



Leader Environmental Technologies Limited

RIISING ABOVE THE CHALLENGES

ANNUAL REPORT 2016

We are a comprehensive
one-stop environmental
solutions provider.

CONTENTS

- 01** Corporate Information
- 02** Corporate Profile
- 04** Systems and Technologies
- 05** Group Structure
- 06** Chairman's Statement
- 08** Operations and Financial Review
- 12** Board of Directors
- 14** Financial Highlights

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

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

JOINT COMPANY SECRETARIES

LIM POH YEOW, FCCA

SHARON YEOH (Appointed on 5 May 2016)

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

24 Raffles Place #07-03 Clifford Centre

Singapore 048621

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

China Merchants Bank Co. Ltd.,

Changchun Branch and Sub-Branch

(招商银行股份有限公司长春分行与

招商长春大经路支行)

9999 Renmin Road & 113 Nanguan District

Dajing 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.

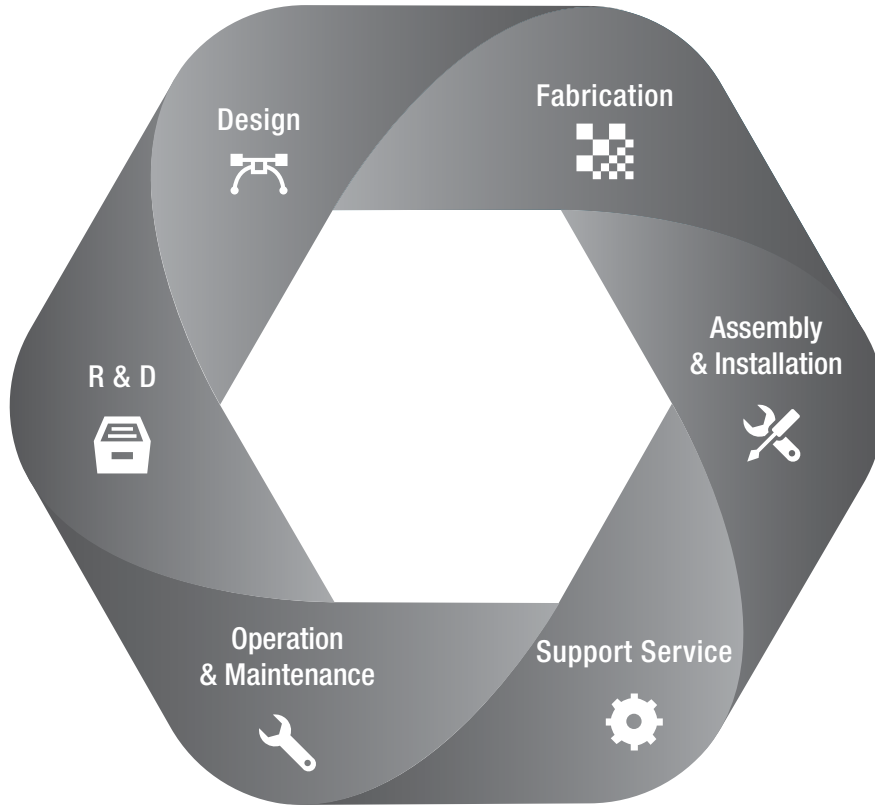
We operate mainly in the Northern region of the PRC as the region is severally affected by heavily polluted air. Our head office and manufacturing facility are located in Changchun City, Jilin Province. We also have

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/m³. 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/m³.

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.

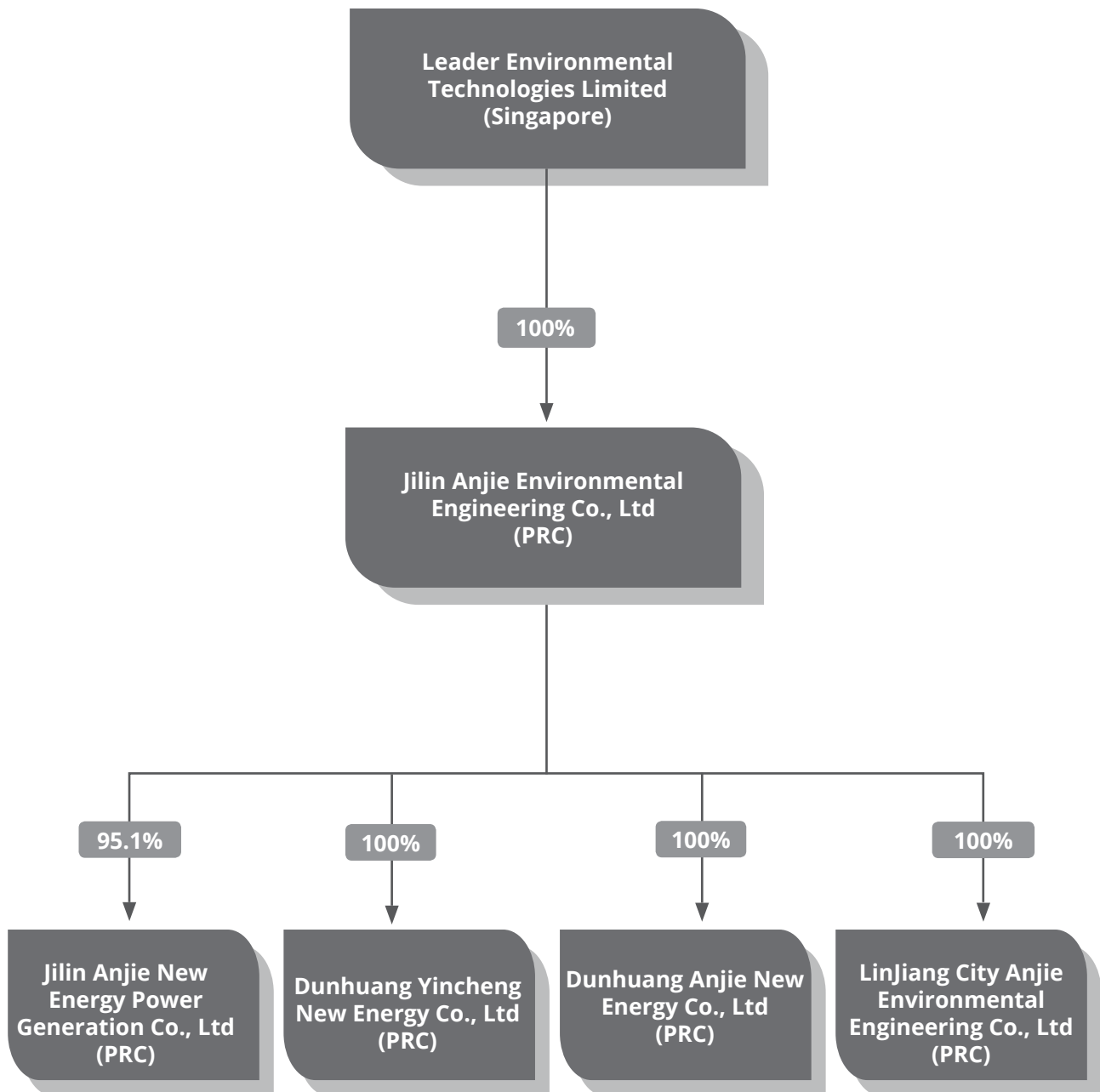
Denitrification

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.

GROUP STRUCTURE



CHAIRMAN'S STATEMENT



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 and of the Company for the financial year ended 31 December 2016.

The time has come for us to reflect on our performance for the past year. Let me begin with a recap of our operating performance in FY2016. It has been a challenging year for the Group amidst a languid Chinese economy. Our revenue and gross profit have been significantly affected with a steep decline in the desulphurization segment. Fewer projects were rolled out by our customers as a result of the economic slowdown. Under this weak market

condition, the Group can only seek lesser and lower margin contracts pertaining to dust elimination and industrial wastewater, resulting in a decrease of the Group's revenue of RMB7.4 million to RMB43.8 million in FY2016. Our aggregate gross profit margin also backslid to 16.8% from 30.6% a year ago. Separately, management has taken a more proactive approach in managing the Group's receivables and prepayments, which led to the recovery of RMB5.4 million of impaired trade receivables. During the year, the Group has also successfully divested its non-performing equity interest in an associate of RMB4.8 million at cost. Coupled with the additional recovery of tax refunds for prior years of RMB2.8 million, our Group was able to turn in a modest net profit of RMB2.4 million in FY2016.

CHAIRMAN'S STATEMENT



Shareholders can be certain that uncertainties will persist, albeit our Group is now better prepared to overcome the challenges ahead. Since plagued by a plethora of bad receivables a year ago, the Group has adopted a significantly more cautious business strategy in respect of customer acceptance and project selection. We have benefitted amply from the switch in our business direction and shall continue to embrace such operating prudence going into the new financial year. Recent industry specific developments within China also augur well for the Group. The central government of China has been strongly advocating the development of clean energy and promoting energy-saving and environmental protection industries. We hope that this initiative will translate into an increase in the number of desulphurization and denitrification contracts going forward.

A raft of upbeat recent economic data from China also seems to purport that the slowdown of the Chinese economy has abated. The Chinese markets are expectantly entering into a consolidation phase as the central government continues to focus on fiscal reforms. Against a more conducive macro business environment, we are hopeful that we can leverage on the Group's improved performance in the second half of FY2016 to spearhead its modest target of returning

to operating profitability in 2017. The management acknowledges that much remains to be done and shall stay committed to the cause. In order to stay relevant and ahead of competition in the environmental industry, the Group intends to devote more resources towards research and development. This will ensure that we remain at the forefront of any technological advances within the air pollution industry.

Finally, on behalf of the Board, I would like to take this opportunity to express our utmost appreciation to our customers, suppliers and business partners for their continuous trust and support. It has been a pleasure and rewarding experience to work with the fellow Directors and staff, and I sincerely thank them for their valuable advices and contributions to the Group.

Last but not least, I would also like to thank all of you, our shareholders, for your continued patience and support in Leader Environmental Technologies Limited.

LIN BAI YIN

Executive Chairman and CEO

OPERATIONS AND FINANCIAL REVIEW

Revenue

The Group has achieved total revenue of RMB43.8 million in FY2016, representing a decrease of RMB7.4 million or 14.5% over revenue of RMB51.2 million generated in FY2015. The decline was due to decreased work activities in our desulphurization segment and the absence of new contracts awarded in de-nitrification and operation and maintenance ("O&M") segments. In FY2016, the desulphurization segment accounted for significant decreases in revenue of RMB26.4 million because fewer desulphurization projects were rolled out by customers as a result of the slowdown in the Chinese economy. Accordingly, there was no new contract secured in FY2016 and the revenue recognized in FY2016 was merely a continuation of work for prior year contracts and the work activities in 4Q2016 were mostly at the tail ends of completions. The absence of engineering, procurement and engineering works relating to de-nitrification resulted in further contracts decrease in revenue of RMB2.5 million in FY2016. This is part of the new initiative introduced by the PRC government and therefore contracts for this business segment is still relatively scarce. In addition, the Group also could not find suitable replacement after it had terminated its maiden O&M contract with a steel maker in 2Q2015, also accounted for a further decrease in revenue of RMB3.4 million in FY2016. Most Chinese companies usually do not outsource this segment of the work to a third party. The total decrease of RMB32.3 million was partly offset by an increase in revenue of dust elimination and industrial wastewater segments by RMB15.3 million and RMB9.6 million respectively in FY2016 as these contracts undertaken were of higher contract values.



Profitability

Cost of sales of the Group constituted 83.2% and 69.4% of its revenue in FY2016 and FY2015 respectively. Cost of sales increased by RMB0.9 million or 2.6%, from RMB35.5 million in FY2015 to RMB36.4 million in FY2016. Overall gross profit margin decreased from 30.6% in FY2015 to 16.8% in FY2016. The dust elimination segment was the main reason for the relatively low gross profit margin in FY2016. The Group was merely using two dust elimination contracts as experimental basis to test its newly developed technology; hence, a lower gross profit margin was derived. Furthermore, gross profit margin was also dragged down by additional value added tax borne by the Group on another dust elimination contract because of changes in tax structure.

Financial income

Higher financial income of RMB1.7 million was received in FY2015 because interest income of RMB1.0 million relating to FY2014 was inadvertently recognized in FY2015. In addition, the Group's average bank deposit balances have also decreased in FY2016 which resulted in a decline in interest income in the current financial year.

Other Income

Other income increased by RMB10.7 million from RMB0.2 million in FY2015 to RMB10.9 million in FY2016 partly due to the disposal of equity interest in an associate, Nano Sun Pte Ltd for RMB4.8 million. The investment was fully impaired in FY2015 and hence a gain of RMB4.8 million was recognized on the disposal. There was also an exchange gain of RMB0.6 million derived from the translation of SGD bank balances. In addition, the Group wrote-back allowance for impairment of trade receivables of RMB5.4 million as receipts of RMB4.4 million were received during the year and the remaining RMB1.0 million was subsequently received on January 2017. The write-back of allowance for impairment of trade receivables mainly relates to receipts from 通化钢铁股份有限公司 as the Group specifically provided an allowance for impairment of RMB14.0 million on this customer in

OPERATIONS AND FINANCIAL REVIEW

FY2015. Apart from these receipts, 通化钢铁股份有限公司 has also agreed to an installment plan to repay the remaining RMB9.0 million by end of 2017. On prudent ground, no write-back of the allowance for impairment for RMB9.0 million has been made.

Operating Expenses

Selling and distribution expenses decreased by RMB0.5 million or 23.2%, from RMB1.8 million in FY2015 to RMB1.3 million due to lower payroll and related costs of RMB0.2 million. Fewer tenders for contracts in FY2016 has resulted in lower travelling and office expenses of RMB0.2 million and RMB0.1 million respectively.

Administrative expenses decreased by RMB4.4 million or 24.9%, from RMB17.7 million in FY2015 to RMB13.3 million in FY2016 due to the absence of issuance of LET performance shares of RMB2.8 million in FY2015, decrease in staff payroll and related costs of RMB1.7 million as a result of staff attrition and lower employment of contract technical consultants for advisory works in FY2016. In addition, travelling and entertainment expenses, agent and professional fees and others also decreased by RMB1.0 million, RMB0.1 million and RMB0.6 million respectively in FY2016, in line with the overall decrease in business activities. The decrease of RMB6.2 million was partly offset by new payroll and other operating expenses of RMB1.8 million in aggregate in FY2016. This new payroll pertains to subsidiaries which were only set up in 4Q2015 for the photovoltaic business.

Lower finance costs of RMB4.1 million were incurred in FY2016 against RMB7.5 million in FY2015 due to the decline in loan quantum as well as lower borrowing rates offered by China Merchants Bank.

Other expenses of RMB266.7 million were incurred in FY2015 due to the impairment charges recognized mainly on the investment in associate, trade receivables and advances to trade supplier. There were no such expenses in FY2016.

There was no further share of results of associate in FY2016 as the investment in associate was fully impaired in FY2015 and disposed of in FY2016.

Taxation

The tax assessments for financial years ended 31 December 2012, 2014 and 2015 respectively were finalized by the PRC Tax Authority in FY2016. They have agreed to recognize the tax losses suffered by the subsidiary, Jilin Anjie Engineering Co., Ltd. ("Anjie") on these financial years and tax refunds of RMB2.8 million in aggregate were paid to Anjie in FY2016.

In the light of the foregoing, the Group reported a profit after tax of RMB2.3 million in FY2016, reversing from a substantial loss after tax position of RMB272.6 million in FY2015.

Financial Position

As at 31 December 2016, the Group's non-current assets amounted to RMB16.4 million and comprised property, plant and equipment ("PPE") of RMB11.5 million, intangible assets of RMB4.2 million and club membership of RMB0.7 million.

The increase in PPE of RMB0.5 million was attributed mainly to construction in progress on solar photovoltaic plant of RMB1.1 million as this is still under the exploratory stage and purchase of office equipment of RMB0.3 million, partly offset by depreciation and disposal of net book value of motor vehicle of RMB0.9 million in aggregate.

Intangible assets amounted to RMB4.2 million and comprised two patents and deferred development costs of RMB2.1 million each as at 31 December 2016. The decrease in intangible assets of RMB1.4 million was attributed mainly to amortization in FY2016.



OPERATIONS AND FINANCIAL REVIEW



Club membership of RMB0.7 million relates to a golf club membership acquired in May 2011.

Current assets comprised gross amount due from customers for contract work-in-progress, inventories, trade and other receivables, prepayments, bank deposits pledged and cash and cash equivalents. As at 31 December 2016, current assets amounted to RMB176.0 million, representing a decrease of RMB34.2 million over end of FY2015. The decrease was due to decrease in prepayments of RMB19.3 million, bank deposits pledged of RMB11.6 million, trade and other receivables of RMB3.1 million and cash and cash equivalents of RMB0.2 million.

Prepayments comprised prepaid operating expenses, advances to trade and non-trade suppliers amounted to RMB97.1 million and RMB116.4 million as at 31 December 2016 and 31 December 2015 respectively. The decrease of RMB19.3 million was attributed to refunds of advances from suppliers due to delays in certain contracts.

Bank deposits pledged decreased by RMB11.6 million, from RMB18.0 million as at 31 December 2015 to RMB6.4 million as at 31 December 2016 which was in line with the decrease in loans and borrowings to RMB70.0 million in FY2016, down from RMB97.0 million a year ago.

Trade receivables and retention receivables amounted to RMB13.6 million as at 31 December 2016, representing a decrease of RMB6.9 million from 31 December 2015. Trade receivables decreased by RMB9.4 million due mainly to collections and the

decrease in business activities during the financial year. The decrease was partly offset by an increase in retention receivables of RMB2.5 million relating to newly completed contracts in FY2016.

Other receivables comprised bills receivable, advances to employees for business purposes, bidding deposits and tax recoverable. Other receivables amounted to RMB13.5 million and RMB9.7 million as at 31 December 2016 and 31 December 2015 respectively. The increase of RMB3.8 million was mainly attributed to increased placement of bidding deposits of RMB6.9 million with the customers for the tender of industrial wastegas and wastewater contracts in 2017, partly offset by the decrease in bills receivable of RMB3.1 million as they had reached maturity and were presented to the bank for payments.

Cash and cash equivalents amounted to RMB25.9 million as at 31 December 2016, from RMB26.1 million a year ago. The net cash flows from the Group's operating activities amounted to RMB26.3 million. Net cash inflows from investing activities amounted to RMB3.3 million and net outflows from financing activities amounted to RMB29.8 million. The net cash outflows from these activities contributed to the overall decrease in cash and cash equivalents of RMB0.2 million, partly offset by exchange differences on translation of cash and cash equivalents of RMB46,000 to RMB25.9 million.





Current liabilities comprised mainly gross amount due to customers for contract work-in-progress, trade and other payables, loans and borrowings, other liabilities and income tax payable. As at 31 December 2016, current liabilities amounted to RMB129.4 million, representing a decrease of RMB37.5 million. The overall decrease was attributed to lower loans and borrowings of RMB27.0 million, trade and other payables of RMB26.4 million and amount due to customers for work-in-progress of RMB0.6 million. The aggregate decrease of RMB54.0 million was partly offset by increase in other liabilities of RMB16.5 million.

Loans and borrowings decreased from RMB97.0 million as at 31 December 2015 to RMB70.0 million as at 31 December 2016 as a result of repayments made during the financial year.

Trade payables amounted to RMB28.3 million, representing a decrease of RMB11.3 million over FY2015 as a result of payments made during the financial year coupled by lower purchases of raw materials which were in line with the decrease in business activities.

Other payables comprised primarily bills payable, VAT and other operating tax payables and accruals of other operating expenses. Other payables amounted to RMB7.0 million and RMB22.1 million as at 31 December 2016 and 31 December 2015 respectively. The decrease of RMB15.1 million was attributed to repayments of third party loan of RMB20.0 million and lower accruals of RMB0.7 million partly offset by new bills payable issued to suppliers of RMB5.6 million for procurement of raw materials in 2016.

Gross amount due to customers for contract work-in-progress amounted to nil and RMB0.6 million as at 31 December 2016 and 31 December 2015 respectively. The decrease was due to billings raised and no new advances received for on-going contracts which were in line with the decrease in revenue.

Other liabilities comprised accrued purchases, salaries and travelling expenses and advances from customers. Other liabilities amounted to RMB23.8 million and RMB7.3 million as at 31 December 2016 and 31 December 2015 respectively. The increase of RMB16.5 million was attributed to higher advances received from customers of RMB20.0 million for new contracts signed in 4Q2016 which have yet to commence work, partly offset by decrease in accrued purchases of RMB3.5 million, which were in line with the overall decrease in business activities.

The Group's total shareholder's equity comprised share capital, PRC statutory reserve fund, merger reserve and accumulated loss. Between 31 December 2016 and 31 December 2015, shareholder's equity increased from RMB60.6 million to RMB63.0 million due to profit after tax of RMB2.4 million. Additionally, the Group also accounted for non-controlling interest of RMB31,000 as a result of its 95.1% equity interest in a new subsidiary, Jilin Anjie New Energy Power Generation Co., Ltd.



BOARD OF DIRECTORS

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 17 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 has also served 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 21 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 SGX-ST). 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).



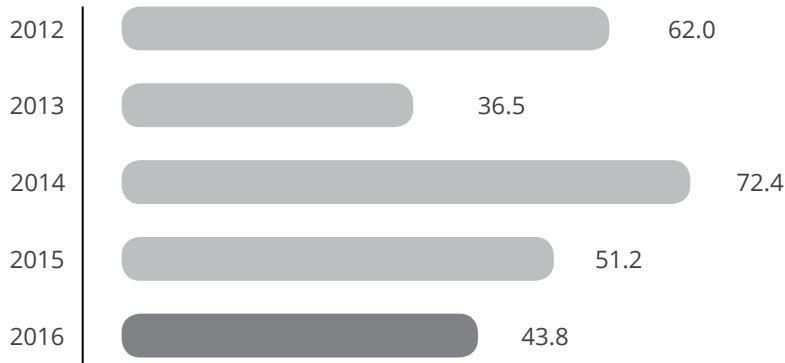
ZHAI GUIHUA

Zhai Guihua is our Independent Non-Executive Director. She is presently a retiree as she stepped down as a consultant to the Changchun National High-Technology Industry Development District Environmental Protection Bureau ("CHIDA") in December 2015. 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.

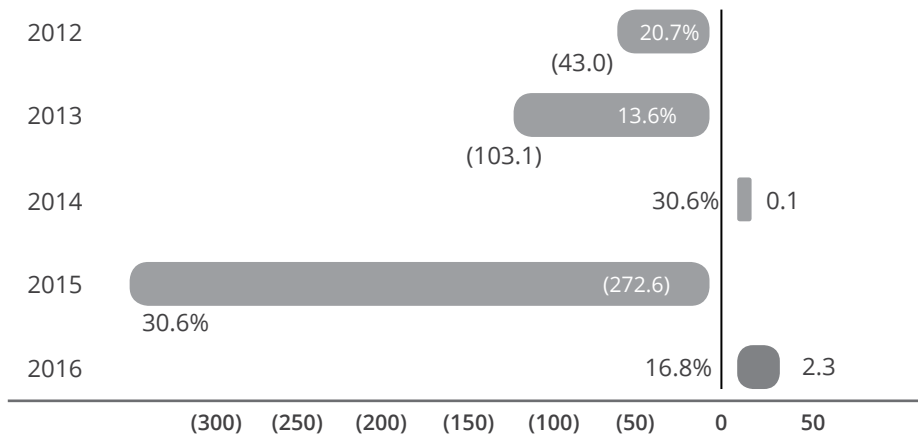


FINANCIAL HIGHLIGHTS

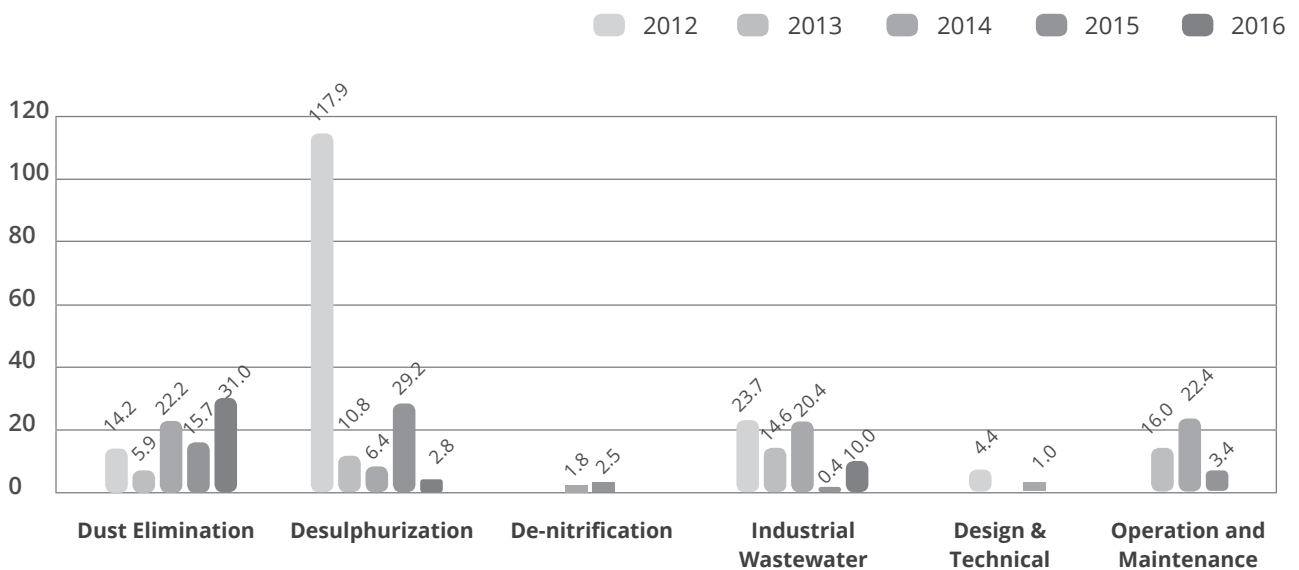
REVENUE (RMB' million)



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



REVENUE BY BUSINESS SEGMENT (RMB' million)



FINANCIAL CONTENTS

- 16** Corporate Governance Report
- 37** Disclosure Guide
- 45** Directors' Statement
- 49** Independent Auditor's Report
- 55** Statements of Financial Position
- 56** Consolidated Statement of Profit or Loss and other Comprehensive Income
- 57** Statements of Changes in Equity
- 58** Consolidated Statement of Cash Flows
- 60** Notes to the Financial Statements
- 114** Shareholders' Statistics
- 116** Notice of Annual General Meeting
Proxy Form

CORPORATE GOVERNANCE REPORT

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 2016 (“FY2016”), 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.

CORPORATE GOVERNANCE REPORT

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	Board Committees		
		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 Goh Kay Seng Edwin	4	4	1	1
Mr Mak Yen-Chen Andrew	4	4	1*	1
Ms Zhai Guihua	2**	2**	-	-

* By Invitation

** Via tele-conference

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. No new director was appointed during the year under review.

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 FY2016 include:

Moore Stephens Singapore Financial Reporting Standards Seminar 2016,

Ernst & Young Financial Reporting update 2016, and

ACRA:SGX – SID Audit Committee 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.

CORPORATE GOVERNANCE REPORT

The Company 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 FY2016, 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 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. 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.

CORPORATE GOVERNANCE REPORT

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 is an Independent Non-Executive Director and, also 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:

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| - | 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;

CORPORATE GOVERNANCE REPORT

- 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.

Currently, there is no alternate director on the Board.

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.

CORPORATE GOVERNANCE REPORT

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.

Regulation 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"). Regulation 106 of the Constitution provides that the retiring Directors are eligible to offer themselves for re-election. The Nominating Committee recommended to the Board that Ms Zang Linying and Mr Mak Yen-Chen Andrew be nominated for re-election at the forthcoming AGM. Mr Mak Yen-Chen Andrew will, upon re-election as an Independent Non-Executive Director, remain as the Chairman of the Remuneration Committee and a member of Audit Committee. Ms Zang Linying will, upon re-election, remain as Executive Director of the Company. In making the recommendations, the Nominating Committee has considered the Directors' overall contributions and performances. Mr Mak Yen-Chen Andrew, not being a member of the Nominating Committee, did not participate in reviewing, recommending and approving 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: 50	Executive Chairman and Chief Executive Officer	18 December 2006	27 April 2015	NIL
Zang Linying Age: 53	Executive Director	18 December 2006	25 April 2014	NIL
Goh Kay Seng Edwin Age: 43	Independent Non-Executive Director	15 July 2015	28 April 2016	Past Directorships (in the last three preceding years) China Animal Healthcare Limited
Mak Yen-Chen Andrew Age: 47	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: 62	Independent Non-Executive Director	21 June 2010	28 April 2016	NIL

Key information on the individual directors and their shareholdings in the Company are set out on pages 12, 13 and 45 of this Annual report.

CORPORATE GOVERNANCE 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 joint Company Secretaries. The joint Company Secretaries and/or her/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 joint Company Secretaries 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.

CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE REPORT

The members of the Remuneration Committee possess general knowledge in the field of executive remuneration and/or compensation and have access to external professional advice. The Remuneration Committee ensures that in the event of such advice being sought, existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.

The Remuneration Committee reviews the Company'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 Remuneration Committee also aims to be fair and avoid rewarding poor performer.

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 Directors and key management personnel 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.

CORPORATE GOVERNANCE REPORT

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 FY2016, Mr Lin Baiyin, being the Chief Executive Officer, is entitled to (i) a basic monthly salary (ii) an annual incentive bonus ("Incentive Bonus"), which is dependent on the performance of the Company and the Group, as further outlined below, (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. In the case of Ms Zang Linying, being the Finance Director, her remuneration package includes (i) a basic monthly salary, (ii) a discretionary bonus, to be recommended by the Remuneration Committee and approved by the Board, (iii) contributions to defined contribution plan, and (iv) 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 FY2016.

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 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 FY2016.

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.

CORPORATE GOVERNANCE REPORT

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 2016 is set out below:

Remuneration band (in S\$)/Name of Directors	Salary	Fees*	Other Benefits ²
	%	%	%
S\$100,000 to S\$249,999			
Mr Lin Baiyin	82.8	-	17.2
Ms Zang Linying	82.4	-	17.6
Below S\$100,000			
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 FY2016 have been approved at the last AGM held on 28 April 2016.

¹No discretionary bonus or Incentive Bonus was paid to any Executive Directors.

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

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 five key management personnel (who are not Directors or the Chief Executive Officer) whom the Company considered to be the key executives of the Group instead of only four in the previous corresponding year. Xu Shulin was appointed during the financial year as the Group's deputy general manager to oversee the daily operations when the Chief Executive Officer is away for business trips. Recently, he also took over the production and purchasing portfolios from Mu Zongguang who resigned in March 2017. A breakdown showing the level and mix of each individual Key Executive's remuneration for the financial year ended 31 December 2016 is set out below:

Name of Key Executive	Salary	Other benefits ²
	%	%
Below S\$250,000		
Xu Shulin	72.3	27.7
Wang Xiaoyan	88.7	11.3
Mu Zongguang	70.7	29.3
Sun Weili	71.4	28.6
Lim Poh Yeow	92.5	7.5

¹No variable bonus or performance shares were paid/awarded to any key management personnel.

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

CORPORATE GOVERNANCE REPORT

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 five Key Executives of the Company (who are not Directors or the Chief Executive Officer) for FY2016 is S\$334,000 (RMB1,605,000).

No employee who is an immediate family member of a Director was paid more than S\$50,000 during FY2016. "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 FY2016, 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.

CORPORATE GOVERNANCE REPORT

The Board is also responsible for ensuring compliance with legislative and regulatory requirements, including requirements under the Listing Rules. In line with the Listing Rules of the SGX-ST, the Board provides a negative assurance statement to the shareholders in its quarterly financial statements announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect. In addition, the Company also completes and submits compliance checklists to SGX-ST (if applicable and when required) to ensure that all announcements, circulars or letters to shareholders comply with the requirements set out in the SGX-ST Listing Manual.

The Management regularly (and as and when requested) presents the Board with the Group's quarterly financial results, prospects and annual financial statements to enable the Board to discharge its duties and responsibilities. When there are major developments in the Group's businesses, Board members may arrange to visit the subsidiaries' offices, plants and project sites to obtain updates and also to gain a further understanding of the Group's latest businesses and operating environments. 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 ongoing 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 FY2016 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 2016; and (b) regarding the effectiveness of the Group's risk management and internal control systems.

CORPORATE GOVERNANCE REPORT

- (iv) MS Risk Management Pte Ltd has completed and finalized the review of the internal controls pertaining to revenue to collection cycle and procurement to payment cycle. The internal audit review report was presented to the Board during the third quarter's Board meeting held in November 2016. During the presentation, the internal auditors confirmed that the internal audit review did not highlight any significant internal controls lapses or deficiencies that warrant immediate actions by the Board. However, there were controls improve recommendations proposed by the internal auditors, which the Management has responded with remedial actions plans to address these weaknesses. As an ongoing exercise, the Audit Committee will consider re-engaging internal auditors to perform a review to assess the adequacy and effectiveness of the internal controls in place.

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 the Management and the 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 2016. 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:

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|---|------------------------|--|
| - | 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 |

No former partner or director of the Company's existing auditing firm or audit corporation is a member of the AC.

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;

CORPORATE GOVERNANCE REPORT

- 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;
- considering the appointment and re-appointment of the external auditors and matters relating to resignation or dismissal thereof;
- reviewing, approving 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 Audit Committee meets on a quarterly basis to perform independent reviews of the Company's quarterly and full-year results, SGXNET announcements and all related disclosures to shareholders before submission to the Board for approval. In the process, the Committee reviewed the key areas of Management judgment applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have a material impact on the financials.

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 FY2016, the Audit Committee Chairman attended technical updates and seminars conducted by the Singapore Institute of Directors, Accounting and Corporate Regulatory Authority and Ernst & Young LLP and Moore Stephens LLP. 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.

CORPORATE GOVERNANCE REPORT

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 FY2016, the aggregate amount of audit fees payable to the external auditors was approximately RMB0.7 million. There was no fees payable to other independent auditors for non-audit purposes as the Group did not procure such services during the financial year. The external auditors also 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 audits its 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 FY2016, there were no complaints, concerns or other matters received from the channel established under the whistle-blowing policy.

The Audit Committee, after discussions with the Management and the external auditors, determined the following as key risk areas that may potentially led to material misstatements of financial statements. The table below indicates how these matters were discussed and addressed:

Matters considered	Action
Revenue recognition, contract work-in-progress, related receivables and advances to suppliers	<p>The Board had convened an internal audit by external parties to review the Group's policies and internal controls on certain key business processes, namely, customer acceptance, supplier acceptance, collection of trade receivables and cash disbursement. The internal audit review report was completed during the financial year and presented to the Board. The report did not highlight any significant internal controls lapses or deficiencies that warranted immediate actions by the Board. Prior to the internal audit, the Board had also instituted certain internal controls relating to all proposed payments by the Group, whether in advance or in arrears, to any single supplier above RMB10 million, requiring prior approval from the Board for all such payments.</p> <p>The Management has also exercised more stringency in accepting customer contracts. The financial health of the counterparty, new or existing customers alike, has to be rigorously assessed prior to any contract acceptances. 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 and the Management is able to ascertain that any resultant financial risk is remote or insignificant. 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 has helped to mitigate the Group's exposure to credit risks and market risks in FY2016.</p>

CORPORATE GOVERNANCE REPORT

Matters considered	Action
	As a result of the above procedures undertaken, coupled by the quarterly reviews performed on the financial position of the Group as at 31 December 2016, the Audit Committee concurred with the Management that the Group's revenue recognition is consistent with its accounting policy. The contract work-in-progress, related receivables and advances to suppliers are fairly stated and impairments made as at 31 December 2016 are adequate. This understanding was consistent with and also supported by the audit findings from the external auditors during the year-end audit.
Impairment of investment in and amount due from subsidiary (company level)	<p>To be satisfied that the carrying amount of the investment in and amount due from subsidiary are appropriately stated, a detailed impairment review was performed. It was established that the investment in subsidiary needs to be further written down to its recoverable amount by RMB22.1 million to RMB63.0 million. The recoverable amount of the investment was determined based on the Value in Use of the subsidiary using cash flow projections approved by the Management, which are determined using pre-tax discount rates.</p> <p>Several steps were taken by the Audit Committee Chairman ("AC Chair") to satisfy himself that the impairment was necessary and reasonable. A discussion was first held with the Chief Financial Officer to obtain a basic understanding of the reasonableness of the profit forecast prepared as well as the basis for the additional impairment. Additionally, the AC Chair also discussed with the external auditors to assess the reasonableness, relevance of the assumptions used in the impairment review and the justification for the additional impairment. The AC Chair concurred with the Management and the external auditors on the need, and the amount, to further impair the investment in subsidiary.</p>

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 internal audit function is outsourced to a public accounting firm, MS Risk Management Pte Ltd ("MS"), a firm which meets the standard set by internationally-recognised professional bodies such as the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The Audit Committee is satisfied that the internal auditors appointed are staffed by qualified and experienced personnel.

The internal auditors plans their internal audit schedules in consultation with, but independent of, the management and the internal audit plan is discussed with the Audit Committee Chairman for approval prior to the commencement of the internal audit. The internal auditors report primarily to the Chairman of the Audit Committee. The Audit Committee will follow up closely with the Group's Chief Financial Officer to ensure that the internal audit professionals have unfettered access to all the company's documents, records, properties and personnel. They will also make themselves available to attend discussions of any internal audit matters with the engagement partner.

The Audit Committee has reviewed the adequacy and effectiveness of the internal audit function in FY2016 and is satisfied that the internal auditors have the necessary resources to adequately perform its function. The internal auditors will be following up with management on their implementation of their recommendations.

CORPORATE GOVERNANCE REPORT

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.

During the AGM, the Chief Financial Officer attended to questions from individual shareholders about the Company's operations and prospects.

The Company's Constitution currently provides that shareholders can vote in person or appoint not more than two (2) proxies to attend and vote on their behalf at general meetings of shareholders in the event that the shareholders are unable to attend the meeting in person. There is no provision in the Company's Constitution that limits the number of proxies for corporations which provide nominee or custodian services. Shareholders are being informed of the rules, including voting procedures, which govern the general meetings of shareholders.

The Company does not have a fixed dividend policy and did not pay any dividends in FY2016. 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.

CORPORATE GOVERNANCE REPORT

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.

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. The Company will put all resolutions to vote by poll to be in line with Rule 730(A)(2) of the Listing Manual. The detailed results setting out the breakdown of all valid votes cast at the general meeting in the format provided in the Listing Manual will be announced via SGXNET after the conclusion of the general meetings. The minutes of the general meetings would be provided to the shareholders upon their written request.

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 FY2016, the Company has complied with Rule 1207(19) of the Listing Rules.

CORPORATE GOVERNANCE REPORT

NON-AUDIT FEES

There was no non-audit service rendered by the Group's external auditors, Foo Kon Tan LLP in FY2016 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 2016 or still subsisting as at 31 December 2016 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 FY2016 under review in accordance with Rule 907 of the Listing Rules.

CORPORATE SOCIAL RESPONSIBILITY

In the midst of striving to turn the Group around, Leader Environmental Technologies Limited has played an active role in embracing corporate social responsibilities ("CSR"), especially towards preserving the environment. The Group strongly believes that this is necessary for the long term sustainability of its business. Accordingly, it has devoted more resources towards enhancing and developing new industrial wastegas treatment systems, not only to fulfil the stringent emission requirements, but to constantly deliver performances that will exceed expectations. The Group plans to launch better and improved technological products to the market and also to educate and encourage their customers to adopt these systems in their projects.

Workplace health and safety hazards could be detrimental to the Group if they are not managed properly. Management has put in place safety measures to either fully eliminate, if not, to minimise the occurrence of accidents happening at the workplace. The high risk areas are usually located at the various project sites where engineering, procurement and construction works are performed. While it is important to deliver the contracts on time so as to avoid any potential penalties, it is also equally important that the construction workers are free from any accidents. Hence, the project manager has been given an important task to work closely with these workers and to look at every single task at the workplace to identify potential hazards. Before the commencement of any project, it is also the responsibility of the project manager to pay several visits to the project site to familiarize himself with the customer's workplace in order to work out a detail plan to implement the various safety measures. He will then brief all the workers before they proceed to work at the project site. A briefing will also be held every morning to remind them to observe the safety rules and regulations. A debrief will also be conducted at the end of the day, covering health and safety issues. These will ensure that workers are constantly reminded to exercise vigilance and caution while performing their work.

CORPORATE GOVERNANCE REPORT

USE OF PLACEMENT PROCEEDS

As at 31 December 2016, the net proceeds from the Company's private placement have been utilised as follows:

Usage of private placement proceeds	Net proceeds earmarked for working capital of the Company RMB'000	Net proceeds re-allocated from construction and operation of new energy to working capital of the subsidiary RMB'000	Group Total RMB'000
Total net proceeds from the private placement on 22 June 2015	4,214	6,286	10,500
Less amount utilised for working capital:			
Directors' remunerations, fees and staff payroll and related costs	(1,925)	(442)	(2,367)
Compliance costs	(1,293)	-	(1,293)
legal fees incurred for the loan renewal, private placement and advisory work	(183)	-	(183)
Printing and courier charges	(270)	-	(270)
Intercompany settlement	(92)	-	(92)
Corporate income tax	(1)	-	(1)
Payments of supplies for raw materials	-	(4,601)	(4,601)
Others*	(450)	(1,243)	(1,693)
Balance as at 31 December 2016	-	-	-

* Others comprised office rental, travelling, promotional and miscellaneous expenses.

DISCLOSURE GUIDE

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	<p>(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.</p> <p>(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?</p>	<p>(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.</p> <p>(b) The Remuneration Committee reviews and recommends to the Board remuneration packages for the Board, CEO and key management personnel 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.</p>
Board Responsibility		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	<p>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.</p> <p>The Company did not enter into any major transaction or business proposal out of the ordinary course of business.</p>

DISCLOSURE GUIDE

Guideline	Questions	How the Company complied?
Members of the Board		
Guideline 2.6	<p>(a) What is the Board's policy with regard to diversity in identifying director nominees?</p> <p>(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.</p> <p>(c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?</p>	<p>(a) The Board believes in having an appropriate balance and diversity of skills, experience, gender and knowledge.</p> <p>(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. 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.</p> <p>(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).</p>

DISCLOSURE GUIDE

Guideline	Questions	How the Company complied?
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.	<p>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.</p> <p>There was no appointment of new Director during the year under review.</p> <p>Regarding the re-appointment of incumbent Directors, please refer to the nomination process and considerations described under Guideline 2.6 above.</p>
Guideline 1.6 & 1.7	<p>(a) Are new directors given formal training? If not, please explain why. Any letters to directors upon appointment?</p> <p>(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?</p>	<p>(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 his duties. A visit to the Company's operation and plant will be arranged as part of the orientation programme.</p> <p>(b) No new Director was appointed during the year under review.</p> <p>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.</p>

DISCLOSURE GUIDE

Guideline	Questions	How the Company complied?
		<p>Seminars and technical updates attended by Directors in FY 2016</p> <p>The details of seminars and technical updates attended by the Directors in FY 2016 include:</p> <p>Moore Stephens Singapore Financial Reporting Standards Seminar 2016</p> <p>Ernst & Young Financial Reporting update 2016</p> <p>ACRA: SGX - SID Audit Committee Seminar</p> <p>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.</p>
Guideline 4.4	<p>(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?</p> <p>(b) If a maximum number has not been determined, what are the reasons?</p>	<p>(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.</p> <p>(b) Not applicable.</p>

DISCLOSURE GUIDE

Guideline	Questions	How the Company complied?
	(c) What are the specific considerations in deciding on the capacity of directors?	(c) In considering the re-appointment of Directors, 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.
Board Evaluation		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year? (b) Has the Board met its performance objectives?	(a) Please refer to the board evaluation process described under the section entitled "Board Performance" in the Corporate Governance Report. (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 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 GUIDE

Guideline	Questions	How the Company complied?
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 a highly competitive in respect of the recruitment of experienced executives.
Guideline 9.3	<p>(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?</p> <p>(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).</p>	<p>(a) Yes. Please refer to the section entitled "Disclosure on Remuneration" in the Corporate Governance Report.</p> <p>(b) The annual aggregate remuneration paid to the top five Key Executives of the Company (who are not Directors or the Chief Executive Officer) for FY2016 is S\$334,000 (RMB1,605,000).</p>
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.
Guideline 9.6	<p>(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.</p> <p>(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?</p>	<p>(a) Please refer to the section entitled "Disclosure on Remuneration" in the Corporate Governance Report.</p> <p>(b) Please refer to the section entitled "Disclosure on Remuneration" in the Corporate Governance Report.</p>

DISCLOSURE GUIDE

Guideline	Questions	How the Company complied?
	(c) Were all of these performance conditions met? If not, what were the reasons?	(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	<p>(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.</p> <p>(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?</p>	<p>(a) Please refer to the section entitled "Risk Management and Internal Controls" in the Corporate Governance Report.</p> <p>(b) Yes. Please refer to the section entitled "Risk Management and Internal Controls" in the Corporate Governance Report.</p>
Guideline 12.6	<p>(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.</p> <p>(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.</p>	<p>(a) The fees paid to external auditors for audit services in FY2016 amounted to approximately RMB0.7 million. There were no fees paid to external auditors for non-audit services in FY2016.</p> <p>(b) Not applicable. The external auditors have not provided any non-audit services to the Company.</p>

DISCLOSURE GUIDE

Guideline	Questions	How the Company complied?
Communication with Shareholders		
Guideline 15.4	<p>(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?</p> <p>(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?</p> <p>(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?</p>	<p>(a) Please refer to the section entitled “Communication with Shareholders” in the Corporate Governance Report.</p> <p>(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.</p> <p>(c) Please refer to the section entitled “Communication with Shareholders” in the Corporate Governance Report.</p>
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 FY2016. 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

For the financial year ended 31 December 2016

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 2016.

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 55 to 113 are drawn up so as to give a true and fair view of the financial positions and changes in equity of the Company and of the Group as at 31 December 2016 and the financial performance 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
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		
	As at 1.1.2016	As at 31.12.2016	As at 21.1.2017	As at 1.1.2016	As at 31.12.2016	As at 21.1.2017
<u>Director</u>						
Lin Baiyin	1,000,000	1,000,000	1,000,000	207,304,000	207,304,000	207,304,000
Goh Kay Seng Edwin	-	-	-	9,000,000	9,000,000	9,000,000

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

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 2016.

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	
	2016	2015	2016 RMB'000	2015 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)
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 2016 as well as the auditor's report thereon;

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

Audit committee (Cont'd)

- (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;
- (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 Corporate Governance Report.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

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: 23rd March 2017

INDEPENDENT AUDITOR'S REPORT

To the members of Leader Environmental Technologies Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Leader Environmental Technologies Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, and the consolidated statement of profit or loss and 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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 Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

To the members of Leader Environmental Technologies Limited

Key audit matters (Cont'd)	Risk	Our responses and work performed
<p>Revenue recognition, contract work-in-progress, related receivables and advances to suppliers</p>	<p>The Group is primarily involved in the business of design and construction of environmental protection systems, primarily for industrial wastegas and wastewater treatments.</p> <p>The accuracy and timing of revenue recognition for construction contracts under the percentage of completion method requires the determination of the stage of completion of the project and timing of revenue recognition which involves significant management judgement and use of estimates.</p> <p>The Group is subject to contract risk with significant judgment and accounting estimates used in determining the accuracy of revenue and attributable profit under the calculation using the percentage of completion method including the adequacy of provision for foreseeable losses, recoverability of related receivables and advances to suppliers under contract.</p> <p>The Group's disclosures about revenue recognition, contract work-in-progress, related receivables and advances to suppliers are included in the significant accounting policy in Note 2(d) and Notes 7, 9, 10 and 20 to the financial statements.</p>	<ul style="list-style-type: none"> - We read a sample of the contracts with customers and applied our understanding of these contracts in evaluating the judgements used by management in determining the timing of revenue recognition, stage of completion and calculation of revenue under the percentage of completion method. - Our procedures require us to discuss the contracts with appropriate personnel, review for any variation orders for its accounting and evaluating the design and implementation of key controls. - We reviewed the accuracy and completeness of estimated total contract costs for each contract and ascertained the appropriateness of the calculations under the percentage of completion method including any foreseeable loss that could arise for loss-making projects. - We reviewed the stage of completion of projects against engineer's survey report by management and/or certificate of completion acknowledged by customers. - We performed substantive testing procedures by verifying contracts including any variation orders to the underlying documentation. - We re-evaluated the appropriateness of the accounting bases the Group applies using the percentage of completion method by reference to accounting standard Financial Reporting Standard 11 Construction Contracts. - We performed selected site visits to contracts work-in-progress to confirm our understanding of the stage of completion as assessed by management. - We reviewed management's assessment of the recoverability of contract related receivables and advances to suppliers recorded under prepayments, and verified cash receipts after the reporting period to underlying documentation. - We circularised significant trade receivables and payables balances and significant advances to suppliers. - We assessed the adequacy of the related disclosures in the notes to the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the members of Leader Environmental Technologies Limited

Key audit matters (Cont'd)	Risk	Our responses and work performed
<p>Impairment of investment in and amount due from subsidiary (Company level)</p>	<p>The Company has significant investment in subsidiary and amount due from subsidiary as at 31 December 2016.</p> <p>The impairment review is considered to be a risk area due to the significant interest in subsidiary by the Company and the impairment exercise by management involves significant estimates and judgements.</p> <p>The Group's disclosures about Impairment of investment in and amount due from subsidiary are included in the significant accounting policy in Note 2(d) and Notes 6 and 9 to the financial statements.</p>	<ul style="list-style-type: none"> - We discussed the impairment assessment requirements with management and reviewed management's assessment for indications of impairment against the external and internal sources of information for the investment in subsidiary and identifying for objective evidence that amount due from subsidiary may be impaired. - We obtained and reviewed management's cash flows forecast and assessment of value in use assumptions and estimates including the discount rate used for the assessment of impairment of investment in subsidiary. We evaluated the ability of the subsidiary to repay the amount due to the Company against the cash flow forecast. - We have evaluated the competency, capability and objectivity of the in-house management expert, obtained an understanding of the work of that expert; and evaluated the appropriateness of that expert's work as audit evidence for the relevant assertion. - We also engaged our auditor expert in the review of the discounted cash flows and assumptions. We have evaluated whether the auditor's expert has the necessary competence, capability and objectivity for our purposes. - We assessed the reasonableness of management's assumptions and estimates by comparing past assumptions against actual performance, historical data including current contracts book orders and discussed with management on the expected future trends and projections. - We performed our own sensitivity analysis based on the increase/decrease in certain key estimates to assess the range of acceptable valuations. - We assessed the adequacy of the related disclosures in the notes to the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the members of Leader Environmental Technologies Limited

Other information

Management is responsible for the other information. The other information comprises the "Directors' Statement" included in the annual report, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the remaining sections of the annual report which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining sections of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors 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 Act and FRSs, 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 and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT

To the members of Leader Environmental Technologies Limited

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

To the members of Leader Environmental Technologies Limited

Report on Other Legal and Regulatory Requirements

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.

The engagement partner on the audit resulting in this independent auditor's report is Chang Fook Kay.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore
23rd March 2017

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

	Note	The Group		The Company	
		2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
ASSETS					
Non-current Assets					
Property, plant and equipment	3	11,505	10,970	-	2
Intangible assets	4	4,205	5,573	-	-
Club membership	5	671	717	-	-
Investment in subsidiaries	6	-	-	63,000	75,000
		16,381	17,260	63,000	75,002
Current Assets					
Gross amount due from customers for contract work-in-progress	7	18,173	18,193	-	-
Inventories	8	1,307	1,342	-	-
Trade and other receivables	9	27,093	30,230	-	-
Prepayments	10	97,082	116,355	39	69
Bank deposits pledged	11	6,381	17,960	-	-
Cash and cash equivalents	12	25,953	26,097	1,066	9,371
		175,989	210,177	1,105	9,440
Total assets		192,370	227,437	64,105	84,442
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	13	224,747	224,747	224,747	224,747
PRC statutory common reserve	14	31,748	31,748	-	-
Merger reserve	15	(454)	(454)	-	-
Accumulated losses		(193,052)	(195,453)	(162,171)	(141,891)
		62,989	60,588	62,576	82,856
Non-controlling interest		31	18	-	-
Total equity		63,020	60,606	62,576	82,856
Non-current Liabilities					
Deferred tax liabilities	16	-	-	-	-
Current Liabilities					
Gross amount due to customers for contract work-in-progress	7	-	573	-	-
Trade and other payables	17	35,373	61,772	294	421
Loans and borrowings	18	70,000	97,000	-	-
Other liabilities	19	23,830	7,338	1,235	1,165
Income tax payable		147	148	-	-
		129,350	166,831	1,529	1,586
Total liabilities		129,350	166,831	1,529	1,586
Total equity and liabilities		192,370	227,437	64,105	84,442

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 2016

The Group	Note	2016 RMB'000	2015 RMB'000
Revenue	20	43,790	51,187
Cost of sales		(36,434)	(35,526)
Gross profit		7,356	15,661
Financial income	21(a)	93	1,696
Other income	21(b)	10,873	176
Selling and distribution expenses		(1,347)	(1,754)
Administrative expenses	21(c)	(13,310)	(17,726)
Finance costs	21(a)	(4,106)	(7,540)
Other expenses	21(b)	(104)	(266,820)
Share of results of associate	22	-	(275)
Loss before taxation	21(d)	(545)	(276,582)
Taxation	23	2,821	3,985
Profit/(loss) for the year and representing total comprehensive income/(loss) for the year*		2,276	(272,597)
Profit/(loss) for the year and representing total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		2,401	(272,563)
Non-controlling interest		(125)	(34)
		2,276	(272,597)
Earnings/(loss) per share			
- Basic and diluted (RMB cents)	24	0.39	(46.98)

* 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 2016

The Group	← Attributable to owners of the Company →						Total equity RMB'000
	Share capital RMB'000	PRC statutory common reserve	Merger reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non- controlling interest RMB'000	
		RMB'000					
At 1 January 2016	224,747	31,748	(454)	(195,453)	60,588	18	60,606
Profit for the year, representing total comprehensive income for the year	-	-	-	2,401	2,401	(125)	2,276
Issuance of shares by subsidiaries - called up and unpaid	-	-	-	-	-	138	138
At 31 December 2016	224,747	31,748	(454)	(193,052)	62,989	31	63,020
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 13)	10,749	-	-	-	10,749	-	10,749
Share issuance expenses (Note 13)	(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
- called up and unpaid	-	-	-	-	-	17	17
At 31 December 2015	224,747	31,748	(454)	(195,453)	60,588	18	60,606

The Company	Share capital RMB'000	Accumulated losses RMB'000	Total Equity RMB'000
At 1 January 2016	224,747	(141,891)	82,856
Loss for the year, representing total comprehensive loss for the year	-	(20,280)	(20,280)
At 31 December 2016	224,747	(162,171)	62,576
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 13)	10,749	-	10,749
Share issuance expenses (Note 13)	(249)	-	(249)
Grant of shares under LET Performance share scheme	2,798	-	2,798
At 31 December 2015	224,747	(141,891)	82,856

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 2016

The Group	Note	2016 RMB'000	2015 RMB'000
Cash Flows from Operating Activities			
Loss before taxation		(545)	(276,582)
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		844	839
Gain on disposal of property, plant and equipment		(36)	(28)
Amortisation of intangible assets and club membership		1,414	1,439
Unbilled work-in-progress written off		-	1,169
Bad debt written off		-	1,875
Allowance for impairment of trade receivables (written back net)/ made	A1	(1,000)	174,763
Allowance for impairment of advances made to trade supplier		-	84,743
Other non-trade supplier written off		-	503
Finance costs		4,106	7,540
Interest income		(93)	(1,696)
Allowance for impairment of investment in associate		-	3,440
Gain on disposal of associate	B	(4,750)	-
Share of results of associate		-	275
Unrealised exchange differences		(46)	231
Operating (loss)/profit before working capital changes		(106)	1,315
Decrease/(increase) in gross amount due from customers for contract work-in-progress		20	(2,155)
Decrease in inventories		35	405
Decrease/(increase) in trade and other receivables		4,275	(428)
Decrease/(increase) in prepayments		19,273	(26,413)
Decrease in gross amount due to customers for contract work-in-progress		(573)	(1,199)
(Decrease)/increase in trade and other payables		(11,884)	2,077
Increase/(decrease) in other liabilities		16,492	(11,810)
Cash generated from/(used in) operations		27,532	(38,208)
Interest paid		(4,106)	(7,540)
Interest income received		93	1,199
Income tax refunded/(paid)		2,821	(1,771)
Net cash generated from/(used in) operating activities		26,340	(46,320)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(260)	(1,357)
Construction in progress on solar photovoltaic plant		(1,151)	-
Proceed from disposal of property, plant and equipment	C	-	39
Proceeds from disposal of associate	B	4,750	-
Net cash generated from/(used in) investing activities		3,339	(1,318)

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 2016

The Group	Note	2016 RMB'000	2015 RMB'000
Cash Flows from Financing Activities			
Proceeds from issuance of new ordinary shares pursuant to the private placement		-	10,749
Share issuance expenses		-	(249)
Proceeds from third party loan		15,000	20,000
Repayments of third party loan		(35,000)	-
Proceeds from loans and borrowings		70,000	97,000
Repayments of loans and borrowings		(97,000)	(172,600)
Proceeds from/(repayments of) bills payable - net		5,552	(232)
Cash contribution from non-controlling interest for incorporation of subsidiary	A2	-	35
Decrease in bank deposits pledged		11,579	44,212
Net cash used in financing activities		(29,869)	(1,085)
Net decrease in cash and cash equivalents		(190)	(48,723)
Exchange differences on translation of cash and cash equivalents		46	(231)
Cash and cash equivalents at beginning of year		26,097	75,051
Cash and cash equivalents at end of year (Note 12)		25,953	26,097

Note:

A Trade and other receivables

1. Allowance for impairment of trade receivables

During the year, the Group wrote back impairment allowance for trade receivables of RMB5,445,000 (2015 - provision of RMB174,763,000) consisting of cash received of RMB4,445,000 from the trade receivables during the year and RMB1,000,000 after the year end, resulting in a non-cash allowance written back of RMB1,000,000 for the year.

2. Receivables from non-controlling interest due to increase of share capital

Due to operating requirement, the subsidiary (Jilin Anjie New Energy Power Generation Co., Ltd.) increased paid up share capital to RMB3,875,000 (2015 - RMB1,073,000), and the non-controlling interest portion of RMB138,000 (2015 - RMB17,000) was called up but was unpaid for the year.

B Equity investment in associate

On 30 May 2016, the Group completed the disposal of the equity investment in the associate - Nano Sun Pte. Ltd. which was fully impaired in year 2015 with cash proceeds of RMB4,750,000.

C Property, plant and equipment

The net proceeds from disposal of property, plant and equipment amounting to RMB70,000 (2015 - Nil) with VAT of RMB3,000 have been offset against the balances owing to trade creditors as part settlement for trade payable balances.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

1 General information

The financial statements of the Group and the Company for the financial year ended 31 December 2016 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 are disclosed in Note 6 to the financial statements.

2 Going concern

The Group has cash and cash equivalents of RMB26.0 million (2015 - RMB26.0 million) as at 31 December 2016 and the Group has net current assets of approximately RMB46.7 million as at 31 December 2016 which is able to support its working capital requirements. The Group has outstanding bank loans of RMB70.0 million (2015 - RMB97.0 million) as at 31 December 2016 which is due within 12 months after year end.

Notwithstanding the above, the Group is of the view that the preparation of financial statements on a going concern basis is appropriate for the following reasons:

- the Group has entered into an agreement with an existing customer to repay the debts on regular basis amounting to RMB9.0 million by the end of 2017. The Group has also entered into agreements with suppliers that the advances to suppliers of RMB96.5 million as at 31 December 2016 are refundable under certain conditions;
- in line with the Group's policy, new projects undertaken will be mainly funded by the customers as the Group requires customers to pay an advance payment up to 30% of the contract value before the projects commence. Subsequent to year end, the Group has collected RMB25.0 million of advances from customers;
- in November 2016, the Group had successfully renewed and reduced its loan quantum for another year to 2017, from RMB97.0 million as at 31 December 2015 to RMB70.0 million as at 31 December 2016. Of the RMB70.0 million outstanding bank loan at 31 December 2016, the Group had repaid RMB15.0 million in January 2017 and borrowed a new loan of RMB20.0 million which is repayable within the next twelve months. The Group will continue to meet the bank loan criteria for the credit facilities that are available to the Group of RMB80.0 million which is secured by personal guarantees from the Executive Chairman and Chief Executive Officer of the Company and his spouse, and partially secured by the commercial properties held by the subsidiary. 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 they are due;

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2 Going concern (Cont'd)

- 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.
- 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. The Group will only commence projects when it is confident of customers' ability to finance the projects; and
- the working capital requirements of the Group will be more efficiently managed following the Group's implementation of credit risk tightening since 1 October 2015 and the requirement to obtain advance payments from customer before commencement of the projects which will reduce the working capital needs of the Group. This measure will ensure that no working capital will be saddled by projects with customers with financial difficulties.

2(a) Basis of preparation

The financial statements are prepared in accordance with Financial Reporting Standards in Singapore ("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 judgements

The preparation of the financial statements in conformity with FRS requires the use of judgements, 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 judgement 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

(i) Significant judgements (Cont'd)

Income taxes (Notes 16 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 2016 amounted to approximately RMB147,000 (2015 - RMB148,000) and RMB Nil (2015 - RMB Nil) respectively.

Impairment of property, plant and equipment (Note 3)

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 6 and 9)

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 periods 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 using value-in-use (as it was higher than fair value less cost of disposal) which involves estimating 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, taking into account business outlook, including factors such as industry and sector performance, general market and economic conditions and other available information. As at 31 December 2016, increase/decrease in discount rate by 1% would result in an increase/decrease in impairment loss in subsidiaries by approximately RMB9,000,000 (2015 - RMB9,997,000) and RMB10,000,000 (2015 - RMB15,686,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

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

Construction contracts (Note 7)

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 7 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 profit would have been higher/lower by RMB3,527,000 (2015 - RMB6,335,000).

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 profit would have been lower/higher by RMB2,386,000 (2015 - RMB5,025,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

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

Allowance for inventory obsolescence (Note 8)

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.

If the net realisable value of the inventory increase/decrease by 10% from management's estimates, the Group's profit will increase/decrease by RMB131,000 (2015 - RMB134,000). The carrying amount of the inventory is disclosed in Note 8 to the financial statements.

Depreciation of property, plant and equipment (Note 3)

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 2016 are RMB11,505,000 and RMB Nil (2015 - RMB10,970,000 and RMB2,000) 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 increase/decrease by 10% from management, the Group's profit for the year will decrease/increase by approximately RMB84,000 (2015 - RMB84,000).

Allowance for bad and doubtful debts (Note 9)

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

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

Allowance for bad and doubtful debts (Note 9) (Cont'd)

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 RMB2,709,000 (2015 - RMB3,023,000). However, the Group does not foresee any impairment in trade and other receivables, other than as disclosed in Note 9.

2(b) Interpretations and amendments to published standards effective in 2016

On 1 January 2016, 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
Improvements to FRSs (November 2014)	
- FRS 19	<i>Employee Benefits</i>
- FRS 34	<i>Interim Financial Reporting</i>
- FRS 105	<i>Non-current Assets Held for Sale and Discontinued Operations – Changes in methods of disposal</i>
- FRS 107	<i>Financial Instruments: Disclosures</i>
FRS 27	<i>Amendments to FRS 27: Equity Method in Separate Financial Statements</i>
FRS 16, FRS 38	<i>Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation</i>
FRS 16, FRS 41	<i>Amendments to FRS 16 and FRS 41: Agriculture: Bear Plants</i>
FRS 111	<i>Amendments to FRS 111: Accounting for Acquisitions of Interests in Joint Operations</i>
FRS 1	<i>Amendments to FRS 1: Presentation of Financial Statements</i>
FRS 110, FRS 112 and FRS 28	<i>Amendments to FRS 110, FRS 112 and FRS 28: Investment entities: Applying the consolidation exception</i>
	<i>Non-current Assets Held for Sale and Discontinued</i>
FRS 114	<i>Regulatory Deferral Accounts</i>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2(b) Interpretations and amendments to published standards effective in 2016 (Cont'd)

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:

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 FRS 1 *Presentation of Financial Statements* are effective from annual periods beginning on or after 1 January 2016.

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.

2(c) FRS issued but not yet effective

The Accounting Standards Council announced on 29 May 2014 that Singapore-incorporated companies listed on the SGX-ST will apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for financial year ending 31 December 2018 onwards. Singapore-incorporated companies listed on the SGX-ST will have to assess the impact of IFRS 1 First-time adoption of IFRS when transitioning to the new reporting framework. The Group is currently assessing the impact of transitioning to the new reporting framework on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

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)
FRS 7	<i>Amendments to FRS 7: Disclosure Initiative</i>	1 January 2017
FRS 12	<i>Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
FRS 109	<i>Financial Instruments</i>	1 January 2018
FRS 115	<i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 115	<i>Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers</i>	1 January 2018
FRS 102	<i>Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
FRS 116	<i>Leases</i>	1 January 2019

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:

FRS 7 Amendments to FRS 7: Disclosure Initiative

The amendments to FRS 7 *Disclosure Initiative* required entities to reconcile cash flows arising from financing activities as reported in the statement of cash flows – excluding contributed equity – to the corresponding liabilities in the opening and closing statements of financial position and to disclose on any restrictions over the decisions of an entity to use cash and cash equivalent balances, in particular way - e.g. any tax liabilities that would arise on repatriation of foreign cash and cash equivalent balances. The amendments are effective for annual periods beginning on or after 1 January 2017. 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.

FRS 12 Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* clarify that unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, the carrying amount of an asset does not limit the estimation of probable future taxable profits and the assessment of a deferred tax asset in combination with other deferred tax assets. If tax law imposes no such restrictions, an entity assesses a deductible temporary difference in combination with all of its other deductible temporary differences. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. The amendments are effective for annual periods beginning on or after 1 January 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

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 and entities can choose to apply the standard using either a full retrospective approach, with some limited relief provided, or a modified retrospective approach. Early application is permitted and must be disclosed.

The amendments to FRS 115: *Clarifications to FRS 115 Revenue from Contracts with Customers* clarify the following:

- identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract;
- determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and
- determine whether the revenue from granting a licence should be recognised at a point in time or over time.

In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

- One expedient allows entities to use hindsight when assessing contract modifications that exist at transition.
- The second expedient allows entities applying the full retrospective method to elect not to restate contracts that are completed at the beginning of the earliest period presented. This expedient will not be available to US GAAP reporters.

The amendments have the same effective date as the Standard, FRS 115, i.e. on 1 January 2018. The directors are still assessing the impact of FRS 115, but which cannot be ascertained presently.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

FRS 102 Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions

The amendments to FRS 102 *Classification and Measurement of Share-based Payment Transactions* clarify how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

- (i) The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- (ii) Share-based payment transactions with a net settlement feature for withholding tax obligations; and
- (iii) A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are effective for annual periods beginning on or after 1 January 2017.

FRS 116 Leases

FRS 116 *Leases* replaces accounting requirements introduced more than 30 years ago in accordance with IAS 17 *Leases* that are no longer considered fit for purpose, and is a major revision of the way in which companies where it is required lessees to recognise most leases on their balance sheets. Lessor accounting is substantially unchanged from current accounting in accordance with IAS 17. FRS 116 *Leases* is effective for annual periods beginning on or after 1 January 2019. Early adoption will be permitted, provided the company has adopted FRS 115 *Revenue from Contracts with Customers*.

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.

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;

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

Consolidation (Cont'd)

- 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; and
- 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

Consolidation (Cont'd)

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 consolidated statement of financial position, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

Intangible assets (Cont'd)

Research and development costs (Cont'd)

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; and
- the intangible asset can be reliably measured.

Directly attributable costs include direct raw material, and 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

No depreciation has been provided for construction-in-progress (Note 3).

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

Investment in associate (Cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

Financial assets (Cont'd)

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.

As at 31 December 2016, 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 2016.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

Employee benefits (Cont'd)

Share-based payments (Cont'd)

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.

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 differences 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

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 based on the contract costs incurred to-date to the estimated total costs for the contract further supported by 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.

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

Revenue recognition (Cont'd)

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.

Group entities

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

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.

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3 Property, plant and equipment

The Group	Commercial properties RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction-In-progress RMB'000	Total RMB'000
<u>Cost</u>						
At 1 January 2015	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
Additions	-	-	-	260	1,151	1,411
Disposals	-	-	(211)	-	-	(211)
At 31 December 2016	7,749	1,163	5,170	1,149	1,151	16,382
<u>Accumulated depreciation</u>						
At 1 January 2015	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
Depreciation for the year	242	104	445	53	-	844
Disposals	-	-	(179)	-	-	(179)
At 31 December 2016	1,187	474	2,495	721	-	4,877
<u>Net book value</u>						
At 31 December 2016	6,562	689	2,675	428	1,151	11,505
At 31 December 2015	6,804	793	3,152	221	-	10,970

The Company	Office equipment RMB'000
<u>Cost</u>	
At 1 January 2015 and 2016	11
At 31 December 2015 and 2016	11
<u>Accumulated depreciation</u>	
At 1 January 2015	7
Depreciation for the year	2
At 31 December 2015	9
Depreciation for the year	2
At 31 December 2016	11
<u>Net book value</u>	
At 31 December 2016	-
At 31 December 2015	2

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3 Property, plant and equipment (Cont'd)

Construction-in-progress relates to survey fees, design fees and piling costs incurred in respect of solar photovoltaic plant by Dunhuang Anjie New Energy Co., Ltd.

The Group has pledged its commercial properties to a bank to partially secure a banking facility of RMB80.0 million for 3 years starting from on 25 November 2016.

The net proceed from disposal of property, plant and equipment amounting to RMB70,000 in 2016 (2015 - Nil) has been offset against the balances owing to trade creditor as part settlement for trade payable balances.

4 Intangible assets

The Group	Patents RMB'000	Deferred development costs RMB'000	Total RMB'000
<u>Cost</u>			
At 1 January 2015	2,978	6,641	9,619
Additions	-	-	-
At 31 December 2015	2,978	6,641	9,619
Additions	-	-	-
At 31 December 2016	2,978	6,641	9,619
<u>Accumulated amortisation</u>			
At 1 January 2015	372	2,281	2,653
Amortisation for the year	280	1,113	1,393
At 31 December 2015	652	3,394	4,046
Amortisation for the year	261	1,107	1,368
At 31 December 2016	913	4,501	5,414
<u>Net book value</u>			
At 31 December 2016	2,065	2,140	4,205
At 31 December 2015	2,326	3,247	5,573

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

The Group	2016 RMB'000	2015 RMB'000
Amortisation expense charged to:		
Administrative expenses	1,368	1,393

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

4 Intangible assets (Cont'd)

Patents

In 2014, the patent amounting 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 2016, the patent has a remaining tenure of 95 months (2015 - 107 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 23 months (2015 - 35 months) as at 31 December 2016.

5 Club membership

The Group	Club membership RMB'000
<u>Cost</u>	
At 1 January 2015 and 2016	930
At 31 December 2015 and 2016	930
<u>Accumulated amortisation</u>	
At 1 January 2015	167
Amortisation for the year	46
At 31 December 2015	213
Amortisation for the year	46
At 31 December 2016	259
<u>Net book value</u>	
At 31 December 2016	671
At 31 December 2015	717

The Group bought a golf club membership in May 2011 for RMB930,000. As at 31 December 2016, the membership has a remaining useful life of 173 months (2015 - 185 months).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

6 Investment in subsidiaries

The Company	2016 RMB'000	2015 RMB'000
At beginning of the year	75,000	152,494
Additional investment in subsidiary	10,112	-
Allowance for impairment – Investment in subsidiary	(22,112)	(77,494)
At 31 December	63,000	75,000
Amount owing to subsidiary (Note 17)	138	248

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.

Allowance for impairment

During the financial year ended 31 December 2016, the subsidiary group - Jilin Anjie Environmental Engineering Co., Ltd and its subsidiaries has made a marginal profit of RMB446,000 (2015 - loss of RMB266,803,000) but would have incurred a loss of RMB7,820,000 had the one-off items of tax refunds of RMB2,821,000 and bad debts write-back of RMB5,445,000 been excluded for the current year. An additional allowance for impairment of RMB22,112,000 was recognised in respect of the Company's investment in the subsidiary (2015 - RMB77,494,000 for investment in the subsidiary and RMB45,560,000 for amount owing by subsidiary) to reduce the carrying value of the investment in and amount due from subsidiary 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 19.0% (2015 - 16.3%) for environmental business. The change in discount rate in 2016 was principally due to the fluctuation in the comparable market ratios of cost of debt to cost of equity and the increase of risk free rate, the China Government bond interest rate from 2.45% in 2015 to 3.30% in 2016. The movement of the allowance for impairment of the investment in subsidiary during the year ended 31 December 2016 and 2015 is as follows:

The Company	2016 RMB'000	2015 RMB'000
Allowance for impairment of investment in subsidiary		
Balance at beginning	77,494	-
Allowance made	22,112	77,494
Balance at end	99,606	77,494

Refer to Note 9 for the allowance for impairment of amount owing by subsidiary of RMB Nil (2015 - RMB40,560,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

6 Investment in subsidiaries (Cont'd)

Allowance for impairment (Cont'd)

The calculation of the allowance for impairment is as follows:

The Company	2016 RMB'000	2015 RMB'000
Unquoted equity shares, at cost	162,606	152,494
Amount owing by subsidiary (Note 9)	40,560	40,560
Net investment in subsidiary	203,166	193,054
Less:		
Allowance for impairment on net investment in subsidiary	(99,606)	(77,494)
Allowance for impairment for amount due from subsidiary	(40,560)	(40,560)
VIU of subsidiary – Jilin Anjie Environmental Engineering Co., Ltd.	63,000	75,000
Less: Interest-bearing liabilities	-	-
Net equity in subsidiary	63,000	75,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

6 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
				2016	2015	
		RMB	RMB	%	%	

Held by the Company:

Jilin Anjie Environmental Engineering Co., Ltd. ("Anjie Environmental") ¹	People's Republic of China	160,000,000	160,000,000	100.0	100.0	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
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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	3,720,680 ⁴	100,000,000	95.1	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	100.0	100.0	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	1,360,000	30,000,000	100.0	100.0	Investment, development and sales in solar, wind hydro, geothermal 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 2016.
3. The wholly owned subsidiary was incorporated with a registered share capital of RMB30,000,000 on 29 June 2015 and remained dormant for the financial year ended 31 December 2016.
4. The non-controlling interest portion of RMB155,000 (2015 - RMB17,000) was called up but was unpaid as at year end.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

The Group	2016 RMB'000	2015 RMB'000
Contract costs incurred to date	23,863	50,250
Recognised profits less recognised losses to date	11,404	13,097
	35,267	63,347
Progress billings	(17,094)	(45,727)
	18,173	17,620
Presented as:		
Gross amount due from customers for contract work-in-progress	18,173	18,193
Gross amount due to customers for contract work-in-progress	-	(573)
	18,173	17,620
Advances received on construction contracts (Note 19)	20,352	360
Unbilled work-in-progress written off (Note 21(b) & 21(d))	-	1,169
Retention receivables from construction work-in-progress included in gross amount due from customers	7,059	3,920

8 Inventories

The Group	2016 RMB'000	2015 RMB'000
Raw materials, at cost	1,307	1,342
Income statement:		
Cost of inventories included in cost of sales	15,171	31,145

9 Trade and other receivables

	The Group		The Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Trade receivables (Gross)	15,446	189,560	-	-
Allowance for impairment (Note 21(d))	(10,028)	(174,763)	-	-
	5,418	14,797	-	-
Retention receivables	8,202	5,698	-	-
Bills receivables	336	3,505	-	-
Other receivables	13,137	6,230	-	-
- Amount due from non-controlling interest	155	17	-	-
- Others	12,982	6,213	-	-
Amount owing by subsidiary (Note 6)	-	-	40,560	40,560
Allowance for impairment (Note 6)	-	-	(40,560)	(40,560)
Total	27,093	30,230	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

9 Trade and other receivables (Cont'd)

	The Group		The Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Allowance for impairment of trade receivables and amount owing by subsidiary				
Balance at beginning	174,763	-	40,560	-
Allowance for the year	-	174,763	-	40,560
Allowance written back	(5,445)	-	-	-
- Collected	(4,445)	-	-	-
- Allowance	(1,000)	-	-	-
Bad debts written off	(159,290)	-	-	-
Balance at end	10,028	174,763	40,560	40,560
Bad debt written off directly to profit or loss (Note 21(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.

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. After two years following up on the collection of allowances provided, the receivables would be written off if the possibility of collection is determined to be remote.

As a result of its critical evaluations performed on the trade receivables, no further allowances were considered necessary by management (2015 - RMB174,763,000) as of 31 December 2016, instead RMB159,290,000 (2015 - RMB Nil) impairment allowance was written off from the impairment allowance provided. Trade receivables are individually determined as allowance for impairment or write-off at the end of reporting period as the probability of recovering these trade debts is remote. These trade receivables are not secured by any collateral or credit enhancements. Other than the above, there is no further allowance for impairment in respect of the remaining trade receivables including those receivables that are past due but not impaired.

Below summarises the majority of trade receivables impairment allowance that have been written off against impairment allowances during the current financial year and the principal reasons for the write-off:

Debtor	Amount (RMB'000)	Events and circumstances leading to impairment
A	91,347	Debtor has de-registered its tax account in 2016 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 and the debtor is uncontactable.
B	63,404	The debt has been outstanding for over 4 years and the debtor is continuously experiencing significant financial difficulties including operating losses and significant outstanding bank loan obligations.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

9 Trade and other receivables (Cont'd)

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 2016, there was allowance for impairment on the entire amount due from subsidiary based on the impairment assessment (Note 6).

(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	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Current – Neither past due nor impaired	21,675	20,636	-	-

(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	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Trade receivables past due but not impaired:				
91 days to 365 days	1,139	6,009	-	-
More than 365 days	4,279	3,585	-	-
	5,418	9,594	-	-

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

10 Prepayments

	The Group		The Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Advances to trade suppliers (Gross)	96,500	197,542	-	-
Allowance for impairment of advances to trade supplier (Note 21(d))	-	(84,743)	-	-
	96,500	112,799	-	-
Prepaid operating expense	302	388	39	69
Advances to non-trade suppliers	280	3,168	-	-
	97,082	116,355	39	69
Allowance for impairment				
Balance at beginning	84,743	-	-	-
Allowance for the year	-	84,743	-	-
Write-off of allowance	(84,743)	-	-	-
Balance at end	-	84,743	-	-
Other non-trade supplier written off (Note 21(d))	-	503	-	-
Other non-trade supplier written off recovered	503	-	-	-

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

The advances to trade suppliers are made without the trade 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 trade supplier invoices. Advances are made to trade suppliers for the following reasons:

- The items purchased from trade 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.

During year 2016, two of the major suppliers located in the North area of China entered into an agreement to transfer their advances received to another major supplier located in the North West area of China, where the related projects are close to. The net amount after the transfer was RMB83.6 million (2015 - RMB103.1 million of the three suppliers before transfer and a refund of RMB19.5 million was made after the transfer) as at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

10 Prepayments (Cont'd)

No allowance for impairment of advances to trade suppliers is deemed necessary during the financial year. 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. As this supplier has ceased operation completely and remained uncontactable in year 2016, management has determined that the possibility of collecting back the prepayment is remote and decided to write off this amount of RMB84.5 million (2015 - RMB Nil) in 2016. 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 summarises the advances to trade supplier that have been written off against the impairment allowance during the current year and the principal reason for the write-off.

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 ceased operation and been uncontactable as advised by the legal adviser engaged by the Group since year 2015, management has decided to write off this amount.

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.

11 Bank deposits pledged

Bank deposits pledged amounting to RMB6,381,000 (2015 - RMB17,960,000) as at 31 December 2016 for the purpose of obtaining bills payable facilities of RMB5,552,000 (2015 - RMB Nil) and issuance of performance guarantees to certain customer of RMB829,000 (2015 - RMB Nil). As at 31 December 2016, there is no bank deposit pledged to obtain additional bank loans (2015 - RMB17,000,000).

12 Cash and cash equivalents

	The Group		The Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Cash on hand	102	379	-	-
Cash at bank	25,851	25,718	1,066	9,371
	25,953	26,097	1,066	9,371

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

12 Cash and cash equivalents (Cont'd)

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

	Note	The Group	
		2016 RMB'000	2015 RMB'000
Cash at bank and on hand, and bank deposits pledged		32,334	44,057
Less: Bank deposits pledged	11	(6,381)	(17,960)
		25,953	26,097

The weighted average effective interest rates as at 31 December 2016 for the Group and the Company were 0.30% (2015 - 0.35%) and 0.20% (2015 - 0.20%) per annum respectively.

13 Share capital

The Group and The Company	No. of ordinary shares		Amount	
	2016	2015	2016 RMB'000	2015 RMB'000
<u>Issued and fully paid, with no par value</u>				
Balance at beginning of year	617,209,000	551,959,000	224,747	211,449
Issue of new ordinary shares pursuant to the private placement	-	51,300,000	-	10,749
Share issuance expenses	-	-	-	(249)
Grant of shares under LET Performance share scheme	-	13,950,000	-	2,798
Balance at end of year	617,209,000	617,209,000	224,747	224,747

There is no issuance of new ordinary shares during the financial year. 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.

There is also no issuance of new shares under the LET Performance Share Scheme during the financial year. On 2 September 2015, the Company granted and issued, an aggregate of 13,950,000 new shares amounting to RMB2,798,000 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

14 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	2016 RMB'000	2015 RMB'000
Balance at beginning and end of the year	31,748	31,748

15 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.

16 Deferred tax liabilities

The Group	2016 RMB'000	2015 RMB'000
Balance at beginning	-	4,643
Write-back of provision	-	(4,643)
Balance at end	-	-

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.

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 2016, there is no deferred tax liability (2015 - written back of RMB4,643,000) to be provided or written back by the Group as Anjie Environmental did not have an undistributed profits out of which to declare dividend.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

16 Deferred tax liabilities (Cont'd)

Unrecognised tax losses

At the end of the financial year, the Group has unrecognised tax losses that are 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. All tax losses will expire after five years from the year of assessment they relate to.

The unrecognised tax losses will expire as follows:

The Group	2016 RMB'000	2015 RMB'000
Year 2020	4,848	4,848
Year 2021	7,117	-
Balance at end	11,965	4,848

17 Trade and other payables

	Note	The Group		The Company	
		2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Trade payables		28,332	39,642	-	-
Bills payable		5,552	-	-	-
Other payables		1,489	22,130	156	173
Amount due to subsidiary		-	-	138	248
Net trade and other payables		35,373	61,772	294	421
Other liabilities	19	23,830	7,338	1,235	1,165
		59,203	69,110	1,529	1,586

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 for financial year 2015 was a short term loan obtained from an unrelated third party of RMB20.0 million. During the current year, the Group had obtained additional RMB15.0 million short term loan from the same unrelated third party. The short term loan is unsecured, repayable on demand, bears interest at rate normally charged by PRC banks for similar tenure. Subsequently, the entire loan of RMB35.0 million (2015 - RMB20.0 million) was repaid during the current year.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

18 Borrowings

The Group	Note	2016 RMB'000	2015 RMB'000
Current			
Bank loans			
China Merchants Bank Co., Ltd (招商银行长春大经路支行)		70,000	97,000

The Group established a short term loan facility of RMB80.0 million (2015 - RMB80.0 million) during the financial year, of which the amount drawn down was RMB70.0 million (2015 - RMB80.0 million). This term loan facility is 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 and partially secured by the commercial properties held by the subsidiary - Anjie Environmental (Note 3).

There is no additional loan obtained during the financial year. As at 31 December 2015, additional loans of RMB17.0 million were obtained, which were guaranteed by bank deposits pledged of RMB18.0 million, were fully repaid on 29 January 2016. Fair value of the guarantee is considered immaterial.

The carrying amounts of current borrowings approximate their fair values.

19 Other liabilities

	The Group		The Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Accrued purchases	1,835	5,279	-	-
Accrued salary and related expenses	432	215	155	-
Advances from customers (Note 7)	20,352	360	-	-
Accrued operating expenses	1,080	1,165	1,080	1,165
Accrued welfare expenses	131	319	-	-
	23,830	7,338	1,235	1,165

20 Principal activities and revenue

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements. Revenue by significant categories is as follows:

The Group	2016 RMB'000	2015 RMB'000
Contract revenue	43,790	47,804
Rendering of services	-	3,383
	43,790	51,187

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

21(a) Financial income and costs

The Group	2016 RMB'000	2015 RMB'000
Financial income:		
Interest income from bank balances	<u>93</u>	<u>1,696</u>
Financial costs:		
Interest expense on bank loans	<u>(4,106)</u>	<u>(7,540)</u>

21(b) Other income/(expenses)

The Group	2016 RMB'000	2015 RMB'000
Other income:		
Gain on disposal of property, plant and equipment	36	28
Reversal of impairment of associate	4,750	-
Write back of impairment allowance	5,445	-
Others	642	148
	<u>10,873</u>	<u>176</u>
Other expenses:		
Bad debt written off (Note 9)	-	(1,875)
Allowance for impairment of trade receivables (Note 9)	-	(174,763)
Allowance for impairment of advances to trade supplier (Note 10)	-	(84,743)
Allowance for impairment of investment in associate (Note 22)	-	(3,440)
Unbilled work-in-progress written off (Note 7)	-	(1,169)
Other non-trade supplier	-	(503)
Exchange loss	(55)	(243)
Contribution to the PRC Flood Prevention Fund	(49)	(78)
Fixed asset written off	-	(6)
	<u>(104)</u>	<u>(266,820)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

21(c) Administrative expenses

The Group	2016 RMB'000	2015 RMB'000
Employee salary and related costs	4,112	4,335
Directors' Remuneration	2,427	2,414
Depreciation of property, plant and equipment	583	561
Amortisation of intangible assets and club membership	1,414	1,439
Fair value of shares issued pursuant to LET Performance Share scheme	-	2,798
Operating lease expenses	287	274
Transportation expenses	418	355
Agent fees	927	991
Professional fees	605	682
Travelling and entertainment expenses	1,260	2,205
Others	1,277	1,672
	13,310	17,726

21(d) Loss before taxation

The Group	Note	2016 RMB'000	2015 RMB'000
Loss before taxation has been arrived at after charging/(crediting):			
Audit fee:			
- auditors of the Company		669	635
Non-audit fee:			
- other auditors		-	108
Gain on disposal of equity interest in associate		(4,750)	-
Gain on disposal of property, plant and equipment		(36)	(28)
Fixed asset written off		-	6
Depreciation of property, plant and equipment	3	844	839
Amortisation of intangible assets and club membership	4&5	1,414	1,439
Unbilled work-in-progress written off	7	-	1,169
Bad debt written off	9	-	1,875
Allowance for impairment of trade receivables	9	-	174,763
Write-back of allowance for impairment of trade receivables#	9	(5,445)	-
Fair value of shares issued pursuant to LET Performance Share scheme	25	-	2,798
Share of results of associate	22	-	275
Operating lease expenses		850	1,030
Employee compensation*	25	7,818	8,265
Allowance for impairment of advances to trade supplier	10	-	84,743
Tax recoverable written off	10	-	503
Allowance for impairment of investment in associate	22	-	3,440

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

21(d) Loss before taxation (Cont'd)

- * Includes remuneration of directors and key management personnel as disclosed in Note 27 to the financial statements.
- # The write back of impairment allowance mainly relates to a trade receivable who had initiated new contracts with the Group following a restructuring of its liabilities during the current year. A settlement agreement with this customer was reached so as to recover the original debt owed to be completely settled before the end of 2017. The remaining debt owed was RMB9.36 million (2015 - RMB14.36 million) as at 31 December 2016.

22 Investment in associate

	The Group		The Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
<u>Equity investment</u>				
At 1 January	-	3,715	-	4,845
Share of results cumulative				
- current year (Note 21(d))	-	(275)	-	-
Impairment on investment in associate	-	(3,440)	-	(4,845)
At 31 December	-	-	-	-

On 30 May 2016, the Group completed the disposal of the investment in associate for a cash consideration of RMB4.8 million which had been fully impaired amounting to RMB3.4 million and RMB4.8 million by the Group and the Company respectively during the year ended 31 December 2015, resulting in a gain on disposal of RMB4.8 million for the year ended 31 December 2016. Management had impaired the associate in year 2015 as the associate has incurred persistent losses which resulted in the erosion in the share of net tangible assets by the Company. No equity accounting has been performed as the net impact of the results from equity accounting and the gain on disposal for the year would result in the same financial gain of RMB4.8 million.

The associate is:

Name	Country of incorporation/ principal place of business	Effective percentage of equity held		At Cost		Principal activities
		2016	2015	2016 RMB'000	2015 RMB'000	
Nano Sun Pte Ltd	Republic of Singapore	-	20%	-	4,845	Develop and market the technology of producing and fabricating TiO ₂ membrane and microsphere for purposes of purification of water

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

23 Taxation

The Group	2016 RMB'000	2015 RMB'000
Current taxation	7	658
Over provision in prior year	(2,828)	-
Deferred taxation (Note 16)		
- write-back of provision	-	(4,643)
	<u>(2,821)</u>	<u>(3,985)</u>

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the PRC statutory rate of income tax on Group's loss before tax as a result of the following:

The Group	2016 RMB'000	2015 RMB'000
Loss before taxation	<u>(545)</u>	(276,582)
Tax at the domestic rates applicable to loss in the countries concerned ¹	(136)	(69,145)
Difference in foreign tax rate	(146)	813
Tax effect on non-deductible expenses	176	65,908
Tax effect on non-taxable income	(2,278)	-
Effect of loss not available for offset against future profits – the Company	611	1,212
Effect of loss not recognised as deferred tax assets (Note 16) – the subsidiaries	1,779	1,212
Write-back of provision for withholding tax on undistributed earnings of subsidiary	-	(4,643)
Overprovision of current tax in prior years	(2,828)	-
Others	1	658
	<u>(2,821)</u>	<u>(3,985)</u>

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

The nature of incomes that are not taxable is as follows:

The Group	2016 RMB'000	2015 RMB'000
Allowance written back - no tax deduction claimed in prior year	1,361	-
Disposal of equity investment in associate	807	-
Others	110	-
	<u>2,278</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

23 Taxation (Cont'd)

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

The Group	2016 RMB'000	2015 RMB'000
Purchases not supported by value added tax invoices	42	80
Entertainment expenses incurred over and above the amount deductible under the PRC tax regulations	134	240
Bad debt written off, allowance of impairment of trade receivables and allowance for impairment in associate	-	65,587
Others	-	1
	176	65,908

24 Earnings/(loss) per share

The earnings/(loss) per share is calculated based on the consolidated profit or loss attributable to owners of the Company divided by the weighted average number of shares in issue of 617,209,000 (2015 - 580,151,702) shares during the financial year. The basic and diluted earnings per share of the Group are the same as there were no potential dilutive ordinary shares outstanding as at 31 December 2015 and 2016.

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	2016	2015
Profit/(loss) for the year attributable to owners of the Company (RMB'000)	2,401	(272,563)
Weighted average number of ordinary shares	617,209,000	580,151,702
Basic and diluted earnings/(loss) per share (RMB cents)	0.39	(46.98)

25 Employee benefits

The Group	2016 RMB'000	2015 RMB'000
Employee benefits expenses (including directors)		
Directors' fees	517	446
Salaries and bonuses	6,061	6,427
Contribution to defined contribution plans	1,240	1,392
Share-based payments (LET performance share scheme)	-	2,798
	7,818	11,063

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

25 Employee benefits (Cont'd)

LET Performance Share Scheme

During the financial year, there is no issuance of new shares under the LET performance Share Scheme. On 2 September 2015, the Company granted and issued, an aggregate of 13,950,000 new shares amounting to RMB2,798,000 to 20 employees of the subsidiary (Jilin Anjie Environmental Engineering Co., Ltd.) in accordance with the terms of the LET Performance Share Scheme.

The Group	No. of ordinary shares		Amount	
	2016	2015	2016 RMB'000	2015 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	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Not later than one year	461	574	-	276
Later than one year but not later than five years	476	-	-	-
	937	574	-	276

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27 Significant related party transactions

Compensation of directors and key management personnel

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

The Group	2016 RMB'000	2015 RMB'000
<u>Directors' remuneration</u>		
Directors' fees	517	446
Salaries, bonuses and other short-term benefits	1,754	1,682
Contribution to defined contribution plans	156	286
<u>Key management personnel (other than directors)</u>		
Salaries, bonuses and other short-term benefits	1,398	1,639
Contribution to defined contribution plans	207	203
Performance shares awarded to key management personnel	-	562
	4,032	4,818

Other members of key management comprise Deputy General Manager, 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. There is no issuance of performance shares during the financial year, while on 2 September 2015, the Company granted and issued 13,950,000 new shares amounting to RMB2,798,000 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 wastegas 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

28 Operating segments (Cont'd)

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 associate, 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						Total RMB'000
	Dust elimination RMB'000	Desulphurisation RMB'000	Denitrification RMB'000	Subtotal RMB'000	Industrial wastewater RMB'000	Operation and maintenance RMB'000	
2016							
Revenue							
Sales to external customers	30,963	2,761	-	33,724	10,066	-	43,790
Results							
Segment gross profit	3,016	1,032	-	4,048	3,308	-	7,356
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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

28 Operating segments (Cont'd)

The Group (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 2016, revenue from three (2015 - three) major customers amounted to RMB14.0 million, RMB9.8 million and RMB7.4 million (2015 - RMB21.7 million, RMB11.8 million and RMB4.8 million), arising from sales by the dust elimination and industrial wastewater segment. In 2015, the sales derived from these major customers were from the dust elimination and desulphurization 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 (2015 - 50) basis points higher/lower with all other variables held constant, the Group's profit net of tax would have been RMB130,000 (2015 - RMB130,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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	2016		2015	
	RMB'000	% of total	RMB'000	% of total
By industry sector				
Construction	1,980	36.5	1,980	13.4
Steel	1,000	18.5	-	-
Heat supply	80	1.5	7,572	51.2
Investment management	18	0.3	551	3.7
Energy	847	15.6	-	-
Others	1,493	27.6	4,694	31.7
	5,418	100.0	14,797	100.0

As at 31 December 2016, none (2015 - none) of the trade receivables individually exceed 5% of the Group's total assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

29.2 Credit risk (Cont'd)

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;
- (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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

29.2 Credit risk (Cont'd)

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 the facility drawn down by the subsidiary in the amount of RMB70 million (2015 - RMB80 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.

29.3 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 Group's and the Company's financial liabilities based on contractual undiscounted cash flows:

The Group	Note	1 year or less 2016 RMB'000	1 year or less 2015 RMB'000
Non-derivative financial liabilities			
Loans and borrowings		74,106	104,540
Trade and other payables	17	35,373	61,772
Other liabilities	19	3,478	6,978
Total undiscounted financial liabilities		112,957	173,290

The Company	Note	1 year or less 2016 RMB'000	1 year or less 2015 RMB'000
Non-derivative financial liabilities			
Trade and other payables	17	294	421
Other liabilities	19	1,235	1,165
Corporate guarantee		70,000	80,000
Total undiscounted financial liabilities		71,529	81,586

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 18.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

29.3 Liquidity risk (Cont'd)

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.

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 RMB3,148,000 (2015 - RMB9,371,000) 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	2016		2015	
	Profit before taxation RMB'000	Equity RMB'000	Profit before taxation RMB'000	Equity RMB'000
SGD against RMB				
- strengthened by 5% (2015 - 5%)	157	157	510	510
- weakened by 5% (2015 - 5%)	(157)	(157)	(510)	(510)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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 stability and growth;
- (c) To provide capital for the purpose of strengthening the Group's 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.

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

The Company and its subsidiaries 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 decreased with profit made and less loan and repayment of liabilities. In view of the high gearing ratio, 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 as disclosed in Note 2.

Total capital is calculated as equity plus net debt.

The Group	Note	2016 RMB'000	2015 RMB'000
Loans and borrowings	18	70,000	97,000
Trade and other payables	17	35,373	61,772
Other liabilities	19	23,830	7,338
Less: Cash and cash equivalents	12	(25,953)	(26,097)
		103,250	140,013
Equity attributable to owners of the parent		62,989	60,588
Less: PRC statutory common reserve	14	(31,748)	(31,748)
Total capital		31,241	28,840
Capital and net debt		134,491	168,853
Gearing ratio		76.8%	82.9%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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.

31.2 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	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Financial assets				
Trade and other receivables	27,092	30,230	-	-
Cash and bank balances	32,334	44,057	1,066	9,371
	59,426	74,287	1,066	9,371
Financial liabilities				
Loans and borrowings	70,000	97,000	-	-
Trade and other payables	35,373	61,772	294	421
Other liabilities	3,478	6,978	1,235	1,165
	108,851	165,750	1,529	1,586

32 Subsequent events

Subsequent to the year end, the outstanding bank loan amount of RMB15.0 million which was due on 6 January 2017 with interest rate of 4.48% was fully repaid and a loan of RMB20.0 million was taken with interest rate of 5.655%.

One of the subsidiaries - Jilin Anjie Environmental Engineering Co., Ltd. - incorporated a new subsidiary named Linjiang City Anjie Environmental Co., Ltd. with issued share capital of RMB50 million and no paid up share capital on 12 January 2017.

On 23 February 2017, the non-controlling interest in Jilin Anjie New Energy Power Generation Co., Ltd was reduced from 4.9% to 0.1% with no significant financial impact to the Group.

SHAREHOLDERS' STATISTICS

As at 17 March 2017

Class of Shares	:	Ordinary shares
Number of Ordinary Shares in issue	:	617,209,000
Number of Treasury Shares held	:	Nil
Number of Ordinary Shareholders	:	1,360
Voting Rights	:	1 vote for 1 share

Analysis of Shareholdings Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	-	-	-	-
100 – 1,000	15	1.10	13,200	-
1,001 – 10,000	290	21.32	2,243,000	0.36
10,001 – 1,000,000	1,021	75.08	89,713,300	14.54
1,000,001 and above	34	2.50	525,239,500	85.10
	<u>1,360</u>	<u>100.00</u>	<u>617,209,000</u>	<u>100.00</u>

Based on information available to the Company as at 17 March 2017, 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	107,916,000	17.48
3	RAFFLES NOMINEES (PTE) LTD	32,161,100	5.21
4	QIU YUHUA	30,767,300	4.98
5	XU HAN	27,122,000	4.39
6	PHILLIP SECURITIES PTE LTD	21,074,600	3.41
7	WANG DONGMING	10,648,000	1.73
8	CIMB SECURITIES (S) PTE LTD	10,250,000	1.66
9	OCBC SECURITIES PRIVATE LTD	9,855,000	1.60
10	CHE WENJING	7,442,000	1.21
11	YANG YUGUANG	6,376,000	1.03
12	TAN KUANG HUI	5,500,000	0.89
13	LIU ENHUI	4,727,000	0.77
14	TEO YI-DAR (ZHANG YIDA)	4,621,000	0.75
15	NEE LUNG-YUAN	3,400,000	0.55
16	TAN ENG CHUA EDWIN	3,381,000	0.55
17	MA XIAOYING	2,979,000	0.48
18	MAYBANK KIM ENG SECURITIES PTE LTD	2,896,000	0.47
19	LIM KENG HOE	2,800,000	0.45
20	UNITED OVERSEAS BANK NOMINEES PTE LTD	2,624,000	0.43
		<u>503,844,000</u>	<u>81.63</u>

SHAREHOLDERS' STATISTICS

As at 17 March 2017

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Registrar of Substantial Shareholders as at 17 March 2017)

	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 Limited 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 Friday, 21 April 2017 at 10.00 a.m. to transact the following businesses:

ORDINARY BUSINESS:

1. To receive and adopt the Directors' Statement and audited Financial Statements for the financial year ended 31 December 2016 together with the Auditors' reports thereon. **(Resolution 1)**
2. To re-elect Ms Zang Linying, who is retiring by rotation in accordance with Regulation 104 of the Company's Constitution, as Executive Director of the Company. **(Resolution 2)**
3. To re-elect Mr Mak Yen-Chen Andrew, who is retiring by rotation in accordance with Regulation 104 of the Company's Constitution, as Independent Non-Executive Director of the Company. **(Resolution 3)**
(See Explanatory Note (i))
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 2017 and to pay the Directors' fees in arrears on a quarterly basis over the financial year 2017. **(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,

NOTICE OF ANNUAL GENERAL MEETING

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 Constitution 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 (ii))

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 (iii))

NOTICE OF ANNUAL GENERAL MEETING

8. **AUTHORITY TO GRANT AWARDS AND TO ALLOT AND ISSUE SHARES UNDER THE LEADER ENVIRONMENTAL 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 (iv))

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

By Order of the Board

Lim Poh Yeow
Sharon Yeoh
Joint Company Secretaries

5 April 2017

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.

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

- (i) Mr Mak Yen-Chen Andrew, if re-elected, will remain as the Chairman of the Remuneration Committee and a member of Audit Committee. The Board considers Mr Mak Yen-Chen Andrew to be independent for the purpose of Rule 704(8) of SGX listing manual.
- (ii) 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.
- (iii) 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.
- (iv) 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) for the purpose of the processing and administration by the Company (or its agents) 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) 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), 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) 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 ("AGM") of the Company ("AGM"), to be held at RELC International Hotel, Tanglin Room 2, level 1, 30 Orange Grove Road Singapore 258352, on Friday, 21 April 2017 at 10.00 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 Directors' Statement and audited Financial Statements for the financial year ended 31 December 2016 together with the Auditors' report thereon.		
2	Re-election of Ms Zang Linying as Executive Director of the Company.		
3	Re-election of Mr Mak Yen-Chen Andrew 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 2017 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 grant awards and 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 _____ 2017

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 annual 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. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid.
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 5 April 2017.

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Leader Environmental Technologies Limited

(Company Registration No.: 200611799H)

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Room 1303, No 5445 Lin He Street, Economic Development Zone
Changchun City, Jilin Province
The People's Republic of China ("PRC")
Postal Code: 130033

Singapore Office:

36 Armenian Street #06-12
Singapore 179934