the external auditors, the scope and quality of their audits and the independence and objectivity of the external auditors.

The Audit Committee is responsible for conducting an annual review of the volume of audit and non-audit services provided by the external auditors to ensure that such services will not prejudice the independence and objectivity of the external auditors. For FY2015, the aggregate amount of audit fees payable to the external auditors and other independent auditors were approximately RMB743,000. Audit fees payable to the external auditors for audit services rendered in FY2015 amounted to approximately RMB635,000, while fees payable to other independent auditors for non-audit purposes amounted to approximately RMB108,000. The external auditors did not provide any non-audit services to the Company.

The Company complies with Rule 712 and Rule 715 of the Listing Rules of the Singapore Exchange Securities Trading Limited in engaging Foo Kon Tan LLP as the external auditors of the Company. Foo Kon Tan LLP is registered with the Accounting and Corporate Regulatory Authority. Foo Kon Tan LLP is the external auditors of the Company and performs an audit of the PRC subsidiaries for consolidation purposes. The Audit Committee has recommended to the Board that Foo Kon Tan LLP be nominated for re-election as external auditors at the forthcoming AGM.

The Company has put in place a whistle-blowing policy, which provides for the mechanisms by which employees and other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters to the Independent Non-Executive Directors of the Company, with the objective of ensuring that arrangements are in place for the independent investigation of such matters for appropriate follow-up action. During FY2015, there were no complaints, concerns or other matters received from the channel established under the whistle-blowing policy.

Internal Audit

Principle 13: ***The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits***

The Company currently does not have a separate internal audit function. The Audit Committee will, as and when necessary, make an assessment and then recommend to the Board the appointment of internal audit professionals (with the requisite qualifications and experience) to undertake the internal audit function of the Group for the relevant financial years. The internal audit professionals will report primarily to the Audit Committee. The internal audit plan will be submitted to the Audit Committee for approval prior to the commencement of the internal audit and the Audit Committee will oversee and monitor the implementation of improvements as required. The appointed internal audit professionals shall have unfettered access to all the company's documents, records, properties and personnel, including access to the Audit Committee. The Audit Committee shall, at least annually, review the adequacy and effectiveness of the internal audit function.

COMMUNICATION WITH SHAREHOLDERS

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

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

The Company is committed to treating all shareholders fairly and equitably. It recognises, protects and facilitates the exercise of shareholders' rights, and continually reviews and updates its governance arrangements.

The Company is also committed to regular and proactive communication with its shareholders in line with continuous disclosure obligations of the Company under the Listing Rules. Pertinent information has been disclosed or communicated to shareholders in a timely, fair and equitable manner through:

- quarterly, half-year and full-year results announcements which are published on the SGXNet and in news releases;

- the Company's annual reports that are prepared and issued to all shareholders;

- notices of and explanatory memoranda, for AGMs and extraordinary general meetings; and

- the Company's website at http://www.anjie.cc through which shareholders can access information on the Company.

Apart from the above communication channels, the Group has specifically entrusted the Chief Financial Officer with the responsibility of facilitating communications with shareholders and analysts and attending to their queries or concerns.

In FY2015, the Chief Financial Officer had attended several one-on-one meetings with individual investors to raise funds for the Company. Questions were mainly centred on the Group's corporate developments and financial performance which the Chief Financial Officer took the opportunity to address. During the Annual General Meeting, the Chief Financial Officer also attended to questions from individual shareholders about the Company's operations and prospects.

The Company does not have a fixed dividend policy and did not pay any dividends in FY2015. The form, frequency and amount of dividends will depend on the Group's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the directors may deem appropriate. Any proposal for the declaration of dividends will be clearly communicated to the shareholders via SGXNet.

CONDUCT OF SHAREHOLDER MEETINGS

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

The Company sufficiently informs its shareholders of changes in the Group or its business which would be likely to materially affect the price or value of the Company's shares. The Company also ensures that its shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. In this regard, the shareholders are informed of the rules, including voting procedures, which govern the general meetings of shareholders.

AGMs are the main forum for communication with shareholders. Annual reports and notices of the AGMs are sent to or made available to all shareholders. If any shareholder is unable to attend, he is allowed to appoint up to two proxies to vote on his behalf at the meeting through proxy forms sent in advance. For resolutions to be voted by way of show of hand, only the first proxy appointed (in the event that there are two proxies appointed) shall be entitled to vote for the said resolutions. At AGMs, each distinct issue will be proposed as a separate resolution.

The members of the Audit Committee, Nominating Committee and Remuneration Committee will be present at AGMs to answer questions relating to the work of these committees. The external auditors will also endeavour to be present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. The Board welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad hoc basis.

Resolutions are as far as possible, structured separately and may be voted upon independently during the AGM. With effect from the forthcoming AGM, the Company will put all resolutions to vote by poll to allow greater transparency and more equitable participation by shareholders.

DEALINGS IN SECURITIES

In compliance with Rule 1207(19) of the Listing Rules on best practices on dealing in securities, the Company has issued circulars to its Directors and officers informing that its Directors, Executive Officers and any other persons as determined by the Management, must not deal in the Company's shares during the period of two weeks before the release of quarterly results and one month before the release of the full-year results.

The Company has reminded its Directors and Executive Officers that it is an offence under the Securities and Futures Act (Chapter 289) for a listed issuer or its officers to deal in the listed issuer's securities as well as securities of other listed issuers when the officers are in possession of unpublished material price-sensitive information in relation to those securities. Directors and Executive Officers are reminded and expected to observe insider-trading laws at all times even when dealing in securities within permitted trading periods. Employees who attend management committee meetings have to observe the "closed window" periods.

The Company has further reminded its Directors and Executive Officers not to deal in the Company's securities on short-term considerations.

The Board confirms that for FY2015, the Company has complied with Rule 1207(19) of the Listing Rules.

Non-Audit Fees

There was no non-audit service rendered by the Group's external auditors, Foo Kon Tan LLP in FY2015 and therefore no non-audit fees were paid to them.

Material Contracts

There are no material contracts entered into by the Company and its subsidiaries during the 2015 or still subsisting as at 31 December 2015 which involved the interests of any of the Directors or controlling shareholders of the Company.

INTERESTED PERSON TRANSACTIONS

There are no interested person transactions entered into by the Group during FY2015 under review in accordance with Rule 907 of the Listing Rules.

Corporate Social Responsibility

The Group recognises the importance of being a responsible corporate citizen. While pursuing profits is vital to a listed company, management also reckons the need to constantly align our interests with that of the communities in which we operate in order to obtain the support of the local communities and government agencies. The followings are the initiatives that the Group has adopted as part of its sustainability practices.

The Group intends to uphold its core values and beliefs in running the business operations. Under no circumstances would management agree to compromise on its standards during construction and installation of industrial wastegas and wastewater treatment systems for its customers. Management will strictly adhere to the emission requirements imposed by the industry's and country's emission standards and will not undertake contract with a clear intent to deceive the environmental bureau or government agency. We will continue to educate our customers, mainly from the state owned enterprises, the significance of procuring systems and technologies that can satisfy the stringent emission requirements. The customers will be advised to look beyond their personal interests, and to consider such capital expenditures as necessary for the wider benefits of the community.

At the construction sites, the respective project managers will ensure that the waste discharge from the wastegas and wastewater treatment are disposed in accordance with the guidelines set by the authority. The construction workers are reminded not to dump the waste discharge irresponsibly, causing further harm to the environment and anyone caught doing so, will be fined heavily. The management hopes to play its part in helping to improve the air quality in China.

Use of placement proceeds

Private placement on 22 June 2015

	RMB'000
Gross proceeds received, earmarked as working capital for the Company	4,214
Amount utilised as follows:	
Directors' remunerations, Directors' fees and staff payroll and related costs	(836)
Compliance costs	(779)
Legal fees incurred for the private placement and advisory work	(140)
Printing and courier charges	(127)
Others *	(214)
Balance as at 31 December 2015	2,118

* Others comprised office rental, travelling and promotional expenses.

The gross proceeds of RMB6,285,735 (S$1,350,000) which had been earmarked for construction and operation of new energy generation (solar photovoltaic, wind and hydro, water management and other related environmental projects) remained unused as at 31 December 2015.

This Disclosure Guide sets out a list of questions to provide guidance on the specific principles and guidelines identified under the section on "Disclosure of Corporate Governance" in the Code.

Guideline	Questions	How the Company complied?
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code. (b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	(a) The Company has complied with all the principles and guidelines of the Code, except for the requirement of full disclosure on remuneration to the Directors. Please refer to the explanation under Guideline 9.2 below. (b) The Remuneration Committee reviews and recommends the remuneration packages for the Directors, CEO and key management personnel. It is to ensure that the remuneration structure is competitive and sufficient to attract, retain and motivate Directors and key management personnel to run the Company successfully in order to maximize shareholders' value. The members of the Remuneration committee do not participate in any decisions concerning their own remuneration.
Board Responsibility		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	Please refer to Principle 1 of the Corporate Governance Report. The Board's functions include approving matters such as corporate strategy and business plans, corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets and major corporate policies on key areas of operations. The Company did not enter into any major transaction or business proposal out of the ordinary course of business.
Members of the Board		
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees? (b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.	(a) The Board believes in having an appropriate balance and diversity of skills, experience, gender and knowledge. (b) The Board periodically examines its size to ensure that it is of an appropriate number for effective decision-making, taking into account the scope and nature of the operations of the Group. The Nominating Committee is of the view that the current Board comprises directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge to the Group.

Guideline	Questions	How the Company complied?
Guideline 2.6		The Directors also provide core competencies such as accounting or finance, business or management or legal experience, industry knowledge, strategic planning experience and customer-based experience or knowledge required for the Board to be effective. The Board comprises five Directors, three of whom are independent. There are three male Directors and two female Directors.
	(c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?	(c) The Nominating Committee has put in place a formal and transparent process for all appointments to the Board. It has adopted written terms of reference defining its membership, administration and duties. As part of the process for the selection, appointment and re-appointment of Directors, the Nominating Committee takes into consideration the following issues: composition, diversity and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance (including attendance at meetings).
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	The Nominating Committee, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for appointment as new director. The Nominating Committee then meets with the shortlisted potential candidates with the appropriate profile to assess suitability and to ensure that the candidates are aware of the expectation and the level of commitment required, before nominating the most suitable candidate to the Board for appointment as Director. Mr Goh Kay Seng Edwin was appointed as a new Independent Non-Executive Director of the Company based on the above procedures. The Nominating Committee and the Board considered Mr Goh Kay Seng Edwin to be suitable for the position and were satisfied with his independence. Regarding the re-appointment of incumbent Directors, please refer to the nomination process and considerations described under Guideline 2.6 above.

Guideline	Questions	How the Company complied?
Guideline 1.6 &1.7	(a) Are new directors given formal training? If not, please explain why. Any letters to directors upon appointment?	(a) The Board ensures that any incoming Director will be given an orientation on the Group's business strategies and operations and governance practices to facilitate the effective discharge of their duties. A visit to the Company's operation and plant will be arranged as part of the orientation programme. A formal letter of appointment was furnished to the newly appointed Independent Non-Executive Director, Mr Goh Kay Seng Edwin upon his appointment on 15 July 2015, explaining among other matters, the roles, obligations, duties and responsibilities as a member of the Board.
	(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	(b) Directors have been and will be encouraged to attend seminars and receive training to improve themselves in the discharge of their duties as Directors. The Group will work closely with professionals to provide its Directors with updates on changes to relevant laws, regulations and accounting standards. In addition, the Company also made arrangements for Directors to attend seminars and technical updates for them to stay abreast of relevant business developments and outlook. Seminars and technical updates attended by Directors in FY2015. **The details of seminars and technical updates attended by the Directors in FY 2015 include:** Moore Stephens Singapore Financial Reporting & Corporate Governance Seminar 2015 Launch of Singapore Board of Director Survey 2015 organised by the Singapore Institute of Directors ACRA: SGX - SID Audit Committee Seminar SGX's Sustainability Reporting Requirement Seminar

DISCLOSURE GUIDE

Guideline	Questions	How the Company complied?
Guideline 1.6 &1.7		Directors are also provided with an insight into the Group's operational facilities and periodically meet with the Management to gain a better understanding of the Group's business operations. The Board as a whole is updated on risks management and the key changes in the relevant regulatory provisions which have an important bearing on the Group and the Directors' obligations to the Group.
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?	(a) The Board has determined and set that as a general rule, the maximum number of listed company board appointments be not more than six (6) companies. However, any Directors may hold more than six (6) listed company board representations should the Nominating Committee be satisfied and is of the view that such Directors are able to devote sufficient time and attention to the affairs of the Company after taking into account their individual circumstances, contributions, responsibilities and other principal commitments.
	(b) If a maximum number has not been determined, what are the reasons?	(b) Not applicable.
	(c) What are the specific considerations in deciding on the capacity of directors?	(c) In considering the re-appointment of Directors, the Nominating Committee determines annually whether a Director with multiple board representations and principal commitments is able to and has adequately discharge his duties as a Director of the Company.
Board Evaluation		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	(a) Please refer to the board evaluation process described under the section entitled "Board Performance" in the Corporate Governance Report.
	(b) Has the Board met its performance objectives?	(b) Yes. The Nominating Committee has assessed the current Board's performance to date and is of the view that the performance of the Board as a whole was satisfactory.
Independence of Directors		
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Yes. As the Executive Chairman and the Chief Executive Officer is the same person, the requirement of the Code that at least half the Board comprises Independent Directors is satisfied as there are three Independent Non-Executive Directors on the Board.

Guideline	Questions	How the Company complied?
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	(a) No. (b) Not applicable.
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	No.
Disclosure on Remuneration		
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	The Company has disclosed a breakdown of each Director's and the CEO's remuneration (in percentage terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, but did not disclose the exact details of their remuneration as it is not in the best interests of the Company and the employees to disclose such details due to the sensitive nature of such information and as the industry which the Company is in is highly competitive in respect of the recruitment of experienced executives.
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	(a) Yes. Please refer to the section entitled "Disclosure on Remuneration" in the Corporate Governance Report. (b) The annual aggregate remuneration paid to the top four Key Executives of the Company (who are not Directors or the Chief Executive Officer) for FY2015 is S$387,600 (RMB1,772,000).
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	No.

DISCLOSURE GUIDE

Guideline	Questions	How the Company complied?
Guideline 9.6	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria. (b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? (c) Were all of these performance conditions met? If not, what were the reasons?	(a) Please refer to the section entitled "Disclosure on Remuneration" in the Corporate Governance Report. (b) Please refer to the section entitled "Disclosure on Remuneration" in the Corporate Governance Report. (c) Please refer to the section entitled "Disclosure on Remuneration" in the Corporate Governance Report.
Risk Management and Internal Controls		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	Please refer to the section entitled "Access to Information" in the Corporate Governance Report.
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	No. Please refer to the explanation set out under the section entitled "Internal Audit" in the Corporate Governance Report.
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems. (b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	(a) Please refer to the section entitled "Risk Management and Internal Controls" in the Corporate Governance Report. (b) Yes. Please refer to the section entitled "Risk Management and Internal Controls" in the Corporate Governance Report.
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	(a) The fees payable to external auditors for audit services in FY2015 amounted to approximately RMB635,000. There were no fees paid to external auditors for non-audit services in FY2015. (b) Not applicable. The external auditors have not provided any non-audit services to the Company.

Guideline	Questions	How the Company complied?
Communication with Shareholders		
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	(a) Please refer to the section entitled "Communication with Shareholders" in the Corporate Governance Report.
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	(b) The Group has specifically entrusted the Chief Financial Officer with the responsibility of facilitating communications with shareholders and analysts and attending to their queries or concerns.
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	(c) Please refer to the section entitled "Communication with Shareholders" in the Corporate Governance Report.
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	The Company did not pay any dividends in FY2015. The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate.

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2015.

In the opinion of the directors,

(a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 46 to 101 are drawn up so as to give a true and fair view of the financial positions of the Company and of the Group as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Lin Baiyin
Zang Linying
Goh Kay Seng Edwin (appointed on 15 July 2015)
Mak Yen-Chen Andrew
Zhai Guihua

Arrangements to enable directors to acquire shares or debentures

During and at the end of the financial year, neither the Company nor its subsidiaries was a party to any arrangement of which the object was to enable the directors to acquire benefits through the acquisition of shares in or debentures of the Company or of any other corporate body, other than as disclosed in this report.

Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50, none of the directors who held office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Number of ordinary shares					
	Shares registered in the name of director			Shares in which director is deemed to have an interest		
Director	As at 1.1.2015	As at 31.12.2015	As at 24.3.2016	As at 1.1.2015	As at 31.12.2015	As at 24.3.2016
Lin Baiyin	1,000,000	1,000,000	1,000,000	207,304,000	207,304,000	207,304,000

Share options granted

No options were granted during the financial year to take up unissued shares of the Company or of its subsidiaries. No shares were issued by virtue of the exercise of options. There were no unissued shares under option at the end of the financial year.

Leader Performance Share Scheme (LET Performance Shares)

No shares have been granted to any of the Company's directors, controlling shareholders or their associates in 2015.

On 2 September 2015, the Company granted and issued, an aggregate of 13,950,000 new shares to 20 employees of the subsidiary (Jilin Anjie Environmental Engineering Co., Ltd.) in accordance with the terms of the LET Performance Share Scheme. The new shares constituted 2.3% of the issued shares of the Company and the last traded market price of the shares prior to the issue and allotment date was S$0.045.

	No. of ordinary shares		Amount	
	2015	2014	2015	2014
			RMB'000	RMB'000
Employees	13,950,000	–	2,798	–
Total	13,950,000	–	2,798	–

Audit committee

The audit committee at the end of the financial year comprises the following members:

Goh Kay Seng Edwin (Chairman) (appointed on 15 July 2015)
Mak Yen-Chen Andrew (Member)
Zhai Guihua (Member)

The Audit Committee performs the functions set out in Section 201B(5) of the Companies Act, Cap. 50, the SGX Listing Manual and the Code of Corporate Governance. In performing these functions, the Audit Committee reviewed the following:

(i) overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;

(ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;

(iii) the quarterly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2015 as well as the auditor's report thereon;

(iv) effectiveness of the Company's material internal controls, including financial, operational, information technology and compliance controls and risk management via reviews carried out by the internal auditors;

(v) met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;

(vi) reviewed legal and regulatory matters that may have a material impact on the financial statements,related compliance policies and programmes and any reports received from regulators;

(vii) reviewed the cost effectiveness and the independence and objectivity of the external auditor;

(viii) reviewed the nature and extent of non-audit services provided by the external auditor;

(ix) recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;

Audit committee (Cont'd)

(x) reported actions and minutes of the Audit Committee to the board of directors with such recommendations as the Audit Committee considered appropriate; and

(xi) interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712 and 715 of the SGX Listing Manual.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Full details regarding the Audit Committee are provided in the Report on Corporate Governance.

Independent auditor

The independent auditor, Foo Kon Tan LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

LIN BAIYIN

ZANG LINYING

Dated: 24 March 2016

INDEPENDENT AUDITOR'S REPORT

to the members of Leader Environmental Technologies Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Leader Environmental Technologies Limited ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 46 to 101.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and of the financial performance, changes in equity and cash flows of the Group and statement of changes in equity of the Company for the financial year ended on that date.

Report on other Legal and Regulatory Requirement

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore,
24 March 2016

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015

	Note	The Group 2015 RMB'000	The Group 2014 RMB'000	The Company 2015 RMB'000	The Company 2014 RMB'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	10,970	10,469	2	4
Intangible assets	5	5,573	6,966	–	–
Club membership	6	717	763	–	–
Investment in subsidiaries	7	–	–	75,000	152,494
Investment in associate	8	–	3,715	–	4,845
		17,260	21,913	75,002	157,343
Current Assets					
Gross amount due from customers for contract work-in-progress	9	18,193	17,207	–	–
Inventories	10	1,342	1,747	–	–
Trade and other receivables	11	30,230	205,926	–	41,629
Prepayments	12	116,355	175,188	69	178
Bank deposits pledged	13	17,960	62,172	–	–
Cash and cash equivalents	14	26,097	75,051	9,371	1,945
		210,177	537,291	9,440	43,752
Total assets		227,437	559,204	84,442	201,095
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	15	224,747	211,449	224,747	211,449
PRC statutory common reserve	16	31,748	31,748	–	–
Merger reserve	17	(454)	(454)	–	–
Accumulated (loss)/profit		(195,453)	77,110	(141,891)	(12,270)
		60,588	319,853	82,856	199,179
Non-controlling interest		18	–	–	–
Total equity		60,606	319,853	82,856	199,179
Non-Current Liabilities					
Deferred tax liabilities	18	–	4,643	–	–
Current Liabilities					
Gross amount due to customers for contract work-in-progress	9	573	1,772	–	–
Trade and other payables	20	61,772	39,927	421	492
Loans and borrowings	19	97,000	172,600	–	–
Other liabilities	21	7,338	19,148	1,165	1,424
Income tax payable		148	1,261	–	–
		166,831	234,708	1,586	1,916
Total liabilities		166,831	239,351	1,586	1,916
Total equity and liabilities		227,437	559,204	84,442	201,095

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

The Group	Note	2015 RMB'000	2014 RMB'000
Revenue	3	51,187	72,387
Cost of sales		(35,526)	(50,207)
Gross profit		15,661	22,180
Financial income	22(a)	1,696	178
Other income	22(b)	176	416
Selling and distribution expenses		(1,754)	(1,468)
Administrative expenses	22(c)	(17,726)	(12,009)
Finance costs	22(a)	(7,540)	(6,474)
Other expenses	22(b)	(266,820)	(78)
Share of results of associate company	8	(275)	(795)
(Loss)/profit before taxation	22(d)	(276,582)	1,950
Taxation	23	3,985	(1,854)
(Loss)/profit for the year and representing total comprehensive (loss)/ income for the year*		(272,597)	96
(Loss)/profit for the year and representing total comprehensive (loss)/ income for the year attributable to:			
Owners of the Company		(272,563)	96
Non-controlling interest		(34)	–
		(272,597)	96
(Loss)/earnings per share			
- Basic and diluted (RMB cents)	24	(46.98)	0.02

* There are no other comprehensive income and expense items for both financial years.

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

The Group	Share capital	PRC statutory common reserve	Merger reserve	Accumulated (loss)/profit	Sub-total	Non-controlling interest	Total equity
	← Attributable to owners of the Company →						
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	211,449	31,748	(454)	77,110	319,853	–	319,853
Loss for the year, representing total comprehensive loss for the year	–	–	–	(272,563)	(272,563)	(34)	(272,597)
Issuance of new ordinary shares (Note 15)	10,749				10,749	–	10,749
Share issuance expenses (Note 15)	(249)	–	–	–	(249)	–	(249)
Grant of shares under LET Performance share scheme	2,798	–	–	–	2,798	–	2,798
Issuance of shares for the incorporation of subsidiary							
- fully paid up	–	–	–	–	–	35	35
- unpaid	–	–	–	–	–	17	17
At 31 December 2015	224,747	31,748	(454)	(195,453)	60,588	18	60,606
At 1 January 2014	205,834	31,230	(454)	77,532	314,142	–	314,142
Profit for the year, representing total comprehensive income for the year	–	–	–	96	96	–	96
Issuance of new ordinary shares (Note 15)	5,823	–	–	–	5,823	–	5,823
Share issuance expenses (Note 15)	(208)	–	–	–	(208)	–	(208)
Appropriation of profit to reserve	–	518	–	(518)	–	–	–
At 31 December 2014	211,449	31,748	(454)	77,110	319,853	–	319,853

The Company	Share capital	Accumulated losses	Total Equity
	RMB'000	RMB'000	RMB'000
At 1 January 2015	211,449	(12,270)	199,179
Loss for the year, representing total comprehensive loss for the year	–	(129,621)	(129,621)
Issuance of new ordinary shares (Note 15)	10,749	–	10,749
Share issuance expenses (Note 15)	(249)	–	(249)
Grant of shares under LET Performance share scheme	2,798	–	2,798
At 31 December 2015	224,747	(141,891)	82,856
At 1 January 2014	205,834	(8,024)	197,810
Loss for the year, representing total comprehensive loss for the year	–	(4,246)	(4,246)
Issuance of new ordinary shares (Note 15)	5,823	–	5,823
Share issuance expenses (Note 15)	(208)	–	(208)
At 31 December 2014	211,449	(12,270)	199,179

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2015

The Group	**2015** RMB'000	**2014** RMB'000
Cash Flows from Operating Activities		
(Loss)/profit before taxation	(276,582)	1,950
Adjustments for:		
Fair value of shares issued pursuant to LET Performance Share Scheme	2,798	–
Fixed asset written off	6	–
Depreciation of property, plant and equipment	839	827
Gain on disposal of property, plant and equipment	(28)	(190)
Amortisation of intangible assets and club membership	1,439	1,227
Unbilled work-in-progress written off	1,169	–
Bad debt written off	1,875	–
Allowance for impairment of trade receivables	174,763	–
Allowance for impairment of advances made to trade supplier	84,743	–
Other non-trade supplier written off	503	–
Finance costs	7,540	6,474
Interest income	(1,696)	(178)
Allowance for impairment of investment in associate	3,440	–
Share of results of associates	275	795
Unrealised exchange loss	231	56
Operating profit before working capital changes	1,315	10,961
(Increase)/decrease in gross amount due from customers for contract work-in-progress	(2,155)	2,378
Decrease in inventories	405	625
(Increase)/decrease in trade and other receivables	(428)	1,326
Increase in prepayments	(26,413)	(5,875)
(Decrease)/increase in gross amount due to customers for contract work-in-progress	(1,199)	230
Increase/(decrease) in trade and other payables	2,077	(7,584)
Decrease in other liabilities	(11,810)	(7,214)
Cash used in operations	(38,208)	(5,153)
Interest paid	(7,540)	(6,474)
Interest income received	1,199	178
Income tax paid	(1,771)	(593)
Net cash used in operating activities	(46,320)	(12,042)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(1,357)	(5)
Proceed from disposal of property, plant and equipment	39	–
Additions to intangible assets	–	(2,608)
Net cash used in investing activities	(1,318)	(2,613)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2015

The Group	2015 RMB'000	2014 RMB'000
Cash Flows from Financing Activities		
Proceeds from issuance of new ordinary shares pursuant to the private placement	10,749	5,823
Share issuance expenses	(249)	(208)
Proceeds from third party loan	20,000	–
Proceeds from loans and borrowings	97,000	172,600
Repayments of loans and borrowings	(172,600)	(80,000)
(Repayments of)/proceeds from bills payable - net	(232)	232
Cash contribution from non-controlling interest for incorporation of subsidiary	35	–
Decrease/(increase) in bank deposits pledged	44,212	(61,672)
Net cash (used in)/generated from financing activities	(1,085)	36,775
Net (decrease)/increase in cash and cash equivalents	(48,723)	22,120
Exchange differences on translation of cash and cash equivalents	(231)	(56)
Cash and cash equivalents at beginning of year	75,051	52,987
Cash and cash equivalents at end of year (Note 14)	26,097	75,051

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

1 General information

The financial statements of the Group and the Company for the financial year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' statement.

The Company was incorporated as a limited liability company and domiciled in Singapore and is listed on the Singapore Exchange.

The registered office of the Company is located at 36 Armenian Street #06-12, Singapore 179934, and the principal place of business of the Group is located in Room 1303, No. 5445 Lin He Street, Economic Development Zone, Changchun City, Jilin Province, The People's Republic of China ("PRC"), Postal Code: 130033.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries and associate are disclosed in Note 7 and Note 8 to the financial statements respectively.

2 Going concern

Evidenced by the slowing down in GDP growth rate from 7.3% in 2014 to 6.9% in 2015, China has entered into a new phase of slow growth and the banks have also became more stringent in their lending policies Many of the group's customers and suppliers which have suffered dwindling margins and increasing costs have became severely cash-strapped and finding it increasingly difficult to obtain external financing which resulted many of them now on the verge of business cessation. In view of the likelihood to recover any substantial debts for those overdue being remote, the massive allowance for impairment made in 2015 was necessary to reflect the Group's financial condition in the current economic times.

On the back of a slowing Chinese economy in 2015 coupled with the massive impairment loss made during the year, the Group incurred a net loss of approximately RMB272.6 million (2014: net profit of RMB96,000) and recorded a negative cash flow from operating activities of RMB46.3 million (2014: RMB12.0 million) for the year ended 31 December 2015. As at that date, the Group has outstanding bank loans of RMB97.0 million (2014: RMB172.6 million) which is due within 12 months after year end.

Notwithstanding the uncertainty conditions, the Group is of the view that the preparation of financial statements on a going concern basis is appropriate and that it will have sufficient cash resources to repay its liabilities including the bank loans when due for the following reasons:

- the loss for the year consists mainly of the allowance for impairment of receivables and bad debt amounting to RMB261.4 million, share-based expense of RMB2.8 million and professional fees of RMB0.6 million relating to internal audit and valuation of proposed target company totalling RMB264.2 million which is not expected to recur in future years;

- the Group continues to record gross profit of RMB15.7 million for the financial year ended 31 December 2015 albeit lower than the prior year's gross profit of RMB22.2 million.

- the Group has net current assets of approximately RMB43.3 million as at 31 December 2015 which is able to support its working capital requirements;

- the Group is exploring the availability of external financing. In particular, the Group believes that additional financing through new short-term bank loans to be secured by the Group's non-current assets coupled with the fundamental underlying business of the Group are available;

2 Going concern (Cont'd)

- in November 2015, the Group had successfully renewed and reduced its loan quantum for another year to 2016, from RMB172.6 million as at 31 December 2014 to RMB97.0 million as at 31 December 2015. Of the RMB97.0 million outstanding bank loan at 31 December 2015, the Group had repaid RMB17.0 million in January 2016 and RMB30.0 million in March 2016 when they were due. Given its good track record in servicing its debts and reputation in the environmental industry, the Group believes that going forward it will continue to be able to renew its bank loans when the they are due;

- the Group continues to implement measures to improve the Group's liquidity condition, including but not limited to actively monitoring the collections from trade receivables, utilisation of advances paid to suppliers for projects commencing in the coming financial year and/or recovery of amounts from these suppliers for projects that are not likely to commence, tightening its costs and will only commence projects when it is confident of customers' ability to finance the projects and make repayments;

- the management is also actively looking for potential business undertaking, opportunities in mergers and acquisitions activities so as to diversify into other complementary environmental businesses that would provide stable income and liquidity to the Group. For diversifications into other complementary businesses, management has a plan for raising equity if required; and

- the Group has prepared a cash flow forecast for the 12 months after year end and expects to generate sufficient cash flows on the back of the above-mentioned operating and liquidity plans and management has a reasonable expectation that the Group has adequate resources to repay its liabilities and loans when they are due and to continue operations for the foreseeable future.

2(a) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Accounting Standards Council ("ASC"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Renminbi ("RMB") which is the Company's functional currency. All financial information is presented in RMB and has been rounded to the nearest thousand, unless otherwise stated.

(i) Significant judgments

The preparation of the financial statements in conformity with FRS requires the use of judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and areas involving a significant degree of judgment are described below:

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

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

(i) Significant judgments (Cont'd)

Income taxes (Notes 18 and 23)

The Group has exposures to income taxes in Singapore and China. Significant judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payables and deferred tax liabilities as at 31 December 2015 amounted to approximately RMB148,000 (2014: RMB1,261,000) and Nil (2014: RMB4,644,000) respectively.

Impairment of property, plant and equipment (Note 4)

The Company and the Group assesses annually whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment have been determined based on the higher of the value-in-use of the asset and the fair value less costs to sell. The value-in-use calculation requires the Group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of the investment based on such estimates. The fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incidental costs for disposing the asset. These calculations require the use of judgment and estimates.

Impairment of investment in subsidiaries (Note 7 and 11)

Investments in subsidiaries are tested for impairment when there are indicators that the carrying amounts may not be recoverable or indications that an impairment loss recognised in prior periords may no longer exist or may have decreased as at the end of the reporting period. Recoverable amount is defined as the higher of an asset's or cash generating unit's fair value less costs of disposal and its value-in-use.

In current period, the group determined the recoverable useing value-in-use (as it was higher than fair value less disposal cost) which involves everything the future cash flows expected from the cash genereating units and an appropriate discount rate in order to calculate the present value of future cash flows, taking into account business outlook, including factors such as industry and sector performance, general market and economic conditions and other available informations. As at 31 December 2015, increase/decrease in discount rate by 1% would result in an increase/decrease in impairment loss in subsidiaries by approximately RMB9,997,000 (2014: Nil) and RMB 15,686,000 (2014: Nil) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

(ii) Critical accounting estimates and assumptions used in applying accounting policies

Construction contracts (Note 9)

Revenue

The Group recognises contract revenue by reference to the stage of completion of the contract activity at each end of the reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion and the contract revenue respectively. The estimates are made based on past experience and knowledge of the project engineers. The carrying amounts of assets and liabilities arising from construction contracts at each end of the reporting period are disclosed in Note 9 to the financial statements.

Significant judgment is also required to assess allowance made for foreseeable losses, if any, where the contract costs incurred for any project exceeds its contract sum.

If the revenue on uncompleted contracts at the reporting year end date had been higher/lower by 10% from management's estimates, the Group's loss would have been lower/higher by RMB6,335,000 (2014: RMB7,921,000).

Cost

Contract costs include the costs attributable to a contract for the period from the date of securing the contract to the final completion of the contract. However, costs that relate directly to a contract and are incurred in securing the contract are also included as part of the contract costs if they can be separately identified and measured reliably and it is probable that the contract will be obtained. When costs incurred in securing a contract are recognised as an expense in the period in which they are incurred, they are not included in contract costs when the contract is obtained in a subsequent period.

Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion and the contract revenue respectively. In estimating the total costs for construction contracts, management makes reference to information such as:

(a) Current offers from contractors and suppliers;

(b) Recent offers agreed with contractors and suppliers; and

(c) Professional estimation on construction and material costs.

If the contract cost of uncompleted contracts to be incurred had been higher/lower by 10% from management's estimates, the Group's loss would have been higher/lower by RMB5,025,000 (2014: RMB6,037,000).

Allowance for inventory obsolescence (Note 10)

The Group reviews the ageing analysis of inventories at each reporting date, and makes provision for obsolete and slow moving inventory items identified that are no longer suitable for sale. The net realisable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories.

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

(ii) Critical accounting estimates and assumptions used in applying accounting policies (Cont'd)

Cost (Cont'd)

If the net realisable value of the inventory increase/decrease by 10% from management's estimates, the Group's loss will decrease/increase by RMB134,000 (2014: RMB175,000). The carrying amount of the inventory is disclosed in Note 10 to the financial statements.

Depreciation of property, plant and equipment (Note 4)

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment to be within 5 to 30 years. The carrying amounts of the Group's and the Company's property, plant and equipment as at 31 December 2015 are RMB10,970,000 and RMB2,000 (2014: RMB10,469,000 and RMB4,000) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. If depreciation on property, plant and equipment increases/decreases by 10% from management, the Group's loss for the year will increase/decrease by approximately RMB84,000 (2014: RMB83,000).

Allowance for bad and doubtful debts (Note 11)

Allowances for bad and doubtful debts are based on an assessment of the recoverability of trade and other receivables including advances to trade suppliers.

The Group performs ongoing credit valuations of its customers and establish credit limits for each customer based upon the customer's payment history and current credit worthiness, as determined by the review of the customer's current credit information and past performance. The Group continuously monitor collections and payments from customers. The Group adequately provide for an allowance for doubtful accounts by collectively evaluating certain receivables based upon past experience, the probability of future defaults and other factors. For certain customers, the Group individually monitor their financial position, credit standing, and collection of receivables. If there is a high likelihood of being unable to recover the full amount of receivables in line with the initial contractual conditions, we adequately provide for an allowance for doubtful accounts for each of these customers based on the nature of the receivables, the extent of the delay in recovery, the fair value of any collateral and other information.

Management believes that the estimates made to evaluate receivables are reasonable, the balance of the allowance for doubtful accounts is adequate and a recoverable amount of receivables is presented. However, these valuations include uncertainties that are beyond the control of the Group. Therefore, the Group may need to increase the allowance for doubtful accounts in the future if there is a change in the estimates related to the valuation of receivables due to unforeseen changes in assumptions and other factors.

If the net present values of estimated cash flows had been lower by 10% from management's estimates for all past due loans and receivables, the allowance for impairment of the Group would have been higher by RMB3,023,000 (2014: RMB20,593,000). However, the Group does not foresee any impairment in trade and other receivables, other than as disclosed in Note 11.

2(b) Interpretations and amendments to published standards effective in 2015

On 1 January 2015, the Group adopted the new and amended FRSs that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS. This includes the following FRSs which are relevant to the Group:

Reference	Description
Amendments to FRS 19	Defined Benefit Plan: Employee Contributions
Improvements to FRSs (January 2014)	
FRS 16 and FRS 38	Property, Plant and Equipment and Intangible Assets – Restatement of accumulated depreciation on revaluation
FRS 24	Related Party Disclosures
FRS 102	Share-based Payment – Definition of vesting condition
FRS 103	Business Combinations – Classification and measurement of contingent consideration in a business combination
FRS 108	Operating Segments
Improvements to FRSs (February 2014)	
FRS 103	Business Combinations – Scope exceptions for joint arrangements
FRS 113	Fair Value Measurements – Scope of portfolio exception

The adoption of these new and amended FRSs and INT FRS in current year did not have a material impact on the financial statements of the Group in the period of their initial adopted except for the following:

Improvements to FRSs (January 2014) FRS 24 Related Party Disclosures

Improvements to FRSs (January 2014) FRS 24 Related Party Disclosures extends the definition of a 'related party' to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The improvements to FRSs (January 2014) FRS 24 Related Party Disclosures are effective from annual periods beginning on or after 1 July 2014. As this is a disclosure standard, it will not have any impact on the financial performance or the financial position of the Company when implemented.

Improvements to FRS (January 2014) FRS 102 Share-based Payment - Definition of vesting condition

The Improvements to FRSs (January 2014) FRS 102 Share-based Payment - Definition of vesting condition clarifies the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. In addition, it also clarifies how to distinguish between a market and a non-market performance condition; and the basis on which a performance condition can be differentiated from a non-vesting condition. The improvements to FRSs (January 2014) FRS 102 Share-based Payment - Definition of vesting condition apply prospectively to share-based payment transactions with a grant date on or after 1 July 2014. Earlier application is permitted.

Improvements to FRS (January 2014) FRS 108 Operating Segments

The Improvements to FRSs (January 2014) FRS 108 Operating Segments clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. In addition, the entity is required to disclose the judgements made by management in applying the aggregation criteria to operating segments. The improvements to FRSs (January 2014) FRS 108 Operating Segments are effective from annual periods beginning on or after 1 July 2014. As this is a disclosure standard, it will not have any impact on the financial performance or the financial position of the Group when implemented.

2(c) FRS issued but not yet effective

The following are the new or amended FRS and INT FRS issued that are not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual periods beginning on or after)
Improvements to FRSs (November 2014)		
- FRS 19	*Employee Benefits*	1 January 2016
- FRS 34	*Interim Financial Reporting*	1 January 2016
- FRS 105	*Non-current Assets Held for Sale and Discontinued Operations – Changes in methods of disposal*	1 January 2016
- FRS 107	*Financial Instruments: Disclosures*	1 January 2016
FRS 27	*Amendments to FRS 27: Equity Method in Separate Financial Statements*	1 January 2016
FRS 16, FRS 38	*Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
FRS 16, FRS 41	*Amendments to FRS 16 and FRS 41: Agriculture: Bear Plants*	1 January 2016
FRS 110, FRS 28	*Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
FRS 111	*Amendments to FRS 111: Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
FRS 1	*Amendments to FRS 1: Presentation of Financial Statements*	1 January 2016
FRS 110, FRS 112 and FRS 28	*Amendments to FRS 110, FRS 112 and FRS 28: Investment entities: Applying the consolidation exception*	1 January 2016
FRS 7	*Amendments to FRS 7: Disclosure Initiative*	1 January 2017
FRS 114	*Regulatory Deferral Accounts*	1 January 2016
FRS 109	*Financial Instruments*	1 January 2018
FRS 115	*Revenue from Contracts with Customers*	1 January 2018

The directors of the Group do not anticipate that the adoption of the above new or amendments to FRSs in future periods will have a material impact on the financial statements of the Group in the period of their initial adoption except for the following:

Amendments to FRS 1 Presentation of Financial Statements

The amendments to FRS 1 Presentation of Financial Statements clarify that if information resulting from a disclosure is not material do not have to be presented, even if they are a minimum requirement of a FRS. In addition, companies can structure the notes in a systematic manner considering the effect on the understandability and comparability of its financial statements. Specific criteria are provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and other comprehensive income, with additional reconciliation requirements for the statement of profit or loss and other comprehensive income. The amendments also clarify that companies should disaggregate line items on the statement of financial position and in the statement of profit or loss and other comprehensive income if this provides helpful information to users; and can aggregate line items on the statement of financial position if the line items specified by FRS 1 are immaterial. The amendments to FRS1 Presentation of Financial Statements are effective from annual periods beginning on or after 1 January 2016.

2(c) FRS issued but not yet effective (Cont'd)

Amendments to FRS 110, FRS 112 and FRS 28: Investment entities: Applying the consolidation exception

The amendments to FRS 110, FRS 112 and FRS 28 Investment entities: Applying the consolidation exception clarify that the exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities. An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities. Non-investment entity investors have an accounting policy choice to equity account for interests in investment entities or retain the fair value measurement applied by the investment entities. Furthermore, an investment entity that prepares financial statements in which all of its subsidiaries are measured at fair value through profit or loss in accordance with paragraph 31 of FRS 110 shall present the disclosures relating to investment entities required by this FRS. The amendments to FRS 110, FRS 112 and FRS 28 Investment entities: Applying the consolidation exception are effective from annual periods beginning on or after 1 January 2016.

FRS 109 (December 2014) Financial Instruments

FRS 109 Financial Instruments replaces FRS 39 and it is a package of improvements introduced by FRS 109 includes a logical model for:

- classification and measurement,
- a single, forward – looking "expected loss" impairment model and
- a substantially reformed approach to hedge accounting

FRS 109 is effective for annual periods beginning on or after 1 January 2018.

FRS 115 Revenue from Contracts with Customers

FRS 115 Revenue from Contracts with Customers requires the entity to recognise revenue which depict transfer of promised goods or services to customers in an amount that reflects the consideration (payment) to which the entity expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. When effective, FRS 115 replaces all existing revenue requirements in FRSs, including FRS 18, FRS 11, INT FRS 113, INT FRS 115, INT FRS 118 and INT FRS 31. FRS 115 Revenue from Contracts with Customers is effective for annual periods beginning on or after 1 January 2018. The directors are still assessing its impact but which cannot be ascertained presently.

2(d) Significant accounting policies

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

2(d) Significant accounting policies (Cont'd)

Consolidation (Cont'd)

Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if and only if the Group has all of the following:

- power over the investee;
- exposure, or rights or variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

2(d) Significant accounting policies (Cont'd)

Consolidation (Cont'd)

A change in the ownership interest Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Transactions with Non-Controlling Interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the balance sheet/consolidated statement of financial position (delete where applicable), separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Intangible assets

Intangible assets are accounted for using the cost model with the exception of goodwill. Capitalised costs are amortised on a straight-line basis over their estimated useful lives for those considered as finite useful lives. After initial recognition, they are carried at cost less accumulated amortisation and accumulated impairment losses, if any. In addition, they are subject to annual impairment testing. Indefinite life intangibles are not amortised but are subject to annual impairment testing.

Intangible assets are written off where, in the opinion of the directors, no further future economic benefits are expected to arise.

Patents

Costs relating to patents which are acquired from a third party and internally developed dust elimination technology with pulsating rotary positioning mechanism to clean dust are capitalised and amortised on straight-line basis over its useful life of eight years and ten years respectively.

2(d) Significant accounting policies (Cont'd)

Intangible assets (Cont'd)

Research and development costs

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

Development costs are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful life of 6 years.

Capitalised costs that are directly attributable to the development phase are recognised as intangible assets provided that they meet the following recognition requirements:

- demonstration of technical feasibility of the prospective product or processes for sale
- the intangible asset will generate probable economic benefits through sale
- sufficient technical, financial and other resources are available for completion
- the intangible asset can be reliably measured.

Directly attributable costs include direct raw material, employee costs incurred on product development with an appropriate portion of relevant overheads. However, until completion of the development of the products or processes, the assets are subject to impairment testing only. Amortisation commences upon the launch of the sales of the products or from the date the processes is put into use.

Club membership

Club membership was acquired separately and is amortised on a straight-line basis over its finite useful life of 20 years.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is computed utilising the straight-line method to allocate the depreciable amount of the assets over their estimated useful lives as follows:

Commercial properties	30 years
Machinery and equipment	10 years
Motor vehicles	5 - 10 years
Office equipment	5 - 10 years

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

2(d) Significant accounting policies (Cont'd)

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

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date as a change in estimates.

Investment in subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Investment in subsidiaries is stated in the Company's statement of financial position at cost less accumulated impairment losses. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investment in associate

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

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

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

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

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

2(d) Significant accounting policies (Cont'd)

Investment in associate (Cont'd)

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

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

Upon loss of significant influence or joint control over the associate, the Group measures the retained interest at fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

The Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would have been required if that associate or joint venture had directly disposed of the related assets or liabilities.

When an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

If the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Financial assets

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the financial assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date – the date on which the Group and the Company commit to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

De-recognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to recognise the asset and settle the liability simultaneously.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

2(d) Significant accounting policies (Cont'd)

Financial assets (Cont'd)

As at 31 December 2015, the Group carries loans and receivables on the statements of financial position. The Group does not have financial assets at fair value through profit or loss, held for maturity investments or available-for-sale financial assets at 31 December 2015.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables include trade and other receivables, related party balances and cash and cash equivalents. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write-back is recognised in the profit or loss.

Loans and receivables comprise trade and other receivables and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, unpledged bank deposits, and short-term, highly liquid investments which are readily convertible to cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of bank overdrafts, if any, which are repayable on demand and which form an integral part of cash management.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis, and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity.

Provision is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Share capital

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

Financial liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in "finance costs" in the profit or loss. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

2(d) Significant accounting policies (Cont'd)

Financial liabilities (Cont'd)

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the profit or loss over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

Borrowings which are due to be settled within 12 months after the end of reporting period are included in current liabilities in the statements of financial position even though the original terms were for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of reporting period. Borrowings to be settled within the Group's normal operating cycle are classified as current. Other borrowings due to be settled more than twelve months after the end of reporting period are included in non-current borrowings in the statements of financial position.

Financial liabilities comprise trade and other payables, loans and borrowings and other liabilities.

Trade and other payables

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

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

Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiary. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiary fails to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognised at their fair value plus transaction costs in the statements of financial position.

Financial guarantee contracts are subsequently amortised to the profit or loss over the period of the subsidiary's borrowings, unless the Company has incurred an obligation to reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the bank. The fair value of the financial guarantees is insignificant.

Operating leases, where the Group is the lessee

Rentals on operating leases are charged to the profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination of lease, if any, are recognised in profit or loss when incurred. Contingent rents, if any, are mainly determined as a percentage of revenue in excess of a specified amount during the month. They are charged to the profit or loss when incurred.

2(d) Significant accounting policies (Cont'd)

Employee benefits

Defined contribution plans – pension obligations

The Group and the Company participate in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations. In particular, the PRC incorporated company in the Group contributes to certain staff pension benefits, a defined contribution plan regulated and managed by PRC regulations, which applies to the majority of the employees. The Company in Singapore makes contribution to the Central Provident Fund Scheme in Singapore, a defined contribution pension scheme. The contributions to national pension scheme are charged to the profit or loss in the period to which the contributions relate.

Employee leave entitlements

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

Share-based payments

The group issues equity-settled and cash-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain managerial personnel are considered key management personnel.

Income taxes

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

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

2(d) Significant accounting policies (Cont'd)

Income taxes (Cont'd)

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, and associated companies, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be recognised.

Deferred income tax is measured:

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

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

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

Value-added tax ("VAT")

Revenues, expenses and assets are recognised net of the amount of VAT except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables on the statements of financial position.

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

    (i) has control or joint control over the Company;

    (ii) has significant influence over the Company; or

    (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

2(d) Significant accounting policies (Cont'd)

Related parties (Cont'd)

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) the entity and the Company 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 employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(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 the key management personnel of the entity (or of a parent of the entity).

(viii) the Company, or any member of a group of which it is a part, provides key management personnel services to the Company.

Impairment of non-financial assets

The carrying amounts of the Group's and the Company's non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units that include intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation.

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

2(d) Significant accounting policies (Cont'd)

Impairment of non-financial assets (Cont'd)

With the exception of goodwill,

- An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

- An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

- A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the profit or loss, a reversal of that impairment loss is recognised as income in profit or loss.

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services taxes or value-added taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable those costs will be recoverable. Contracts costs are recognised when incurred. When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised by using the percentage of completion method. Contract costs comprise materials, direct labour, sub-contractors' cost and an appropriate proportion of overheads.

The percentage of completion is based on the contract costs incurred to-date to the estimated total costs for the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately, irrespective of whether or not work has commenced.

The aggregated costs incurred and the profit/(loss) recognised on each contract are compared against progress billings up to the financial year end. Where costs incurred and recognised profit (less recognised losses) exceed progress billings, the balance is shown as gross amount due from customers for "construction work-in-progress". Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers for "contract work-in-progress". Advances from customers are presented as "other liabilities" in the statement of financial position.

2(d) Significant accounting policies (Cont'd)

Revenue recognition (Cont'd)

Design and technical services

Revenue from design and technical services is recognised by reference to the stage of completion at the end of reporting period. Stage of completion is determined by reference to actual costs incurred to date as a percentage of total budgeted costs for each contract. Where the outcome cannot be measured reliably, revenue is recognised to the extent of the expenses that are recoverable.

Operation and maintenance

Revenue from operation and maintenance services is recognised when the services are completed.

Interest income

Interest income is recognised on a time-apportioned basis using the effective interest rate method.

Dividend income

Dividend income from investments is recognised gross when the right to receive the dividend has been established.

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in RMB, which is also the functional currency of the Company.

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting period are recognised in the profit or loss.

However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

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

2(d) Significant accounting policies (Cont'd)

Conversion of foreign currencies (Cont'd)

<u>Group entities</u>

The results and financial positions of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

(ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of transactions; and

(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profits, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability. Interim dividends, if any, are simultaneously proposed and declared, because the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Government Grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an income, it is recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses, the related costs for which the grant is intended to compensate. Grants related to income are presented as a credit in profit or loss, under the heading of "Other Income". Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual installments.

Operating segments

For management purposes, operating segments are organised based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers are directly accountable to the managing director who regularly reviews the segment results in order to allocate resources to the segments and to assess segment performance.

Financial instruments

Financial instruments carried on the statements of financial position include cash and cash equivalents, financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. These instruments are recognised when contracted for.

Disclosures on financial risk management objectives and policies are provided in Note 29.

3 Principal activities and revenue

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements. Revenue by significant categories is as follows:

The Group	2015 RMB'000	2014 RMB'000
Contract revenue	47,804	48,970
Rendering of services	3,383	23,417
	51,187	72,387

4 Property, plant and equipment

The Group	Commercial properties RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
Cost					
At 1 January 2014	7,749	1,163	4,344	851	14,107
Additions	–	–	–	5	5
Disposals	–	–	(190)	–	(190)
At 31 December 2014	7,749	1,163	4,154	856	13,922
Additions	–	–	1,324	33	1,357
Disposals	–	–	(97)	–	(97)
At 31 December 2015	7,749	1,163	5,381	889	15,182
Accumulated depreciation					
At 1 January 2014	461	160	1,598	502	2,721
Depreciation for the year	242	105	393	87	827
Disposals	–	–	(95)	–	(95)
At 31 December 2014	703	265	1,896	589	3,453
Depreciation for the year	242	105	413	79	839
Disposals	–	–	(80)	–	(80)
At 31 December 2015	945	370	2,229	668	4,212
Net book value					
At 31 December 2015	6,804	793	3,152	221	10,970
At 31 December 2014	7,046	898	2,258	267	10,469

4 Property, plant and equipment (Cont'd)

The Company	Office equipment RMB'000
Cost	
At 1 January 2014 and 2015	11
At 31 December 2014 and 2015	11
Accumulated depreciation	
At 1 January 2014	5
Depreciation for the year	2
At 31 December 2014	7
Depreciation for the year	2
At 31 December 2015	9
Net book value	
At 31 December 2015	2
At 31 December 2014	4

The net proceeds on disposals of property, plant and equipment amounting to RMB285,000 in 2014 have been offset against the balances owing to trade creditor as part settlement for trade payable balances.

5 Intangible assets

The Group	Patents RMB'000	Deferred development costs RMB'000	Total RMB'000
Cost			
At 1 January 2014	370	6,641	7,011
Additions	2,608	–	2,608
At 31 December 2014	2,978	6,641	9,619
Additions	–	–	–
At 31 December 2015	2,978	6,641	9,619

5 Intangible assets (Cont'd)

The Group	Patents	Deferred development costs	Total
	RMB'000	RMB'000	RMB'000
Accumulated amortisation			
At 1 January 2014	305	1,168	1,473
Amortisation for the year	67	1,113	1,180
At 31 December 2014	372	2,281	2,653
Amortisation for the year	280	1,113	1,393
At 31 December 2015	652	3,394	4,046
Net book value			
At 31 December 2015	2,326	3,247	5,573
At 31 December 2014	2,606	4,360	6,966

Amortisation expense included in profit or loss is analysed as follows:

The Group	2015	2014
	RMB'000	RMB'000
Amortisation expense charged to:		
Administrative expenses	1,393	1,180

Patents

In 2014, the patent amounted to RMB2,608,000 relates to internally developed new dust elimination technology with pulsating rotary positioning mechanism to clean dust and this invention patent is registered successfully on 10 December 2014 with a 20 year validity period. Due to the continuous technological advancement in this fast changing air pollution industry, amortisation is accelerated over a 10 year period instead. As at 31 December 2015, the patent has a remaining tenure of 107 months (2014: 119 months).

Deferred development costs

Deferred development costs relate to technological effectiveness improvement project for dust elimination and desulphurisation system segments. The development has undergone commercial sale and amortisation of the deferred development costs has been made from the month of the commencement of the sale since 2012. The deferred development costs have an average amortisation period of 35 months (2014: 47 months) as at 31 December 2015.

6 Club membership

The Group	Club membership RMB'000
Cost	
At 1 January 2014 and 2015	930
At 31 December 2014 and 2015	930
Accumulated amortisation	
At 1 January 2014	120
Amortisation for the year	47
At 31 December 2014	167
Amortisation for the year	46
At 31 December 2015	213
Net book value	
At 31 December 2015	717
At 31 December 2014	763

The Group bought a golf club membership in May 2011 for RMB930,000. As at 31 December 2015, the membership has a remaining useful life of 185 months (2014: 197 months).

7 Investment in subsidiaries

The Company	2015 RMB'000	2014 RMB'000
Unquoted equity shares, at cost	152,494	152,494
Allowance for impairment – Investment in subsidiary	(77,494)	–
At 31 December	75,000	152,494
Amount owing to subsidiary (Note 20)	248	174

The non-trade amount owing to the subsidiary, Jilin Anjie Environmental Engineering Co., Ltd relates to payments made on behalf of the Company, is unsecured, interest-free and repayable on demand.

The non-trade amount owing by and to the subsidiary is denominated in RMB.

7 Investment in subsidiaries (Cont'd)

Allowance for impairment

During the financial year ended 31 December 2015, the subsidiary in Jilin Anjie Environmental Engineering Co., Ltd has incurred substantial loss for the year of RMB266,103,000 as opposed to a profit after tax of RMB5,137,000 for the financial year ended 31 December 2014. An allowance for impairment of RMB118,054,000 (2014: Nil) was recognised in respect of the Company's investments in the subsidiary and amount owing by subsidiary to reduce the carrying value of the investment to its recoverable amounts. The recoverable amounts of the investment were determined based on the Value in Use ("VIU") of the subsidiary using cash flow projections approved by management, which are determined using pre-tax discount rates of approximately 16.3% for environmental business.

The movement of the allowance for impairment of the investment during the year ended 31 December 2015 and 2014 is as follows:

The Company	2015 RMB'000	2014 RMB'000
Allowance for impairment of investment in subsidiary		
Balance at beginning of year	–	–
Allowance for impairment	77,494	–
Balance at end	77,494	–

Refer to note 11 for the allowance for impairment of amount owing by subsidiary of RMB40,560,000 (2014 : Nil).

The calculation of the allowance for impairment is as follows:

The Company	2015 RMB'000	2014 RMB'000
Unquoted equity shares, at cost	152,494	152,494
Amount owing by subsidiary (Note 11)	40,560	40,560
Net investment in subsidiary	193,054	193,054
Less: Allowance for impairment on net investment in subsidiary	(118,054)	N/A
VIU of subsidiary – Jilin Anjie Environmental Engineering Co., Ltd	75,000	N/A
Less: Interest-bearing liabilities	–	–
Net equity in subsidiary	75,000	N/A

7 Investment in subsidiaries (Cont'd)

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Issued and fully paid share capital	Registered capital	Proportion of ownership interest and voting rights held		Principal activities
		RMB	RMB	2015	2014	
				%	%	
Held by the Company:						
Jilin Anjie Environmental Engineering Co., Ltd. ("Anjie Environmental") [1]	People's Republic of China	150,000,000	150,000,000	100	100	Research and development, design, manufacture and installation of environmental protection systems and provision of technical consulting and support services of environmental protection technologies and systems
Held by Jilin Anjie Environmental Engineering Co., Ltd.						
Jilin Anjie New Energy Power Generation Co. Ltd ("Anjie New Energy")[2]	People's Republic of China	1,072,555	100,000,000	95.1	–	Investment in construction and operation of new energy generation, water management and other related environmental projects
Dunhuang Yincheng New Energy Co., Ltd ("Yincheng New Energy")[2]	People's Republic of China	100	10,000,000	100	–	Investment in construction and operation of new energy generation, water management and other related environmental projects
Dunhuang Anjie New Energy Co., Ltd ("Dunhuang New Energy")[3]	People's Republic of China	–	30,000,000	100	–	Investment, development and sales in solar, wind hydro, gothermal power projects and provision of related technical support and services

1 Audited by Da Xin Certified Public Accountants LLP, Jilin Branch, People's Republic of China, and audited by Foo Kon Tan LLP for consolidation purposes.

2 Anjie New Energy and Yincheng New Energy were incorporated on 19 June and 29 June 2015 respectively and remained dormant for the financial year ended 31 December 2015.

3 On 4 November 2015, the wholly owned subsidiary was incorporated with a registered share capital of RMB30,000,000 and remained dormant for the financial year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

8 Investment in associate

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Equity investments				
At 1 January	3,715	5,578	4,845	5,913
Share of results cumulative				
- current year (Note 22(d))	(275)	(795)	–	–
Transfer to other receivables as a result of cessation of significant influence	–	(1,068)	–	(1,068)
Impairment on investment in associate	(3,440)	–	(4,845)	–
At 31 December	–	3,715	–	4,845

In view of the continued losses of the associate, the Group and Company recognized an allowance for impairment of RMB3.4 million (2014: Nil) and RMB4.8 million (2014: Nil) respectively for the year ended 31 December 2015. Management has considered the impairment at fair value level 3 as the associate has incurred persistent losses which resulted in the erosion in the share of net tangible assets by the company.

The associate is:

Name	Country of incorporation/ principal place of business	Effective percentage of equity held		At Cost		Principal activities
		2015	2014	2015	2014	
				RMB'000	RMB'000	
Nano Sun Pte Ltd [1]	Singapore Republic	20%	20%	4,845	4,845	Develop and market the technology of producing and fabricating TiO2 membrane and microsphere for purposes of purification of water

1 S S Lee PAC was first appointed upon the company's incorporation; replaced by Wan Associates on 2 March 2015

8 Investment in associate (Cont'd)

Summarised financial information of the associate is as follows:

	2015 RMB'000	2014 RMB'000
Nano Sun Pte Ltd		
Revenue	–	233
Loss from continuing operations	(1,375)	(4,208)
Loss for the year	(1,375)	(3,975)
Other comprehensive income for the year	–	–
Total comprehensive income for the year	–	(3,975)
Unrecognised share of losses of associate		
The unrecognised share of losses for the year	–	–
Cumulative share of loss of associate	(1,405)	(1,130)

The above summarised financial statements of Nano Sun Pte Ltd represent the summarised financial information up to 30 June 2015.

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2015 RMB'000	2014 RMB'000
Net assets of Nano Sun	2,644	4,031
Proportion of the Group's ownership interest in the associate	529	806
Excess of consideration on acquisition over proportionate interest in net assets of associate	2,941	2,941
Allowance for impairment of investment in the associate	(3,440)	–
Translation differences	(30)	(32)
Carrying amount of the Group's interest in the associate	–	3,715

9 Gross amount due from / (to) customers for contract work-in-progress

The Group	2015 RMB'000	2014 RMB'000
Contract costs incurred to date	50,250	60,367
Recognised profits less recognised losses to date	13,097	18,846
	63,347	79,213
Progress billings	(45,727)	(63,778)
	17,620	15,435
Presented as:		
Gross amount due from customers for contract work-in-progress	18,193	17,207
Gross amount due to customers for contract work-in-progress	(573)	(1,772)
	17,620	15,435
Advances received on construction contracts (Note 21)	360	13,967
Unbilled work-in-progress written off (Note 22(b) & 22(d))	1,169	–
Retention receivables from construction work-in-progress included in gross amount due from customers	3,920	2,952

10 Inventories

The Group	2015 RMB'000	2014 RMB'000
Raw materials , at cost	1,342	1,747
Income statement:		
Cost of inventories included in cost of sales	31,145	31,210

11 Trade and other receivables

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables (Gross)	189,560	164,150	–	–
Allowance for impairment (Note 22(d))	(174,763)	–	–	–
	14,797	164,150	–	–
Retention receivables	5,698	28,262	–	–
Bills receivables	3,505	4,396	–	–
Other receivables	6,230	9,118	–	1,069
Amount owing by subsidiary (Note 7)	–	–	40,560	–
Allowance for impairment	–	–	(40,560)	–
Total	30,230	205,926	–	1,069
Allowance for impairment of trade receivables and amount owing by subsidiary				
Balance at beginning	–	–	–	–
Allowance for the year	174,763	–	40,560	–
Balance at end	174,763	–	40,560	–
Bad debt written off directly to profit or loss (Note 22(d))	1,875	–	–	–

Trade receivables are non-interest bearing and are generally on 150 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The Group's carrying amount of factored debts and its associated liabilities as at 31 December 2014 are fully repaid during the financial year ended 31 December 2015:

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of factored assets	–	2,600	–	–
Carrying amount of associated liabilities (Note 19)	–	(2,600)	–	–
Net position	–	–	–	–

In determining the recoverability of trade and other receivables, the Group considers any change in the credit quality of the trade receivables from the date credits were initially granted (including the initial contract work in progress stage) up to the end of the reporting period. In addition, management evaluates the adequacy of the allowance for doubtful trade receivables by analysing trade receivables collections trends, historical bad debts, customer concentrations, customer creditworthiness, the date of completion of the construction contracts, the credit tightening measures by the PRC government, and the changes in customer payment terms and general financial conditions of the customers.

As a result of its critical evaluations performed on the trade receivables, management has made allowance for impairment of RMB174,763,000 as of 31 December 2015 (2014: Nil). Trade receivables are individually determined as allowance for impairment at the end of reporting period as the probability of recovering these trade debts are remote. These trade receivables are not secured by any collateral or credit enhancements. Other than the above, there are no further allowance for impairment in respect of the remaining trade receivables including those receivables that are past due but not impaired.

11 Trade and other receivables (Cont'd)

Below summarises the majority of trade receivables that have been impaired during the current financial year and the principal reasons for the impairment:

Debtor	Amount (RMB'000)	Events and circumstances leading to impairment
A	91,347	Debtor has de-registered its tax account with the tax authority. The Company has been advised by its legal adviser that, the debtor has ceased operations and is in the process of deregistering of its business licence.
B	63,404	Debtor is experiencing significant financial difficulties.
C	14,360	Debtor is experiencing significant financial difficulties.

In view of the significant financial difficulties faced by the debtors B and C including operating losses and significant outstanding bank loan obligations by these debtors, management has made an impairment allowance for these debtors.

The management and the external auditors have visited and interviewed these two debtors on site to understand the financial standing of the debtors and their ability to make repayments. It was noted that the debtors had incurred heavy operating losses and had difficulties in repaying their bank loans. Debtor B did not have the funds to repay its debts and debtor C experienced difficulties in repaying its utilities and workers' wages which were overdue for several months.

In respect of debtor A, management has been informed by the debtor that they were unable to service the outstanding debts as the debtor had previously relied on government funding and funding had been delayed indefinitely. Management had engaged a legal adviser to contact and demand repayments from the debtor but to no avail. It was noted that this debtor has had its PRC tax account deregistered. Refer to Note 29.2 on the implementation of measures to cutail and monitor the Group's exposure to credit risk.

Retention receivables relate to amounts (ranging from 5% to 10% of the contract sums or agreed amounts with customers) withheld by customers normally for a period of one year as a form of warranty against defects in the construction projects.

Bills receivables are non-interest bearing and have maturity periods of approximately 90 days.

The amount due from subsidiary relates to dividends receivable from Anjie Environmental and is unsecured, non-trade in nature, non-interest bearing and repayable on demand. As at 31 December 2015, there was allowance for impairment on the entire amount due from subsidiary based on the impairment assessment (Note 7).

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

Trade receivables, retention receivables, bills receivables, other receivables and amount due from subsidiary that are neither past due nor impaired are substantially companies with good collection track record with the Group are as follows:

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current – Neither past due nor impaired	20,636	56,380	–	41,629

11 Trade and other receivables (Cont'd)

(ii) Financial assets that are past due but not impaired

The age analysis of trade receivables, retention receivables, bills receivables, other receivables and amount due from subsidiary past due and not impaired was as follows:

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables past due but not impaired:				
91 days to 365 days	6,009	4,850	–	–
More than 365 days	3,585	144,696	–	–
	9,594	149,546	–	–

The Group has not recognised an allowance for impairment of trade receivables for the remaining outstanding balances in the current year as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

12 Prepayments

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Advances to trade suppliers (Gross)	197,542	173,050	–	–
Allowance for impairment of advances to trade supplier (Note 22(d))	(84,743)	–	–	–
	112,799	173,050	–	–
Prepaid operating expense	388	491	69	178
Advances to non-trade suppliers	3,168	1,647	–	–
	116,355	175,188	69	178
Allowance for impairment				
Balance at beginning	–	–	–	–
Allowance for the year	84,743	–	–	–
Balance at end	84,743	–	–	–
Other non-trade supplier written off (Note 22(d))	503	–	–	–

The advances to trade suppliers relate to advance payments made to suppliers of raw materials for contracts scheduled for the following financial year.

12 Prepayments (Cont'd)

The advances to trade suppliers are made without the supplier invoices obtained at the point when the expenses were incurred. The advances to trade suppliers will be reclassified and recognised as project costs upon the receipt of supplier invoices. Advances are made to suppliers for the following reasons:

- the items purchased from suppliers must be customised to meet the needs of specific projects. Suppliers would require advances in order to commit to the production of these customised items.

- some customers impose a requirement on the project bidders to make advances to the customer-appointed supplier(s) during the bidding stage or upon signing of the contract so as to ensure that Anjie Environmental would be capable of providing the required initial capital to facilitate timely delivery of items to project sites and to complete the project on a timely basis.

As at 31 December 2015, the Group made allowance for impairment of advances to trade supplier as it relates to a supplier who is uncontactable because of significant financial difficulties. Apart from this, management is of the view that there is no further impairment needed. In arriving at this conclusion, financial reviews and due diligence were performed by purchasing manager and the purchasing team has followed up closely with these suppliers and has also made frequent visits to their companies for updates. Nothing has come to the management's attention that the other suppliers are also in financial difficulties.

Below summarise the advances to trade supplier that have been impaired during the current year and the principal reason for the impairment.

Supplier	Amount (RMB'000)	Events and circumstances leading to impairment
A	84,743	Supplier is experiencing significant financial difficulties and has been uncontactable as confirmed by the legal advisors of the Company.

In view of the significant financial difficulties faced by supplier A including operating losses and that the supplier has been uncontactable as advised by the legal adviser engaged by the Group, management has made an impairment allowance for this supplier.

Arising from the credit risk exposures, the Group will endeavour to minimise such advances to be given in securing and undertaking industrial wastegas and wastewater contracts. In the event of any uncertainties or delays to the contracts, management will expedite to work closely with the suppliers to seek alternative solutions to the advances.

13 Bank deposits pledged

Bank deposits pledged amounting to RMB17,960,000 (2014: RMB62,172,000) as at 31 December 2015 are held in a designated bank account as security to obtain additional bank loans of RMB17,000,000 (2014: RMB60,000,000). As at 31 December 2015, there is no bank deposit pledged (2014: RMB232,000) for the bills payable facilities, as the bills payable is fully settled.

14 Cash and cash equivalents

	The Group		The Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	379	1,672	–	–
Cash at bank	25,718	73,379	9,371	1,945
	26,097	75,051	9,371	1,945

For the purpose of the consolidated cash flow statement, the year-end cash and bank balances comprise the following:

		The Group	
	Note	2015	2014
		RMB'000	RMB'000
Cash at bank and on hand, and bank deposits pledged		44,057	137,223
Less: Bank deposits pledged	13	(17,960)	(62,172)
		26,097	75,051

The weighted average effective interest rates as at 31 December 2015 for the Group and the Company were 0.35% (2014: 0.35%) and 0.20% (2014: 0.20%) per annum respectively.

15 Share capital

	No. of ordinary shares		Amount	
The Group and The Company	2015	2014	2015	2014
			RMB'000	RMB'000
Issued and fully paid, with no par value				
Balance at beginning of year	551,959,000	527,959,000	211,449	205,834
Issue of new ordinary shares pursuant to the private placement	51,300,000	24,000,000	10,749	5,823
Share issuance expenses	–	–	(249)	(208)
Grant of shares under LET Performance share scheme	13,950,000	–	2,798	–
Balance at end of year	617,209,000	551,959,000	224,747	211,449

On 22 June 2015, the Company undertook a private placement which comprised the placement of 51,300,000 new ordinary shares in the capital of the Company at S$0.045 for each new share.

On 2 September 2015, the Company granted and issued, an aggregate of 13,950,000 new shares amounting to RMB 2,798,000 (2014: Nil) to 20 employees of the subsidiary (Jilin Anjie Environmental Engineering Co., Ltd.) in accordance with the terms of the LET Performance Share Scheme. The new shares constituted 2.3% of the issued shares of the Company and the last traded market price of the shares prior to the issue and allotment date was S$0.045.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

16 PRC statutory common reserve

According to the PRC Company Law, the subsidiaries in PRC are required to transfer between 10%-50% of their profit after taxation to statutory common reserve until the common reserve balance reaches 50% of the registered capital. For the purpose of calculating the transfer to this reserve, the profit after taxation shall be the amount determined under the PRC accounting standards. The transfer to this reserve must be made before the distribution of dividends to shareholders.

Statutory common reserve can be used to make good previous years' losses and for conversion to capital, if any, provided that the balance remains not less than 25% of the registered capital.

The Group	2015 RMB'000	2014 RMB'000
Balance at beginning of the year	31,748	31,230
Appropriation of profit to reserve	–	518
Balance at end	31,748	31,748

17 Merger reserve

This represents the difference between the consideration paid and the paid-in capital of the subsidiary based on the pooling of interest method.

18 Deferred tax liabilities

The Group	2015 RMB'000	2014 RMB'000
Balance at beginning	4,643	4,643
Write-back of provision	(4,643)	–
Balance at end	–	4,643

Deferred tax liabilities are to be settled after one year.

On 22 February 2008, the State Administration of Taxation of China issued a circular Caishui [2008] No.001, which imposes withholding tax on distribution of dividends from post 1 January 2008 profits to foreign investors. Accordingly, no deferred tax liabilities arise from undistributed profits of the Company's PRC subsidiary accumulated up till 31 December 2007. Provision for deferred tax liabilities however, would be required on profits accumulated from 1 January 2008 onwards.

Deferred tax liabilities arise as a result of:

The Group	2015 RMB'000	2014 RMB'000
Withholding tax on undistributed profits of PRC subsidiary	–	4,643

Withholding tax pertains to the PRC withholding tax on the portion of the distributable profits derived by the Group's subsidiary in the PRC, Anjie Environmental, in the current financial year which is expected to be distributed out as dividends to its shareholders. The Group has provided for withholding tax based on the dividends that would be required to be proposed or paid by Anjie Environmental under business conditions to meet its operational needs and shareholders' expectation. As at 31 December 2015, the Group has written back deferred tax liabilities of RMB4,643,000 (2014: Nil) as Anjie Environmental did not have an undistributed profits out of which to declare dividend.

18 Deferred tax liabilities (Cont'd)

Unrecognised tax loss

At the end of the financial year, the Group has unrecognised tax loss of approximately RMB700,000 (2014: Nil) that is available for offset against future taxable profits of the companies in the Group in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of the tax loss is subject to the agreement of the tax authorities and compliance with the provisions of the tax legislation of the respective countries in which the companies operate.

19 Borrowings

The Group	Note	2015 RMB'000	2014 RMB'000
Current			
Bank loans			
China Merchants Bank Co., Ltd (招商银行长春大经路支行)	(a)	97,000	170,000
Bank of Jilin Tonghua Er Dao Jiang branch (吉林银行通化二道江支行)	(b)	–	2,600
		97,000	172,600

(a) Bank loan amounting to RMB60 million obtained as part of the bank's initiative to support environmental businesses in Jilin Changchun in 2014, are fully repaid on 25 January 2015. In addition, the remaining loan amounts of RMB30 million which was also part of the bank's initiative, was repaid on 26 January 2015 and 13 March 2015 respectively and was renewed for another year to 12 March 2016, with annual interest rate of 4.48% (2014: 6%). An additional 17 million was obtained on 30 January 2015 with annual interest rate of 5.6%.

(b) The banks loans of RMB2.6 million which are associated with factored trade receivables with recourse are fully settled during the year. Refer to note 11.

(c) The bank loan amounts of RMB30 million are fully repaid on 10 December 2015 and not renewed, whereas, the bank loan amounts of RMB50 million are fully repaid and renewed on 15 December 2015 with an annual interest rate of 4.48% (2014: 6.16%) at the end of financial year.

The loans of RMB80 million (2014: RMB110 million) are mainly secured by corporate guarantees from Leader Environmental Technologies Limited and personal guarantees provided by the Executive Chairman and Chief Executive Officer of the Company and his spouse, while additional loan amounts of RMB17 million (2014: RMB60 million) and due on 29 January 2016 are secured by bank deposits pledged of RMB18.0 million (2014: RMB62 million). Fair value of the guarantee is considered immaterial.

The carrying amounts of current borrowings approximate their fair values.

20 Trade and other payables

	Note	The Group 2015 RMB'000	The Group 2014 RMB'000	The Company 2015 RMB'000	The Company 2014 RMB'000
Trade payables		39,642	36,425	–	–
Bills payable		–	232	–	–
Other payables		22,130	3,270	173	318
Amount due to subsidiary (Note 7)		–	–	248	174
Net trade and other payables		61,772	39,927	421	492
Other liabilities	21	7,338	19,148	1,165	1,424
		69,110	59,075	1,586	1,916

Trade payables are non-interest bearing. Trade payables are normally settled on 90 days' terms while other payables have an average term of three months.

Included in other payables relates to short term loan obtained from an unrelated third party of RMB20.0 million (2014: Nil) for a one month duration. The short term loan is unsecured, repayable on demand, bears interest at rate normally charged by PRC banks for similar tenure. Subsequently, the loan was repaid in January 2016.

The amount due to subsidiary is non-trade in nature, unsecured, non-interest bearing, repayable on demand and is to be settled in cash.

21 Other liabilities

	The Group 2015 RMB'000	The Group 2014 RMB'000	The Company 2015 RMB'000	The Company 2014 RMB'000
Accrued purchases	5,279	2,953	–	–
Accrued salary and related expenses	215	728	–	483
Advances from customers (Note 9)	360	13,967	–	–
Accrued operating expenses	1,165	942	1,165	941
Accrued welfare expenses	319	558	–	–
	7,338	19,148	1,165	1,424

22(a) Financial income and costs

The Group	2015 RMB'000	2014 RMB'000
Financial income:		
Interest income from bank balances	1,696	178
Financial costs:		
Interest expense on bank loans	(7,540)	(6,474)

22(b) Other income/(expenses)

The Group	2015 RMB'000	2014 RMB'000
Other income:		
Gain on disposal of property, plant and equipment	28	190
Rental income	–	226
Others	148	–
	176	416
Other expenses:		
Bad debt written off (Note 11)	(1,875)	–
Allowance for impairment of trade receivables (Note 11)	(174,763)	–
Allowance for impairment of advances to trade supplier (Note 12)	(84,743)	–
Allowance for impairment of investment in associate (Note 8)	(3,440)	–
Unbilled work-in-progress written off (Note 9)	(1,169)	–
Other non-trade supplier written off	(503)	–
Exchange loss	(243)	(41)
Contribution to the PRC Flood Prevention Fund	(78)	(37)
Fixed asset written off	(6)	–
	(266,820)	(78)

22(c) Administrative expenses

The Group	2015 RMB'000	2014 RMB'000
Employee salary and related costs	5,930	4,604
Directors' Remuneration	819	1,399
Depreciation of property, plant and equipment	561	536
Amortisation of intangible assets and club membership	1,439	1,227
Fair value of shares issued pursuant to LET Performance Share scheme	2,798	–
Operating lease expenses	274	292
Transportation expenses	355	336
Agent fees	991	758
Professional fees	682	356
Travelling and entertainment expenses	2,205	1,249
Others	1,672	1,252
	17,726	12,009

22(d) (Loss)/profit before taxation

The Group	Note	2015 RMB'000	2014 RMB'000
(Loss)/profit before taxation has been arrived at after charging/(crediting):			
Audit fee:			
- auditors of the Company		635	675
Non-audit fee:			
- Other auditors		108	–
Gain on disposal of property, plant and equipment		(28)	(190)
Fixed asset written off		6	–
Depreciation of property, plant and equipment	4	839	827
Amortisation of intangible assets and club membership	5&6	1,439	1,227
Unbilled work-in-progress written off	9	1,169	–
Bad debt written off	11	1,875	–
Allowance for impairment of trade receivables	11	174,763	–
Fair value of shares issued pursuant to LET Performance Share scheme	25	2,798	–
Share of results of associates	8	275	795
Operating lease expenses		1,030	1,040
Employee compensation*	25	8,265	8,553
Allowance for impairment of advances to trade supplier	12	84,743	–
Other non-trade supplier written off	12	503	–
Allowance for impairment of investment in associate	8	3,440	–

* Includes remuneration of directors and key management personnel as disclosed in Note 27 to the financial statements.

23 Taxation

The Group	2015 RMB'000	2014 RMB'000
Current taxation	658	1,854
Deferred taxation (Note 18)		
- write-back of provision	(4,643)	–
	(3,985)	1,854

23 Taxation (Cont'd)

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the Singapore statutory rate of income tax on Group's (loss)/profit as a result of the following:

The Group	2015 RMB'000	2014 RMB'000
(Loss)/profit before taxation	(276,582)	1,950
Tax at the domestic rates applicable to (loss)/profit in the countries concerned [1]	(69,145)	487
Difference in foreign tax rate	813	538
Tax effect on non-deductible expenses	65,908	85
Effect of loss not available for offset against future profits – the Company	1,212	722
Effect of loss not recognised as deferred tax assets (Note18) – the Subsidiaries	1,212	–
Write-back of provision for withholding tax on undistributed earnings of subsidiary	(4,643)	–
Others	658	22
	(3,985)	1,854

1 The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The nature of expenses that are not deductible for tax purposes is as follows:

The Group	2015 RMB'000	2014 RMB'000
Purchases not supported by value added tax invoices	80	40
Entertainment expenses incurred over and above the amount deductible under the PRC tax regulations	240	41
Bad debt written off, allowance for impairment of trade receivables and allowance for impairment of investment in associate	65,587	–
Others	1	4
	65,908	85

Leader Environmental Technologies Limited (the "Company")

The Company is incorporated in Singapore and is subject to a tax rate of 17% for the financial years ended 31 December 2015 and 2014. It has no taxable income for the financial year ended 31 December 2015. The loss for 2015 is not deductible against future profits under current tax legislation.

Jilin Anjie Environmental Engineering Co., Ltd. ("Anjie Environmental")

The corporate income tax rate applicable to Anjie Environmental is 25% (2014: 25%) for the financial year ended 31 December 2015. There is no unrecognised tax loss (gross) in 2015 (2014: Nil).

Jilin Anjie New Energy Power Generation Co., Ltd. ("Anjie New Energy")

The corporate income tax rate applicable to the newly incorporated subsidiary is 25% for the financial year ended 31 December 2015. There is unrecognised tax loss (gross) of RMB700,000 in 2015.

24 Earnings per share

The (loss)/earnings per share is calculated based on the consolidated loss attributable to owners of the Company divided by the weighted average number of shares in issue of 580,151,702 (2014: 535,292,333) shares during the financial year. The basic and diluted loss per share of the Group are the same as there were no potential dilutive ordinary shares outstanding as at 31 December 2014 and 2015.

The following table reflects the profit or loss and share data used in the computation of earnings/(loss) per share for the years ended 31 December:

The Group	2015	2014
(Loss)/profit for the year attributable to owners of the Company (RMB'000)	(272,563)	96
Weighted average number of ordinary shares	580,151,702	535,292,333
Basic and diluted (loss)/earnings per share (RMB cents)	(46.98)	0.02

25 Employee benefits

The Group	2015	2014
	RMB'000	RMB'000
Employee benefits expenses (including directors)		
Directors' fees	446	556
Salaries and bonuses	6,427	6,930
Contribution to defined contribution plans	1,392	1,042
Share-based payments (LET performance share scheme)	2,798	–
Other short-term benefits	–	25
	11,063	8,553

LET Performance Share Scheme

On 2 September 2015, the Company granted and issued, an aggregate of 13,950,000 (2014: Nil) new shares amounting to RMB2,798,000 (2014: Nil) to 20 employees of the subsidiary (Jilin Anjie Environmental Engineering Co., Ltd.) in accordance with the terms of the LET Performance Share Scheme.

	No. of ordinary shares		Amount	
The Group	2015	2014	2015	2014
			RMB'000	RMB'000
Employees	13,950,000	–	2,798	–
Directors	–	–	–	–
Total	13,950,000	–	2,798	–

26 Commitments

Operating lease commitments - as lessee

The Group has entered into commercial leases on rental of offices and factories. The leases have an average tenure of between one to three years with the option to renew for a further period of two years at prevailing market prices. No contingent rent provision is included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

At the end of reporting period, the Company and the Group were committed to making the following rental payments in respect of non-cancellable operating leases of office and factory with an original term of more than one year:

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	RMB'000	RMB'000	RMB'000	RMB'000
Not later than one year	574	945	276	282
Later than one year but not later than five years	–	189	–	–
	574	1,134	276	282

27 Significant related party transactions

Compensation of directors and key management personnel

The remunerations of directors and other members of key management during the year were as follows:

The Group	**2015**	**2014**
	RMB'000	RMB'000
Directors' fees	446	556
Salaries, bonuses and other short-term benefits	3,321	3,531
Performance shares awarded to key management personnel	562	–
Contribution to defined contribution plans	489	320
	4,818	4,407

Other members of key management comprise CFO, Production and Procurement Manager, Sales Manager, and Administration and Human Resource Manager. The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trend. On 2 September 2015, the Company granted and issued, an aggregate of 13,950,000 (2014: Nil) new shares amounting to RMB2,798,000 (2014: Nil) to 20 employees of the subsidiary (Jilin Anjie Environmental Engineering Co., Ltd.) in accordance with the terms of the LET Performance Share Scheme.

28 Operating segments

For management purposes, the Group is organised into the following reportable operating segments as follows:-

(i) Industrial wastages treatment segment mainly provides treatment solutions for the elimination of dust and desulphurisation from the emission of industrial wastegas. We also offered denitrification which relates to treatment solutions for the elimination of nitrogen oxides from the emission of wastegas.

(ii) Industrial wastewater treatment segment provides treatment solutions for the removal and reduction of pollutants in the wastewater, mainly to lower the chemical oxygen (COD) and biochemical oxygen (BOD) from the emission of industrial wastewater.

(iii) Design, technical services and other segments comprise mainly technical drawings (including the technology to be applied to the systems) as well as the specifications of the systems to be manufactured and installed.

(iv) Operation and maintenance segment relates to operational and maintenance services to the customers on the projects and equipment constructed by the Group.

There are no operating segments that have been aggregated to form the above reportable operating segments.

The Chief Executive Officer monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as set out below, is measured differently from operating profit or loss in the consolidated financial statements.

Group financing and income taxes are managed on a group basis and are not allocated to operating segments.

The chief operating decision maker reviews the results of the segment using segment gross profit. Segment assets, liabilities, investment in associates, non-current assets and other expenses are not disclosed as they are not regularly provided to the chief operating decision maker.

The Group

(a) By business

	Industrial wastegas							
	Dust elimination RMB'000	**Desulphurisation** RMB'000	**Denitrification** RMB'000	**Sub-total** RMB'000	**Industrial wastewater** RMB'000	**Operation and maintenance** RMB'000	**Design technical & others** RMB'000	**Total** RMB'000
2015								
Revenue								
Sales to external customers	15,700	29,215	2,515	47,430	374	3,383	–	51,187
Results								
Segment gross profit	6,368	5,802	1,544	13,714	136	1,811	–	15,661
2014								
Revenue								
Sales to external customers	22,202	6,411	–	28,613	20,357	22,417	1,000	72,387
Results								
Segment gross profit	5,632	2,261	–	7,893	5,033	8,263	991	22,180

28 Operating segments (Cont'd)

(b) Geographical information

No geographical information is provided as the principal assets employed by the Group are located in the PRC and the Group's revenue and profits are derived primarily from customers in the PRC.

(c) Information about major customers

During the financial year ended 31 December 2015, revenue from three (2014: three) major customers amounted to RMB21.7 million, RMB11.8 million and RMB4.8 million (2014: RMB22.4 million, RMB9.5 million and RMB8.5 million), arising from sales by the dust elimination and desulphurization segment. In FY2014, the sales derived from these major customers were from the industrial wastewater and operation and maintenance segment.

29 Financial risk management objectives and policies

The Group and the Company have documented financial risk management policies. These policies set out the Group's and the Company's overall business strategies and its risk management philosophy. The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks included credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's and the Company's financial performance through a system of internal controls set by the management.

The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk.

There has been no change to the Company's and the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

29.1 Interest rate risk

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

The Group's and the Company's exposure to interest rate risk arises primarily from their bank balances and borrowings. The Group and the Company do not enter into derivative financial instruments contracts to hedge interest rate risk. The Group's and the Company's policy is to obtain the most favourable interest rates available.

Sensitivity analysis for interest rate risk

At the end of reporting period, if RMB interest rates had been 50 (2014: 50) basis points higher/lower with all other variables held constant, the Group's profit net of tax would have been RMB130,000 (2014: RMB375,000) lower/higher, arising mainly as a result of higher/lower interest income on floating rate bank balances. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility compared to prior years.

29 Financial risk management objectives and policies (Cont'd)

29.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group or the Company to incur a financial loss. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For trade receivables, the Group and the Company adopt the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group and the Company adopt the policy of dealing only with high credit quality counterparties.

The Group's and the Company's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis.

Exposure to credit risk

As the Company and the Group do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position, except as follows:

The Group's and the Company's major classes of financial assets are bank deposits and trade and other receivables. Cash is held with reputable financial institutions.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

The Group	2015		2014	
	RMB'000	% of total	RMB'000	% of total
By industry sector				
Steel	–	–	13,726	8.4
Environmental	–	–	50,994	31.1
Heat supply	7,572	51.2	2,180	1.3
Investment management	551	3.7	1,338	0.8
Energy	–	–	83,212	50.7
Others	6,674	45.1	12,700	7.7
	14,797	100.0	164,150	100.0

As at 31 December 2015, none (2014: 2) of the trade receivables individually exceed 5% of the Group's total assets.

In all sales contracts entered into with the Group's customers, the payment terms are based on each stage or milestone of the project. Generally, the payment terms are as follows:

(a) upon signing of a contract, an advance payment between nil to 30% of the total contract value;

(b) upon delivery of equipment and systems to customers, between nil and 60% of the contract value;

29 Financial risk management objectives and policies (Cont'd)

29.2 Credit risk (Cont'd)

(c) after the installation and commissioning of equipment and systems, the issue of the project completion report by Anjie Environmental and acceptance by customers which usually include the issue of a detailed inspection report by the Environmental Protection Quality Inspection Station, between 90% and 95% of the contract value; and

(d) retention sum of generally between 5% and 10% of the contract value withheld by the customer for a one-year period against any defects.

Majority of the secured contracts to-date were under the above payment terms. Depending on negotiations with the customers, the other contracts also provide for payment terms based on fixed number of instalments, and specified amounts and dates for each of the instalment payments; or payment terms which are based on fixed agreed amounts for each of the progressive payments payable upon completion of each stage or milestone of a contract. In addition, depending on negotiations with and requests from the customers, some of the contracts also provide for retention monies to be based on an agreed sum with the customers and/or the defects liability period to be extended to two years, or defects liability period of certain components of the systems (such as the fabric filter bags) to be extended to up to three years.

For small scale projects which are relatively less complex, the credit term extended to the customers for the advance payments and progress claims is generally 60 to 90 days from the date of issuance of the notification of payment and progress billings respectively. For large scale projects which require more than a year to complete or projects which are technically more complex, longer credit terms of up to 150 days to the customers will be extended as more time is required by the customers to process the payments. Based on past experience, the customers generally take between 20 days and 90 days to pay the advance payments and progress billings. Some of the customers may pay even before the issue of notification of payments to them.

Measures to curtail credit risk

Effective from 1 October 2015, the management has exercised more stringency in the acceptance of new customer contracts. New or existing customers are subject to assessment of financial condition prior to contract acceptance and collection of customer deposits has become a precondition for the undertaking of new contracts to minimise credit risk. The management has also proscribed any advances to suppliers unless they are able to ascertain that any resultant credit risk is remote. The Board has also resolved that all payments, whether in advance or in arrears, to any single supplier above RMB10 million will require prior approval from the Board. The Group will also adopt uniform policies and standards when assessing new contracts, regardless of whether they are government or privately funded projects. The adoption of a more cautious business strategy should help to mitigate the Group's exposure to credit risks and market risks in the longer term.

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. The maximum exposure of the Company in respect of the intra-group financial guarantee (at the reporting date is if the facility is drawn down by the subsidiary in the amount of RMB80 million (2014: RMB110 million). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee.

29 Financial risk management objectives and policies (Cont'd)

29.3 Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or other financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

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

The Group	**Note**	**1 year or less 2015** RMB'000	**1 year or less 2014** RMB'000
Non-derivative financial liabilities			
Loans and borrowings		104,540	179,074
Trade and other payables	20	61,772	39,927
Other liabilities	21	7,338	19,148
Total undiscounted financial liabilities		173,650	238,149

The Company	**Note**	**1 year or less 2015** RMB'000	**1 year or less 2014** RMB'000
Non-derivative financial liabilities			
Trade and other payables	20	421	492
Other liabilities	21	1,165	1,424
Corporate guarantee		80,000	110,000
Total undiscounted financial liabilities		81,586	111,916

The Group and the Company ensure that there are adequate funds to meet all its obligations in a timely and cost effective manner. The Management aims at maintaining flexibility in funding by keeping committed credit facilities as disclosed in Note 19. Management had successfully renewed its banking facilities with the bank loans of RMB50 million and RMB30 million maturing 15 December 2015 and 12 March 2016 respectively.

Management is of the view that the Group and the Company will have sufficient cash resources to repay its liabilities including the bank loans when due through exploring availability of external financing, implementing measures to actively monitor the collections from trade receivables, utilisation of advances paid to suppliers for projects commencing in the coming financial year and/or recovery of amounts from these suppliers for projects that are not likely to commence, tightening its costs and only commencing projects when the management is confident of the customer's ability to finance the projects and make repayments. In addition, management is also actively looking for potential business undertaking, opportunities in mergers and acquisitions activities that would provide stable income and liquidity to the Group. Subsequent to the financial year end, the subsidiary, Jilin Anjie Environmental Engineering Co., Ltd held preliminary discussions with banks to pledge its office units for additional banking facility. Refer to note 2 on going concern assumption.

29 Financial risk management objectives and policies (Cont'd)

29.4 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group's operations are primarily conducted in the PRC in RMB. Currently, the PRC government imposes control over foreign currencies. RMB, the official currency in the PRC, is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions.

The Group and the Company holds cash and bank balances denominated in foreign currencies for working capital purposes. At the end of reporting period, such foreign currency balances (mainly SGD) amounted to RMB9,371,000 (2014: RMB2,366,000) for the Group.

There is no formal hedging policy with respect to foreign currency exposure. Exposure to foreign currency risk is monitored on an on-going basis and the Group endeavours to keep the net exposure at an acceptable level.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the SGD against RMB, with all other variables held constant, of the Group's profit before tax and equity:

The Group	2015 Profit before taxation $'000	2015 Equity $'000	2014 Profit before taxation $'000	2014 Equity $'000
SGD against RMB				
- strengthened by 5% (2014: 5%)	510	510	126	126
- weakened by 5% (2014: 5%)	(510)	(510)	(126)	(126)

30 Capital risk management objectives and policies

The Group's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as going concern;

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

(c) To provide capital for the purpose of strengthening the Group's the risk management capability; and

(d) To provide an adequate return to shareholders.

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

30 Capital risk management objectives and policies (cont'd)

There were no changes in the Group's approach to capital management during the year.

The Company and its subsidiary are not subject to externally imposed capital requirements.

Gearing has a significant influence on the Group's capital structure and the Group monitor capital using a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as the sum of bank borrowings, trade and other payables and other liabilities less cash and cash equivalents. The Group's gearing ratio has increased substantially in view of the loss incurred during the year reducing the net equity in 2015. As disclosed in Note 2, Management has plans to derive cash resources to repay its liabilities including bank loans and to explore other forms of internal and external financing as capital to manage the Group as a going concern.

Total capital is calculated as equity plus net debt.

The Group	Note	2015 RMB'000	2014 RMB'000
Loans and borrowings	19	97,000	172,600
Trade and other payables	20	61,772	39,927
Other liabilities	21	7,338	19,148
Less: Cash and cash equivalents	14	(26,097)	(75,051)
		140,013	156,624
Equity attributable to owners of the parent		60,588	319,853
Less: PRC statutory common reserve	16	(31,748)	(31,748)
Total capital		28,840	288,105
Capital and net debt		168,853	444,729
Gearing ratio		82.9%	35.2%

31 Fair value measurement

31.1 Fair value

Definition of fair value

FRSs define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Measurement of fair value of non-financial assets

The carrying amount of the financial assets and financial liabilities with a maturity of less than one year is assumed to approximate their fair values.

The Group and the Company does not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

31 Fair value measurement

31.2 Financial instruments by category

Accounting classifications of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Trade and other receivables	30,230	205,926	–	41,629
Cash and bank balances	44,057	137,223	9,371	1,945
	74,287	343,149	9,371	43,574
Financial liabilities				
Loans and borrowings	97,000	172,600	–	–
Trade and other payables	61,772	38,358	421	492
Other liabilities	7,338	19,148	1,165	1,424
	166,110	230,106	1,586	1,916

32 Subsequent event

Subsequent to the year end, the outstanding bank loan amount of RMB17.0 million which was due on 29 January 2016 was fully repaid and not renewed. In addition, there was an early repayment of bank loan amounting to RMB30.0 million on 8 March 2016 which was renewed for another year with an annual interest rate of 4.48%.

SHAREHOLDERS' STATISTICS

As at 16th March 2016

Class of Shares	:	Ordinary shares
Number of Ordinary Shares in issue	:	617,209,000
Number of Treasury Shares held	:	Nil
Number of Ordinary Shareholders	:	1,472
Voting Rights	:	1 vote for 1 share

Analysis of Shareholdings Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	–	–	–	–
100 – 1,000	14	0.95	13,100	0.00
1,001 - 10,000	306	20.79	2,349,200	0.38
10,001 - 1,000,000	1,115	75.75	102,063,300	16.54
1,000,001 and above	37	2.51	512,783,400	83.08
	1,472	100.00	617,209,000	100.00

Based on information available to the Company as at 16 March 2016, 66.25% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Top 20 Shareholders list

No.	Name of Shareholder	No. of Shares Held	%
1	JINGOLD RESOURCES LIMITED	207,304,000	33.59
2	DBS NOMINEES PTE LTD	44,460,000	7.20
3	RAFFLES NOMINEES (PTE) LTD	33,000,800	5.35
4	GOH BEE LAN	29,080,000	4.71
5	XU HAN	27,122,000	4.39
6	QIU YUHUA	23,192,000	3.76
7	XU LINA	18,400,000	2.98
8	TAN KENG KOK	11,532,900	1.87
9	WANG DONGMING	10,648,000	1.73
10	OCBC SECURITIES PRIVATE LTD	10,338,900	1.68
11	CIMB SEC (S'PORE) PTE LTD	10,330,000	1.67
12	PHILLIP VENTURES ENTERPRISE FUND 2 LTD	8,880,000	1.44
13	CHE WENJING	7,442,000	1.21
14	YANG YUGUANG	6,376,000	1.03
15	TAN KUANG HUI	5,500,000	0.89
16	TEO YI-DAR (ZHANG YIDA)	5,385,500	0.87
17	JI YANPENG	5,381,000	0.87
18	PHILLIP SECURITIES PTE LTD	4,820,500	0.78
19	LIU ENHUI	4,727,000	0.77
20	TAN ENG CHUA EDWIN	4,649,800	0.75
		478,570,400	77.54

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 16 March 2016)

	No. of Shares		
	Direct Interests	Deemed Interests	%
Jingold Resources Limited	207,304,000	–	33.59
Lin Baiyin[(1)]	1,000,000	207,304,000	33.75

(1) Jingold Resources is an investment holding company incorporated in the BVI and is owned by Lin Baiyin (our Executive Chairman and CEO). By virtue of Section 7 of the Companies Act, Cap. 50., Lin Baiyin is deemed interested in the Shares held by Jingold Resources in our Company.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Leader Environmental Technologies Limited (the "Company") will be held at RELC International Hotel, Tanglin Room 2, Level 1, 30 Orange Grove Road, Singapore 258352, on Thursday, 28 April 2016 at 9.00 a.m. to transact the following businesses:

ORDINARY BUSINESS:

1. To receive and adopt the Audited Accounts for the financial year ended 31 December 2015 together with the reports of the Directors and the Auditors thereon. **(Resolution 1)**

2. To re-elect Ms Zhai Guihua, who is retiring by rotation in accordance with Regulation 104 of the Company's Constitution, as Director of the Company. **(See Explanatory Note (i))** **(Resolution 2)**

3. To re-elect Mr Goh Kay Seng Edwin, who is retiring by rotation in accordance with Regulation 114 of the Company's Constitution, as Director of the Company. **(See Explanatory Note (ii))** **(Resolution 3)**

4. To approve the payment of S$107,000 as Directors' fees to the Independent Non-Executive Directors for the financial year ending 31 December 2016 and to pay the Directors' fees in arrears on a quarterly basis over the financial year 2016. **(Resolution 4)**

5. To re-appoint Messrs Foo Kon Tan LLP as the external auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

SPECIAL BUSINESS:

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

6. Authority to allot and issue shares **(Resolution 6)**

Pursuant to section 161 of the Companies Act, that authority be and is hereby given to the Directors to:

(a) (i) issue shares in the capital of the Company ("Shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and

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

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

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST") for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of issued Shares shall be based on the total number of issued Shares in the capital of the Company excluding treasury shares at the time this Resolution is passed, after adjusting for:

(i) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue or consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

(See Explanatory Note (iii))

7. AUTHORITY TO GRANT OPTIONS AND TO ALLOT AND ISSUE SHARES UNDER LEADER ENVIRONMENTAL EMPLOYEE SHARE OPTION SCHEME **(Resolution 7)**

Pursuant to section 161 of the Companies Act (Chapter 50), that authority be and is hereby given to the Directors of the Company to offer and grant options in accordance with the provisions of the Leader Environmental Employee Share Option Scheme (the "ESOS") and to allot and issue from time to time such number of Shares in the Company as may be required to be issued pursuant to the exercise of the options under the ESOS, provided always that the aggregate number of Shares to be issued pursuant to the ESOS and PSS (as defined hereunder) and any other share based schemes of the Company shall not exceed fifteen per cent. (15%) of the issued share capital of the Company excluding the treasury shares at any time and from time to time.

(See Explanatory Note (iv))

8. AUTHORITY TO GRANT AWARDS AND TO ALLOT AND ISSUE SHARES UNDER THE LEADER ENVIRONMETAL PERFORMANCE SHARE SCHEME **(Resolution 8)**

Pursuant to section 161 of the Companies Act (Chapter 50), that authority be and is hereby give to the Directors to grant awards in accordance with the provisions of the Leader Environmental Performance Share Scheme ("PSS"); and allot and issue from time to time such number of Shares as may be required to be allotted and issued pursuant to the terms and conditions under the PSS, provided always that the aggregate number of shares to be issued pursuant to the PSS, ESOS and any other share based schemes of the Company shall not exceed fifteen per cent. (15%) of the issued share capital of the Company excluding the treasury shares at any time and from time to time.
(See Explanatory Note (v))

9. To transact any other business that may be transacted at the Annual General Meeting.

By Order of the Board

Lim Poh Yeow
Company Secretary

13 April 2016

Note:-

(i) A member of the Company entitled to attend and vote at the above Meeting may appoint not more than two proxies to attend and vote instead of him.

(ii) Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.

(iii) Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the Annual General Meeting. Relevant intermediary is either:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

(b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or

(c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

(iv) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

(v) The instrument appointing a proxy must be deposited at the office of the Share Registrar, M&C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902 not less than 48 hours before the time appointed for holding the above Meeting.

EXPLANATORY NOTES:

(i) Ms Zhai Guihua, if re-elected, will remain as the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee. The Board considers Ms Zhai Guihua to be independent for the purpose of Rule 704(8) of SGX listing manual.

(ii) Mr Goh Kay Seng Edwin, if re-elected, will remain as the Chairman of the Audit Committee and a member of Nominating and Remuneration Committee. The Board considers Mr Goh Kay Seng Edwin to be independent for the purpose of Rule 704(8) of SGX listing manual.

(iii) Resolution 6, if passed, will empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 50 per cent. (50%) of the total number of issued shares excluding treasury shares in the capital of the Company, of which up to twenty per cent. (20%) of the total number of issued shares (excluding treasury shares) may be issued other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares excluding treasury shares in the capital of the Company at the time that Resolution 6 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 6 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

(iv) Resolution 7, if passed, will empower the Directors to grant options in accordance with the provisions of the ESOS and to allot and issue Shares thereunder up to an aggregate amount together with PSS and any other share-based scheme not exceeding fifteen per cent. (15%) of the issued share capital of the Company excluding treasury shares at any time and from time to time.

(v) Resolution 8, if passed, will empower the Directors to grant award of shares in accordance with rules of the PSS, as the case may be, and to allot and issue Shares thereunder up to an aggregate amount together with ESOS and any other share-based scheme not exceeding fifteen per cent. (15%) of the issued share capital of the Company excluding treasury shares at any time and from time to time.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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LEADER ENVIRONMENTAL TECHNOLOGIES LIMITED
(Incorporated in the Republic of Singapore)
Company Registration No. 200611799H

ANNUAL GENERAL MEETING
PROXY FORM

Important:
1 For investors who have used their CPF monies to buy the Shares, this report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2 This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ____ (Name)

of ____ (Address)
being a member/members of Leader Environmental Technologies Limited (the "Company") hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company("AGM"), to be held at RELC International Hotel, Tanglin Room 2, level 1, 30 Orange Grove Road Singapore 258352, on Thursday, 28 April 2016 at 9.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

No.	Resolutions relating to:	For*	Against*
1	Adoption of the Audited accounts for the financial year ended 31 December 2015 together with the reports of the Directors and the Auditor thereon.		
2	Re-election of Ms Zhai Guihua as Independent Non-Executive Director of the Company.		
3	Re-election of Mr Goh Kay Seng Edwin as Independent Non-Executive Director of the Company.		
4	Approval of proposed Directors' fees of S$107,000 for the financial year ending 31 December 2016 and the payment thereof on a quarterly basis in arrears.		
5	Re-appointment of Messrs Foo Kon Tan LLP as external auditors of the Company.		
6	Authority for Directors to allot and issue shares pursuant to Section 161 of the Companies Act, Cap. 50.		
7	Authority for Directors to offer and grant options and to issue and allot shares under the Leader Environmental Employee Share Option Scheme.		
8	Authority for Directors to allot and issue shares under the Leader Environmental Performance Share Scheme.		

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

Dated this __________ day of ____________________ 2016

TOTAL NUMBER OF SHARES IN :	
(a) CDP Register	
(b) Register of Members	

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

(Important: Please read the notes overleaf before completing this form)

Notes

1. Please insert the total number of Shares you hold. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the register of Shareholders of our Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the register of Shareholders, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the register of Shareholders. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares in the capital of the Company held by you.

2. A member who is not a relevant intermediary is entitled to appoint not more than 2 proxies to attend, speak and vote on his behalf at the extraordinary general meeting.

3. Where a member appoints more than one proxy, the member shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.

4. For any member who acts as an intermediary pursuant to Section 181(6) of the Companies Act, Cap. 50, who is either:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   (b) a capital markets services licence holder which provides custodial services for securities and holds shares in that capacity; and

   (c) Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

   You are entitled to **appoint one or more proxies** to attend and vote at the meeting. The proxy need not be a member of the Company. Please note that if any of your shareholdings are not specified in the list provided by the intermediary to the Company, the Company may have the sole discretion to disallow the said participation of the said proxy at the forthcoming annual general meeting.

5. The Proxy Form, duly completed, must be deposited at the Company's registered office at the Company's Share Registrar, M&C Services Private Limited, at 112 Robinson Road #05-01 Singapore 068902, not less than 48 hours before the time set for the meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

By submitting an instrument appointing a proxy/(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2016.

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(Company Registration No.: 200611799H)

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