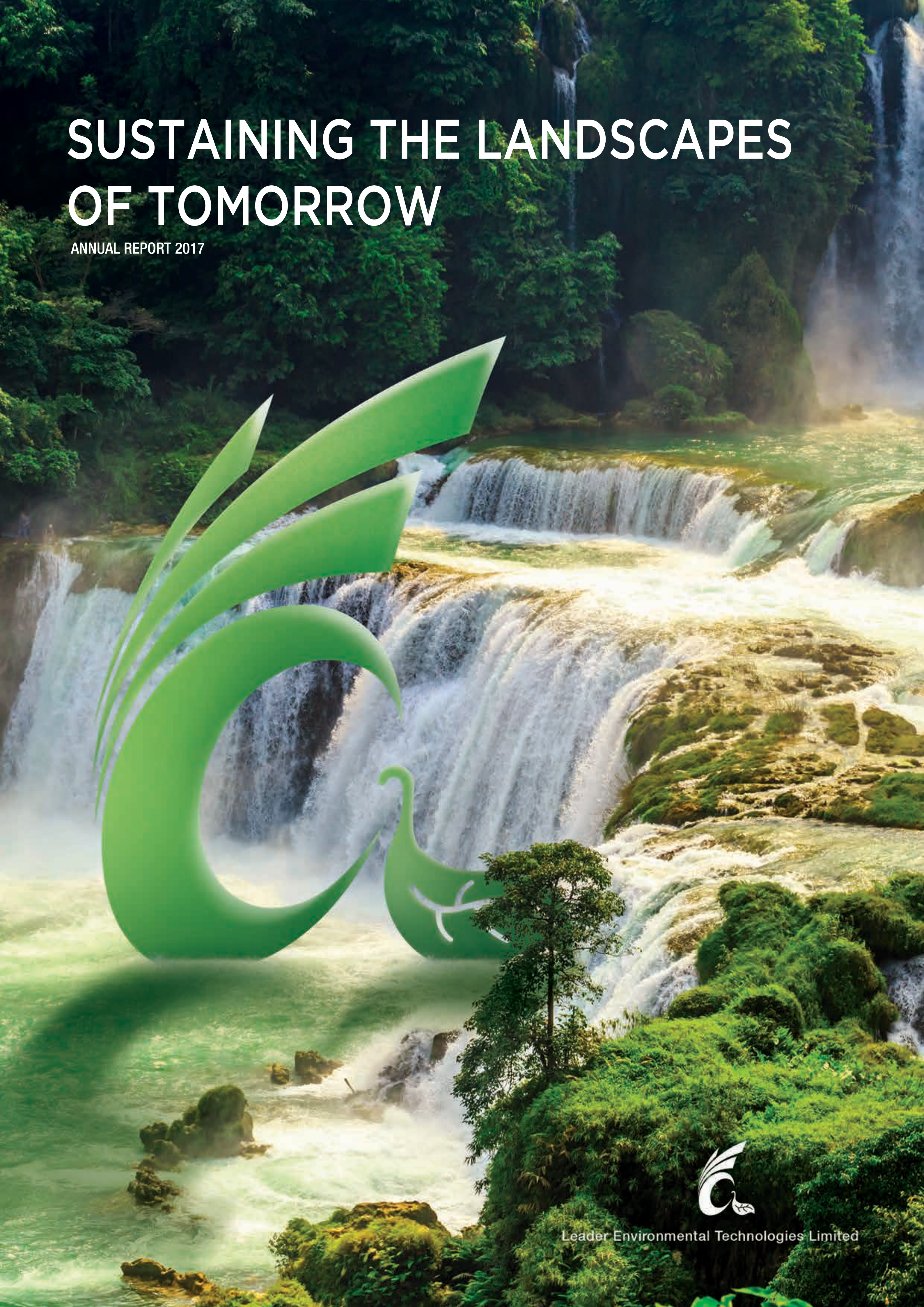
SUSTAINING THE LANDSCAPES OF TOMORROW

ANNUAL REPORT 2017



Leader Environmental Technologies Limited

We are a comprehensive one-stop environmental solutions provider.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Lin Baiyin （林柏银）
Executive Chairman and Chief Executive Officer

Zang Linying (臧林颖)
Executive Director and Finance Director
(Resigned as Finance Director and redesignated from Executive Director to Non-Executive Director on 22 January 2018)

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: Tei Tong Huat
(Year of appointment: with effect from the financial year ended 31 December 2017)

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

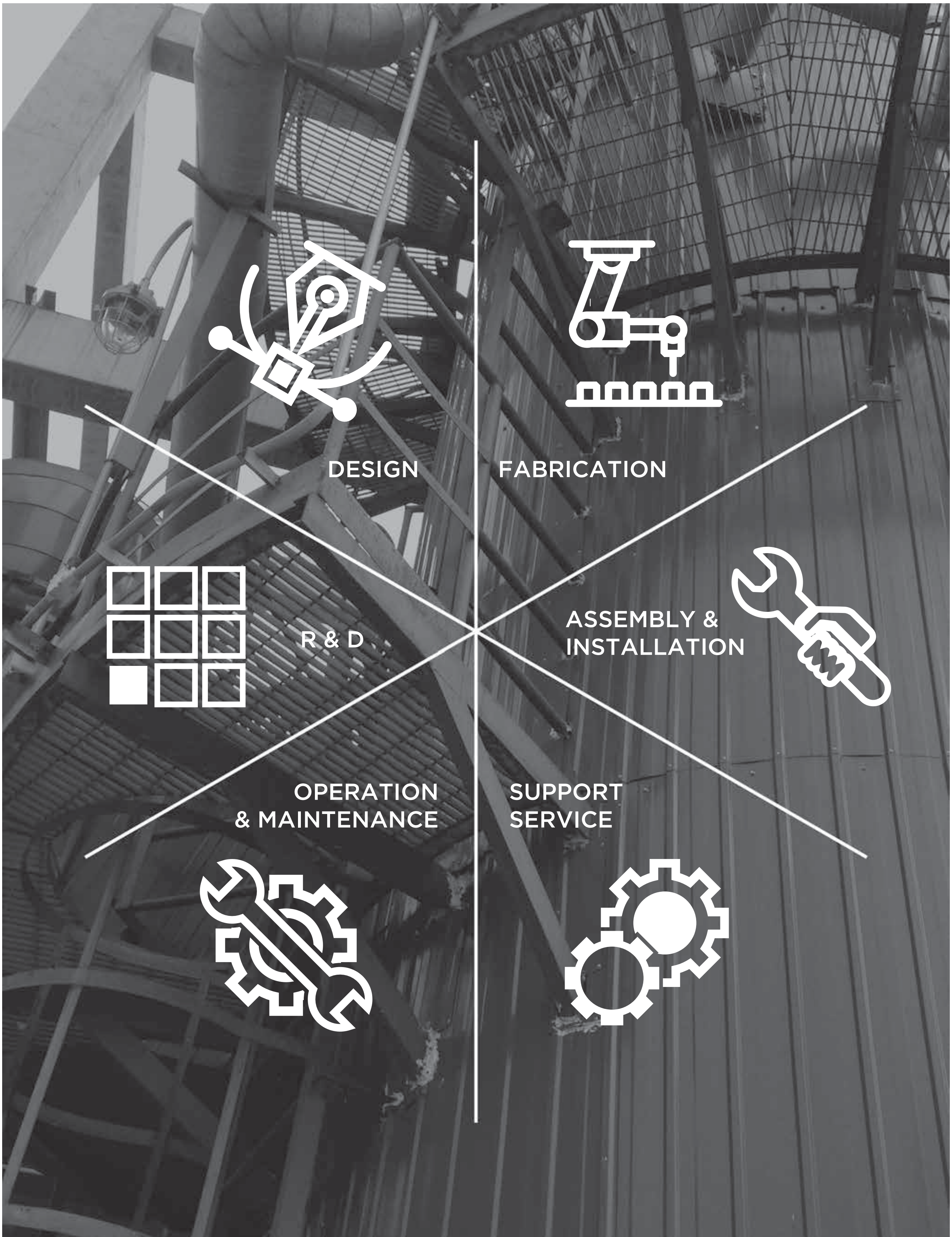
Based in the PRC, Leader Environmental Technologies Limited is principally engaged in the business of research and development, design, manufacturing, assembly, installation and support services of environmental protection systems, primarily for industrial wastegas and wastewater treatments. We also 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.

Geographically, we have concentrated our resources on one representative office, which is located in Lanzhou to service our customers from the Northern region of the PRC. Shanghai and Fuzhou are potential markets that we are keen to penetrate and may set up representative offices so that we can be closer to our prospective customers.

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

COMPREHENSIVE ONE-STOP SOLUTIONS PROVIDER



SYSTEMS AND TECHNOLOGIES

Dust Elimination

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

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

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

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

SHG-II Wet Desulphurization Dust Elimination Equipment

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

Dust Elimination Equipment with Pulsating Rotary Positioning Mechanism

This technology was successfully awarded the invention patent on 10 December 2014. The strength of this latest dust elimination technology lies in its capability to reduce dust emission to almost 15 mg/m^3. There are very few technologies in the PRC that can achieve similar standards. The common market average dust elimination emission standard is approximately 30 mg/m^3.

Desulphurization

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

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

Double Alkali Desulphurization and Magnesium Oxide Desulphurization

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

Denitrification

Selective Non-Catalytic Reduction ("SNCR") Method

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

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

GROUP STRUCTURE

Leader Environmental Technologies Limited (Singapore)

99.9%

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

100%

Jilin Anjie Environmental Engineering Co., Ltd (PRC)

100%

LinJiang City Anjie Environmental Engineering Co., Ltd (PRC)

100%

Dunhuang Yincheng New Energy Co., Ltd (PRC)

CHAIRMAN'S STATEMENT

Dear Shareholders,

My fellow shareholders of Leader Environmental Technologies Limited, the year has come and passed swiftly. We have had the most arduous of financial years of late, and FY2017 was of no exception. Reeling from the Group's biggest operating loss suffered in 2015, we meted out decisive operational and strategic changes in 2016 to reduce our pre-tax loss for that year significantly. We then set ourselves an inordinate task of achieving operating profitability at the start of FY2017. I am glad to say that we have achieved our pre-set goal, however modest it may be.

Amidst an improving and more conducive business landscape, the Group has delivered an improved set of financial results for FY2017. The almost two-fold increase in revenue, augmented by the successful recovery of certain impaired trade receivables, has helped the Group record a pre-tax profit of RMB13.4 million in FY2017. We have benefitted from a more favourable macro environment in 2017. Stricter enforcement and further tightening of environmental laws by the PRC government has fuelled a much needed boost to the environmental sector. Chinese corporates that flouted environmental laws were subjected to heftier fines and longer suspensions depending on the severity of the breaches. The confluence of these events has led to the culmination of the availability of industrial wastegas and wastewater contracts for tender.

Internally, the Group has continued to exercise discipline and judiciousness in its expenditure, while our sales and finance personnel kept at monitoring the health of our trade receivables and ensuring prompt collections. The Group continues to have the support of its main financier, China Merchants Bank, having successfully renewed the loan facilities for another year. The Group intends to increase the drawdown of the loan facilities from RMB60.0 million in FY2017 to RMB80.0 million in FY2018. The increase in available funding will allow the Group to pursue growth opportunities through increasing tenders of industrial wastegas and wastewater projects.

To stay at the forefront of our industry, the Group recognises the importance of building on its core competence and constantly enhancing its technological proficiency as industry requirements and standards continue to evolve.

CHAIRMAN'S STATEMENT

We are constantly looking to invest in human capital to ensure our personnel are equipped with the relevant expertise and most current knowledge. During the year, we have attempted, albeit with much setbacks, to rejuvenate our human resource. New personnel were hired into several key positions and functions in the Group. Regrettably, things did not turn out quite as we had intended. Human resource investment shall remain high in our priorities going forward as we seek a more diverse and dynamic talent pool of professionals to help to reshape our operating framework and to chart the new growth path for the Group in the medium to long term.

Due credit must be accorded to my fellow directors, key management executives and employees of the Group for their collective resolve to deal with the many unprecedented challenges encountered during our most difficult years. I have the strongest faith that they will continue to steer Leader into the next phase of its nascent corporate recovery and growth. And on behalf of the Board, I like to express my most sincere gratitude to our shareholders for their unflagging belief in and support for Leader. Rest assured – our team at Leader wants to continue to strive towards a well-managed and sustainable corporate that we can all be proud of as stakeholders. With your continuing support and confidence, I am convinced that Leader will emerge stronger from our recent business cycle trough. I look forward to our journey into the year ahead together, and beyond.

LIN BAI YIN
Executive Chairman and CEO

OPERATIONS AND FINANCIAL REVIEW

Revenue

The Group has recorded total revenue of RMB119.8 million in FY2017, representing a increase of RMB76.0 million or 173.7% over revenue of RMB43.8 million generated in FY2016. The strong revenue growth in FY2017 was mainly driven by the dust elimination and desulphurization segments of RMB22.6 million and RMB61.6 million respectively. The Group has performed a total of 11 dust elimination contracts in FY2017 as compared to 6 contracts in FY2016, which accounted mainly for the strong growth in this business segment. The bulk of this increase came from 7 new dust elimination contracts being added in 4Q2017. As for the desulphurization segment, the increase was derived from the completion of a large scale contract for a customer from the steel industry. In FY2016, the contracts performed were of smaller sizes and contract values. The aggregate increase of RMB84.2 million was offset by the decrease in revenue from industrial wastewater segment of RMB8.2 million as lower revenue was recognised from the tail end of a large scale contract which was completed substantially in FY2016 and no new contracts were secured in FY2017.

Profitability

Cost of sales of the Group constituted 80.3% and 83.2% of its revenue in FY2017 and FY2016 respectively. Cost of sales increased by RMB59.9 million or 164.3%, from RMB36.4 million in FY2016 to RMB96.3 million in FY2017. Overall gross profit margin improved by 2.9%, from 16.8% in FY2016 to 19.7% in FY2017. The Group lifted its gross profit margin in the dust elimination segment to 29.6% in FY2017 due to the performance of seven high margin dust elimination contracts scheduled on 4Q2017. In FY2016, the gross profit margin was lower at 9.7% due to two non-recurring experimental contracts used for testing the new dust elimination technology, and as a result, lower prices were charged for the work. In addition, the industrial wastewater segment received a boost in the gross profit margin from 32.9% in FY2016 to 52.6% in FY2017 because two contracts were at the design phase, so minimum costs were incurred.

The higher gross profit margin derived from the two business segments was however, dragged down by the desulphurization segment which generated a gross profit margin of 10.4% in FY2017 against 37.4% a year ago because higher costs were incurred from outsourcing of the bulk of the engineering, procurement and construction work to certain sub-contractor.

Financial income

The increase in financial income of RMB34,000 or 36.6%, from RMB93,000 in FY2016 to RMB127,000 in FY2017 because the bulk of the bank deposits pledged of RMB6.4 million in 2016 was placed on 29 December 2016. Accordingly, higher interest income was recognized in 2017. The higher financial income recognized was partly offset by lower interest income generated on the cash and cash equivalents, which fell from RMB25.9 million to RMB17.4 million. In addition, there was also an adjustment in 4Q2017 to reverse out the interest income of RMB29,000 that was inadvertently over accrued from the previous period.

Other income

Other income decreased by RMB0.6 million or 5.2%, from RMB10.9 million in FY2016 to RMB10.3 million in 2017 due to the absence of the gain on disposal of equity interest of RMB4.8 million in FY2017 and lower exchange gain of RMB0.6 million arising from the revaluation of SGD balances in FY2017.

The decrease of RMB5.4 million was partly offset by higher impairment allowance of trade receivables written back of RMB4.1 million, net of impairment of trade receivables of RMB0.7 million, and one-off gain on disposal of subsidiary of RMB1.4 million in FY2017.

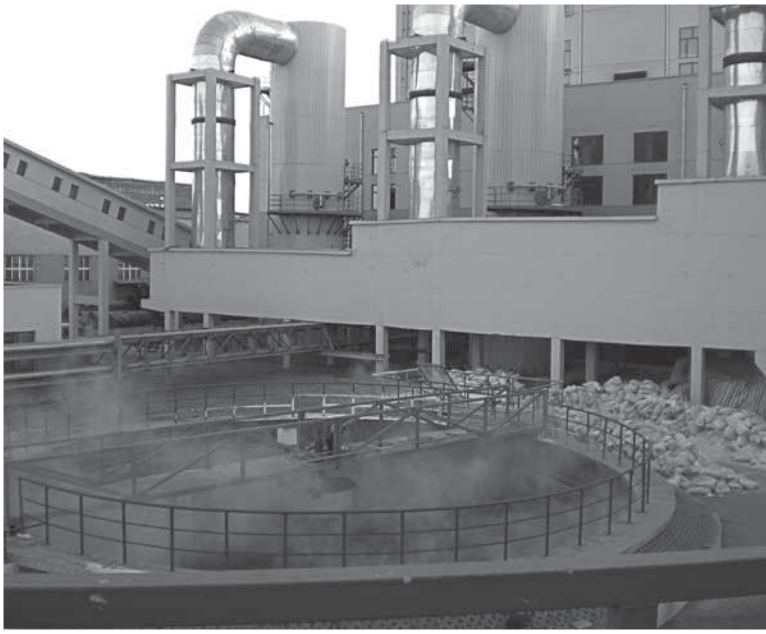
Operating expenses

For FY2017, selling and distribution expenses increased by RMB1.0 million or 71.6%, from RMB1.3 million in FY2016 to RMB2.3 million in FY2017 due to upward revisions of payroll and related costs and headcount addition of RMB0.6 million, higher travelling and entertainment expenses and others were incurred of RMB0.2 million and RMB0.3 million respectively, which were mainly in line with the increase in revenue.

Administrative expenses increased by RMB0.5 million or 3.8%, from RMB13.3 million in FY2016 to RMB13.8 million in FY2017 due to higher expenditure on travelling and entertainment expenses and office supplies of RMB1.1 million and RMB0.1 million respectively, which were in line with the increase in revenue. In addition, payroll and related costs also increased by RMB0.2 million as there were additions of a technical manager in 2Q2017 and two executive officers in 4Q2017, partly offset by dismissal of two employees and pay cut from certain key executive officers of the Group. The increase of RMB1.4 million was partly offset by lower professional and other expenses of RMB0.8 million in aggregate as the Group exercised stringent cost discipline coupled by lower depreciation of RMB0.1 million as a result of disposal and fixed asset written off during the year.

Finance costs were flat at RMB4.1 million each for the year ended 31 December 2016 and 2017. The finance costs incurred due to lower average loan quantum drawn down of RMB60.0 million in FY2017 against RMB70.0 million in the same corresponding period a year ago was neutralized by the higher weighted average interest rate (FY2017: 5.65% vs 2016: 4.48%).

Other expenses for FY2017 increased by RMB0.2 million or 187.5%, from RMB0.1 million in FY2016 to RMB0.3 million in FY2017 attributed mainly to a non-recurring loss arising from the sale of club membership of RMB0.2 million.



Taxation

In FY2016, tax refunds of RMB2.8 million were received from the PRC Tax Authority in respect of previous years' tax assessments coupled by no provision of corporate tax as the subsidiary was in a loss making position. In FY2017, the Group was not in receipt of any tax refund and tax expense of only RMB70,000 was provided because of the availability of the unutilized losses for offset against current year's taxable income. These resulted in a reversal of the Group's tax position, from tax credits to tax expense by RMB2.9 million or 102.5% in FY2017.

In the light of the foregoing, the Group recorded a higher profit after taxation of RMB11.0 million or 486.6% in FY2017 when compared against previous year.

Financial Position

As at 31 December 2017, the Group's non-current assets amounted to RMB12.2 million and comprised property, plant and equipment ("PPE") of RMB9.4million and intangible assets of RMB2.8 million.

OPERATIONS AND FINANCIAL REVIEW

The decrease in PPE of RMB2.1 million was attributed mainly to depreciation of RMB0.8 million, fixed assets written off and disposal of net book value of motor vehicle of RMB0.2 million in aggregate during the financial year and disposal of a subsidiary consisting of construction in progress relating to photovoltaic plant of RMB2.1 million, partly offset by additions to computers, office equipment and construction in progress relating to photovoltaic plant of RMB58,000 and of RMB0.9 million respectively.

Intangible assets amounted to RMB2.8 million and comprised two patents and deferred development costs of RMB1.8 million and RMB1.0 million respectively as at 31 December 2017. The decrease in intangible assets of RMB1.4 million was attributed mainly to amortization in FY2017.

The golf club membership was sold to a third party for a cash consideration of RMB0.4 million on 30 June 2017. The accumulated amortization as at 30 Jun 2017 was RMB0.6 million and the loss arising from this disposal amounted to RMB0.2 million.

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. Current assets amounted to RMB222.7 million, representing an increase of RMB46.7 million over end of FY2016. The increase was due to increase in amount due from customers for contract work-in-progress of RMB41.0 million, trade and other receivables of RMB21.0 million, partly offset by decrease in prepayments of RMB2.0 million, bank deposits pledged of RMB4.8 million and cash and cash equivalents of RMB8.5 million.

Amount due from customers for contract work-in-progress relates to unbilled trade receivables and amounted to RMB59.2 million and RMB18.2 million as at 31 December 2017 and 31 December 2016 respectively. The increase of RMB41.0 million was in line with the increase in revenue and mainly relate to certain work performed in FY2017 which have yet to reach the billing milestone.

Trade receivables and retention monies amounted to RMB18.1 million as at 31 December 2017, representing an increase of RMB4.5 million from 31 December 2016. The increase in trade receivables of RMB8.8 million and in line with the increase in revenue, partly offset by the decrease in retention monies of RMB4.3 million due to collections.

Other receivables comprised bills receivable, advances to employees for business purposes, bidding deposits and tax recoverable. Other receivables amounted to RMB30.0 million and RMB13.5 million as at 31 December 2017 and 31 December 2016 respectively. The increase of RMB16.5 million was mainly attributed to the increased placements of bidding deposits directly with the customers for the tender of industrial wastegas and wastewater contracts in 2017. In addition, there were also net VAT receivables as at 31 December 2017 as opposed to net VAT payables as at 31 December 2016 because of increased purchases of raw materials to be utilised at the various construction sites during the financial year coupled by certain work performed in FY2017 which have yet to reach the billing milestone. The aggregate increase of RMB16.8 million was partly offset by a decrease in bills receivable of RMB0.3 million due to maturity of bills receivable which was presented to the bank for payment during financial year.

Prepayments comprised prepaid operating expenses and advances to trade and non-trade suppliers of RMB95.1 million and RMB97.1 million as at 31 December 2017 and 31 December 2016 respectively. The decrease of RMB2.0 million was transferred for the use of the project.

Bank deposits pledged decreased by RMB4.8 million, from RMB6.4 million as at 31 December 2016 to RMB1.6 million as at 31 December 2017 as certain bills payable has matured during the financial year and there was no new bank deposits pledged to secure new bills payable facility.

Cash and cash equivalents amounted to RMB17.4 million as at 31 December 2017, from RMB25.9 million a year ago. The net cash outflows from the Group's operating activities amounted to RMB1.9 million. Net cash inflows from investing activities amounted to RMB3.4 million and cash outflows from financing activities amounted to RMB10.0 million.

The net cash outflows contributed to the overall decrease in cash and cash equivalents of RMB8.5 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 2017, current liabilities amounted to RMB158.7 million, representing an increase of RMB29.4 million. The overall increase was attributed to increase in gross amount due to customers for contract work-in-progress of RMB11.1 million, trade payables of RMB18.1 million, other payables of RMB0.6 million and other liabilities of RMB9.6 million. The aggregate increase of RMB39.4 million was partly offset by decrease in loans and borrowings of RMB10.0 million

Gross amount due to customers for contract work-in-progress increased by RMB11.1 million or 100.0% as at 31 December 2017 because as at 31 December 2016, the advances received from customers were solely on signing of new contracts and were recorded in other liabilities because no work has been performed.

Trade payables amounted to RMB46.4 million, representing an increase of RMB18.1 million over 31 December 2016, which was in line with the increase in business activities.

Other payables comprised primarily bills payable, VAT, other operating tax payables and other operating expenses. Other payables amounted to RMB7.7 million and RMB7.1 million as at 31 December 2017 and 31 December 2016 respectively. The increase of RMB0.6 million was mainly in line with the increase in revenue.

Loans and borrowings decreased from RMB70.0 million as at 31 December 2016 to RMB60.0 million as at 31 December 2017 as a result of repayments made during the financial year. A loan quantum of RMB80.0 million was approved for FY2018, but as at 31 December 2017, the Group only repaid and drawn down RMB60.0 million and the remaining RMB20.0 million to be drawn down in FY2018 for purpose of tendering for new industrial wastewater and wastegas contracts.

Other liabilities comprised accrued purchases, VAT, salaries and travelling expenses, other operating expenses, advances from customers and welfare expenses. Other liabilities amounted to RMB33.4 million and RMB23.8 million as at 31 December 2017 and 31 December 2016 respectively. The increase of RMB9.6 million was due to increase in accrued purchases of RMB16.2 million, in line with overall increase in business activities, partly offset by lower advances from customers of RMB6.6 million as a result of transfer of amount due to customers for contract work-in-progress as certain phases of the contract works have already started.

The Group's total shareholder's equity comprised share capital, PRC statutory reserve fund, merger reserve, accumulated profits and non-controlling interest. Total equity as at 1 January 2017 amounted to RMB63.0 million. Profit attributable to owners of the Company and non-controlling interests amounted to RMB13.4 million and (RMB15,000) in the current year respectively. The total equity of RMB76.4 million was partly offset by the acquisition of additional interest in a subsidiary relating to owners of the Company and non-controlling interests of RMB0.2 million and RMB16,000 respectively. Consequently, total equity increased to RMB76.2 million as at 31 December 2017, of which the amount was mainly attributable to owners of the Company.

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.

On 22 January 2018, she resigned as Finance Director and her appointment is redesignated from Executive to Non-Executive Director.

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

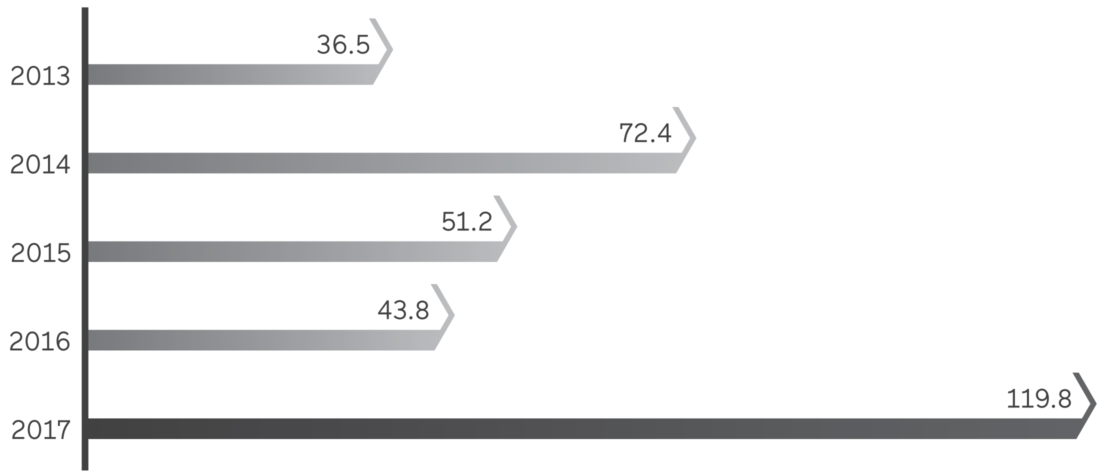
Mr Mak Yen-Chen Andrew is our Independent Non-executive Director. He is a practising lawyer with more than 22 years' experience in legal practice. He is currently a consultant with Fortis Law Corporation. Mr Mak is an independent director of Falcon Energy Group Limited (a company listed on the Main Board of the SGX-ST), China Jishan Holdings 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). 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

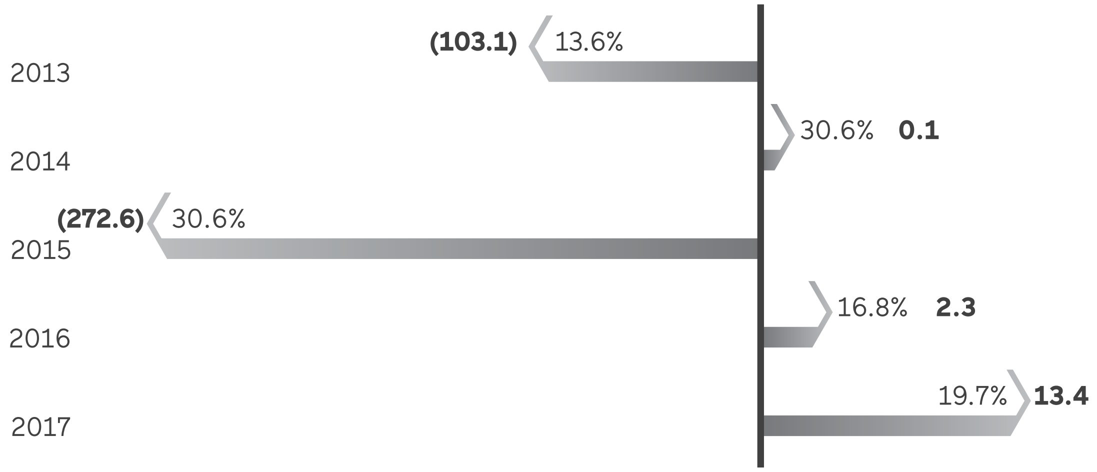
Zhai Guihua is our Independent Non-Executive Director. She is presently a retiree as she stepped down as a consultant to the Changchun National High-Technology Industry Development District Environmental Protection Bureau ("CHIDA") in December 2015. From 1984 to 1995, she was an engineer at the Changchun 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

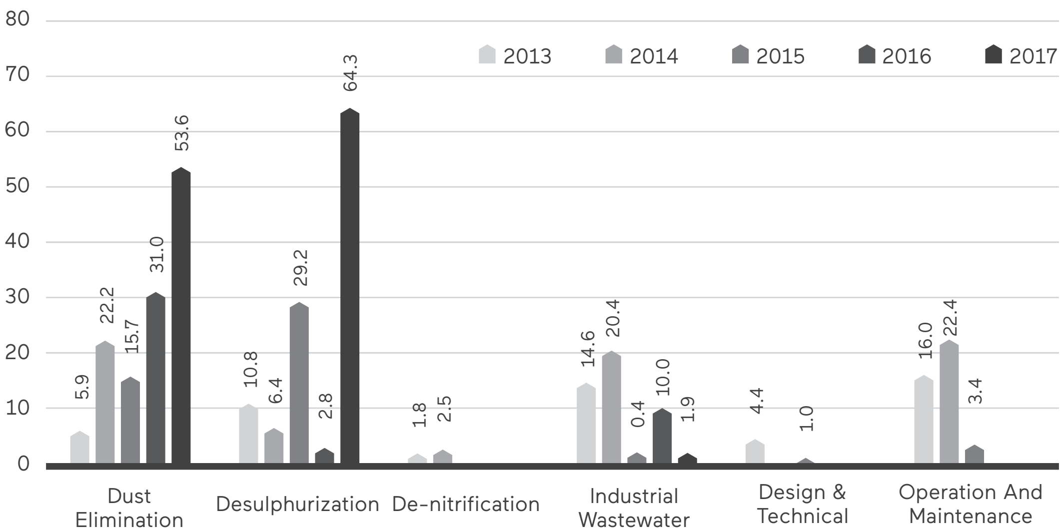
REVENUE (RMB' million)



NET PROFIT (RMB' million) **and**
GROSS PROFIT MARGIN (%)



BY BUSINESS SEGMENT (RMB' million)



FINANCIAL CONTENTS

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 is pleased to outline in this report the Company's corporate governance practices and structures in the financial year ended 31 December 2017 ("FY2017"), 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 Company will prepare its first sustainability report to be released before 31 December 2018.

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. Mr Lin Baiyin is involved in the management of the Group's operations. Mr Lin Baiyin shall discharge his duty and responsibility at all times as fiduciary in the best interests of the Group.

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

		Board Committees		
	Board	**Audit**	**Nominating**	**Remuneration**
Number of meetings held	**4**	**4**	**1**	**1**
	Number of meetings attended			
Mr Lin Baiyin	2	2*	1	1*
Ms Zang Linying	3	3*	1*	1*
Mr Goh Kay Seng Edwin	4	4	1	1
Mr Mak Yen-Chen Andrew	3	3	1*	1
Ms Zhai Guihua	3	3	–	–
Dr Kung Chi Kang***	1**	1**	–	–

* By Invitation

** Dr Kung Chi Kang was appointed as an Executive Director and the Deputy Chief Executive Officer on 1 November 2017, and resigned on 11 January 2018 to pursue his own personal interests.

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 operations and plant will be arranged as part of the orientation programme.

Board members have been and will be encouraged to attend seminars and receive training to improve themselves in the discharge of their duties as Directors. The Group will work closely with professionals to provide its Directors with updates on changes to relevant laws, regulations and accounting standards. In addition, the Company also made arrangements for Directors to attend seminars and technical updates for them to stay abreast of relevant business developments and outlook. The seminars and technical updates attended by the Directors in FY2017 include:

Moore Stephens Financial Reporting Standards Seminar 2017

Ethical Behaviour in Business: Fraud Auditing and Forensic Accounting

SGX Sustainability Round Table for Directors

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

The 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, one of whom holds executive position:

Mr Lin Baiyin	Executive Chairman and Chief Executive Officer
Ms Zang Linying	Non-Executive Director *(Ms Zang Linying was re-designated from Executive Director to Non-Executive Director on 22 January 2018)*
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 FY2017, 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.

Ms Zang Linying was re-designated from Executive Director to Non-Executive Director and relinquished her duties as Finance Director with effect from 22 January 2018. Dr Kung Chi Kang was appointed as an Executive Director and the Deputy Chief Executive Officer on 1 November 2017, and resigned on 11 January 2018. The Group is still looking for suitable candidates to assume these executive positions.

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.

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 interests of the Group to adopt a single leadership structure. In addition, there are sufficient safeguards and checks in place to ensure that 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, or Chief Financial Officer has failed to resolve or is inappropriate.

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

Board Membership

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

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

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

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

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

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

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

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

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

- to review board succession plans for Directors; and

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

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

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

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.

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 Mr Lin Baiyin and Ms Zhai Guihua be nominated for re-election at the forthcoming AGM. Mr Lin Baiyin will, upon re-election, remain as Executive Chairman, Chief Executive Officer and member of Nominating Committee of the Company. Ms Zhai Guihua will, upon re-election as an Independent Non-Executive Director, remain as the Chairman of the Nominating Committee and a member of Audit Committee and Remuneration Committee. In making the recommendations, the Nominating Committee has considered the Directors' overall contributions and performances. Ms Zhai Guihua and Mr Lin Baiyin, being members of the Nominating Committee, did not participate in reviewing, recommending and approving their 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: 51	Executive Chairman and Chief Executive Officer	18 December 2006	27 April 2015	NIL
Zang Linying Age: 54	Non - Executive Director	18 December 2006	21 April 2017	NIL
Goh Kay Seng Edwin Age: 44	Independent Non-Executive Director	15 July 2015	28 April 2016	**Present Directorship (in the last three preceding year)** China Animal Healthcare Limited

Name	Appointment	Date of initial Appointment	Date of last re-election	Directorship in other listed companies
Mak Yen-Chen Andrew Age: 48	Independent Non-Executive Director	21 June 2010	21 April 2017	**Present Directorship** Far East Group Limited Falcon Energy Group Limited China Jishan Holdings Limited **Past Directorships (in the last three preceding years)** NIL
Zhai Guihua Age: 63	Independent Non-Executive Director	21June 2010	28 April 2016	NIL

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

Board Performance

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

The Nominating Committee had adopted processes for the evaluation of the Board's performance and effectiveness as a whole and the performance of the board committees and the individual Directors, based on performance criteria set by the Board. For the evaluation of the performance of the Board and the board committees, the assessment criteria include return on assets, return on equity and the Company's share price performance. Such indicators allow the Company to make comparisons with its industry peers and are linked to long-term shareholder 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 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/their representatives attend/s all Board meetings and ensure/s 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 assist with the circulation of Board papers, update the Directors on changes in laws and regulations relevant to the Company as well as advise the Board on all governance matters. The appointment and removal of the Company Secretary are subject to the Board's approval.

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

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

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

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

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

The responsibilities of the Remuneration Committee are:

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

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

- to review the remuneration of key management personnel;

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

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

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

- to review and approve the remuneration packages for the Board and key management personnel; 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.

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 and Non-executive 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. Dr Kung Chi Kang was appointed as the Deputy Chief Executive Officer and he entered into a service agreement with the Company on 1 November 2017. Upon the expiry of the initial period of three years, the aforesaid service agreements of Mr Lin Baiyin and Ms Zang Linying 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. In 2017, as part of the Group's cost-cutting initiative, Mr Lin Baiyin volunteered to take a pay cut of approximately 39.8% of the remuneration as stipulated in his service agreement. Following Ms Zang Linying's re-designation from Executive Director to Non-Executive Director on 22 January 2018 and resignation of Dr Kung Chi Kang as the Deputy Chief Executive Officer on 11 January 2018, both their service agreements had ceased.

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 shareholder value. The recommendations of the Remuneration Committee on the remuneration of Directors and key management personnel have been submitted for endorsement by the Board. The members of the Remuneration Committee do not participate in any decisions concerning their own remuneration.

The remuneration for the Executive Directors is based on the terms as set out in their respective service contracts entered into with the Company. Based on the terms of their service contracts which were applicable for FY2017, 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, and (iv) contributions to defined contribution plan. In the case of Ms Zang Linying, being the Finance Director, her remuneration package before her re-designation to Non-Executive Director includes (i) a basic monthly salary, (ii) a discretionary bonus, to be recommended by the Remuneration Committee and approved by the Board, and (iii) contributions to defined contribution plan. In 2017, none of the Executive Directors' remunerations includes payments of Incentive Bonus.

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 Executive Directors in FY2017.

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 FY2017.

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

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

A breakdown showing the level and mix of each individual Director's remuneration for the financial year ended 31 December 2017 is set out below:

Remuneration band (in S$)/Name of Directors	Salary	Fees*	Bonus[1]	Other Benefits[1]
	%	%	%	%
S$100,000 to S$249,999				
Mr Lin Baiyin	85.6	–	–	14.4
Ms Zang Linying[2]	87.2	–	–	12.8
Dr Kung Chi Kang[3]	–	–	–	–
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 FY2017 have been approved at the last AGM held on 21 April 2017.*

1 *Other benefits include contributions to defined contribution plans.*

2 *The Finance Director has also volunteered to take a pay cut of 18.4% of the remuneration as stipulated in her service agreement. She was re-designated to non-executive director on 22 January 2018.*

3 *Dr Kung's remuneration was not paid during the period of his tenure from 1 November 2017 to 11 January 2018 as it was subjected to negotiation with the Group's Chief Executive Officer. Subsequent to year end, he has accepted a token payment for the short period of time spent with the Group.*

The remuneration of key management personnel generally comprises a basic salary component, contributions to defined contribution plans, and one month of annual wage supplement or variable bonuses, depending 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 timeframe as set by the various department heads and approved by the Remuneration Committee.

There were six key management personnel (who are not Directors or the Chief Executive Officer) whom the Company considered to be the key executives of the Group.

Name of Key Executive	Salary	Bonus[1]	Other benefits[2]
	%	%	%
Below S$250,000			
Gu Zheng[3]	88.2	–	11.8
Xu Shulin	83.0	–	17
Wang Xiaoyan	98.2	–	1.8
Sun Weili	82.7	–	17.3
Lim Poh Yeow	90.7	–	9.3
Tan Hong Guang[4]	63.9	–	36.1

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

2 *Other benefits include contributions to defined contribution plans.*

3 *Mr Gu Zheng was appointed as the Group's General Manager on 29 November 2017 and resigned on 17 January 2018 to pursue his own personal interests.*

4 *Ms Tan Hong Guang was appointed as the subsidiaries' CFO on 9 October 2017 and resigned on her own accord on 31 December 2017 to pursue her own personal interests.*

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 remunerations paid to the top six Key Executives of the Company (who are not Directors or the Chief Executive Officer) for FY2017 is S$362,000 (RMB1,771,000).

No employee who is an immediate family member of a Director was paid more than S$50,000 during FY2017. "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 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 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 until the end of FY2017, no option to subscribe for shares has been granted to any eligible participant by the Company. Following the AGM held on 21 April 2017, shareholders had voted against the Leader Environmental ESOS, which culminated in its earlier discontinuance, despite that it still has three years before its expiry. Going forward, the Leader Environmental Performance Share Scheme will be solely in operation and as of to-date, a total of 4,600,000 and 13,950,000 of ordinary shares were awarded to eligible employees in FY2013 and FY2015 respectively in recognition of their past performances and contributions to the Group.

ACCOUNTABILITY AND AUDIT

Accountability

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

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

The Board is also responsible for ensuring compliance with legislative and regulatory requirements, including requirements under the Listing Rules. In line with the Listing Rules of the SGX-ST, the Board provides a negative assurance statement to the shareholders in its quarterly financial statement 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.

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. Going forward, the role will be taken over by the CFO and senior management of the Company. They will 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 Management to continuously strengthen the existing internal controls already put in place.

(ii) The Audit Committee has met with Management and external auditors once during FY2017 to discuss the specific risk areas for the forthcoming audit and the audit work to be performed. The audit plans were subsequently circulated to all the Board members for reference. 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 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 the Chief Executive Officer and the 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 2017; and (b) regarding the effectiveness of the Group's risk management and internal control systems.

(iv) A review of the internal controls pertaining to revenue to collection cycle and procurement to payment cycle was conducted, and its internal audit review report presented to the Board in November 2016. The report did not highlight any significant internal controls lapses or deficiencies. All controls improvement recommendations proposed by the internal auditors have since been remedied by Management.

    Management has confirmed the internal controls have remained largely unchanged during the year and the existing checks and balances remain adequate to safeguard the assets of the Group despite the apparent upturn in business. Notwithstanding the increase in turnover in 2017, business activities have not increased significantly. A total of 15 projects were undertaken during the year and the single largest project accounted for over 50% of the annual revenue. The external auditors have communicated to the Board that they had performed an extensive system walkthrough of the revenue cycle and control testing on project costings. Their review did not highlight any irregularities or exceptions.

The Board has taken into account the internal controls established and maintained by the Group, work performed and findings by the independent external auditors, results of the work performed by the external auditors, regular reviews carried out by Management and the Audit Committee as well as the aforementioned assurance received from the Chief Executive Officer, Finance Director and Chief Financial Officer. Accordingly, 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 and effective during the year ended 31 December 2017. 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. The AC, shall also on an ongoing basis consider the engagement of auditor to perform reviews on the Group's internal controls.

Audit Committee

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

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

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

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;

- 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 FY2017, the Audit Committee Chairman attended technical updates and seminars conducted by the Institute of Singapore Chartered Accountants. 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 Management to discuss the reasonableness of the financial reporting process, and 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

Provided below is an overview of the matters which were identified as the Key Audit Matters ("KAM") in the Independent Auditor's Report on the consolidated financial statements of the Group for FY2017. These KAM were discussed with Management and the external auditors and in the review carried out by the Audit Committee:

Matters considered	**Action**
Revenue recognition and contract work-in-progress	A review of the internal controls pertaining to revenue to collection cycle and procurement to payment cycle was conducted and its internal audit review report presented to the Board in November 2016. The report did not highlight any significant internal controls lapses or deficiencies. All controls improvement recommendations proposed by the internal auditors have since been remedied by Management. Management has confirmed the internal controls have remained largely unchanged in FY2017 and the existing checks and balances remain adequate to safeguard the assets of the Group. During the presentation of FY2017's audit findings, the external auditors have communicated to the Board that they had performed an extensive system walkthrough of the revenue cycle and control testing on project costings. Their audit did not highlight any irregularities or exceptions. 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 2017, the Audit Committee concurs with the Management that the Group's revenue recognition is in line with its accounting policy and contract work-in-progress is fairly stated. This understanding was consistent with and also supported by the audit findings from the external auditors during the year-end audit.
Impairment of trade receivables and advances to suppliers	The Audit Committee has discussed with Management in detail on these balances as well as external auditors on the work performed pertaining to impairment assessment on trade receivables and advances to suppliers and concurs that no impairment of advances to suppliers is required and the impairment of trade receivables is adequate as at 31 December 2017. Trade receivables amounted to RMB14.2 million as at 31 December 2017, of which approximately 52.4% are current and the rest mainly relates to projects which are in the midst of commissioning and handing over. These customers are established companies and have been good paymasters in general in respect of previously completed contracts. As for advances to suppliers of RMB92.6 million, RMB9.0 million relates to on-gong contracts which have yet to reach the billing milestone from suppliers. As for the balances of RMB83.6 million, RMB15.0 million has been refunded to the Group subsequent to 31 December 2017 as the contract has been terminated. The other advances relate to 3 contracts which are expected to commence in 2018. Management has confirmed the key supplier is in good financial health and is confident that the amounts can be recovered in full if the contracts do not commenced as scheduled. The Audit Committee also understands from the external auditors that they have performed background checks on the key supplier as well as visited and reviewed its management accounts. No exceptions were noted.

The Audit Committee is also 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 FY2017, the aggregate amount of audit fees payable to the external auditors was approximately RMB0.7 million. There were 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 FY2017, there were no complaints, concerns or other matters received from the channel established under the whistle-blowing policy.

Internal Audit

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

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

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

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

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

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

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

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 FY2017 as the Company is prohibited by the Companies Act (Chapter 50) to pay dividends in light of its substantial accumulated losses coupled by the fact that its subsidiaries do not generate sufficient cash flows nor distributable profits for distribution to the Company to erase its accumulated losses. The payment of future dividend will continue to be hampered by the rule unless the Group can turn in exceptional performances going forward. The Group will however, evaluate other available options to reward shareholders should the Group continue to perform well. For any dividends to be paid in the future, the form, frequency and amount of dividends will depend on the Group's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the directors may deem appropriate. Any proposal for the declaration of dividends will be clearly communicated to the shareholders via SGXNet.

CONDUCT OF SHAREHOLDER MEETINGS

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

The Company sufficiently informs its shareholders of changes in the Group or its business which would be likely to materially affect the price or value of the Company's shares. The Company also ensures that its shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders.

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 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 FY2017, the Company has complied with Rule 1207(19) of the Listing Rules.

Non-Audit Fees

There was no non-audit service rendered by the Group's external auditors, Foo Kon Tan LLP, in FY2017 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 FY2017 or still subsisting as at 31 December 2017 which involved the interests of any of the Directors or controlling shareholders of the Company.

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

There are no interested person transactions entered into by the Group during FY2017 under review in accordance with Rule 907 of the Listing Rules.

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2017 and the statement of financial position of the Company as at 31 December 2017.

In the opinion of the directors,

(a) the accompanying financial statements of the Group and Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, change in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial reporting Standards;

(b) at the date of this statement, except as disclosed in Note 2 (a), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Name of directors

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

Lin Baiyin
Goh Kay Seng Edwin (Independent non-executive director)
Mak Yen-Chen Andrew (Independent non-executive director)
Zhai Guihua (Independent non-executive director)
Zang Linying (Non-executive director)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or of any other corporate body.

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					
	Holdings registered in the name of director			Holdings in which director is deemed to have an interest		
	As at 1.1.2017	As at 31.12.2017	As at 21.1.2017	As at 1.1.2017	As at 31.12.2017	As at 21.1.2017
Director						
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

Share option

No options to take up unissued shares of the Company or any subsidiaries have been granted during the financial year.

No shares were issued during the financial year to which this report relates by virtue of the exercise of the options to take up unissued shares of the Company or any subsidiaries.

There were no unissued shares of the Company or any subsidiaries under option at the end of the financial year.

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
Zhai Guihua

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 2017 as well as the auditor's report thereon;

(iv) effectiveness of the Company's material internal controls, including financial, operational, compliance controls and information technology controls and risk management systems 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;

Audit committee (Cont'd)

(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).

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" section of the annual report.

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

Independent auditor

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

On behalf of the Directors

LIN BAIYIN

ZHAI GUIHUA

Dated:

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 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Group and the statement of financial position 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 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group 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.

Key audit matters	Risk	Our responses and work performed
Revenue recognition and contract work-in-progress.	The Group is primarily involved in the business of design and construction of environmental protection systems, primarily for industrial wastegas and wastewater treatments. 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. 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. The Group's disclosures about revenue recognition and contract work-in-progress are included in the significant accounting policy in Note 2(d) and Notes 7 to the financial statements.	– 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, if any 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 assessed the adequacy of the related disclosures in the notes to the financial statements.

Key audit matters	Risk	Our responses and work performed
Impairment of trade receivables and advances to suppliers	The Group is subject to contract risk with significant judgment and accounting estimates used in determining the recoverability of trade receivables and advances to suppliers under contract. 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 9 and 10 to the financial statements.	– We circularised significant trade receivable and payables balances and significant advances to suppliers. – We reviewed management's assessment of the recoverability of trade receivables and verified cash receipts subsequent to the reporting period to underlying documentation. As at the date of this report, the Group had collected RMB9,464,000 from its allowance for impairment of trade receivables of RMB10,028,000 provided in prior year. – We reviewed management's assessment of the commencement of the projects relating to the advances paid to suppliers to the underlying documentation and its recoverability if the project is cancelled. For projects which are not cancelled, we have reviewed the financial health of the suppliers to ensure that they are able to meet the needs of the specific projects. As at the date of this report, the Group had collected a refund of RMB 15,000,000 from its advances to suppliers due to a cancellation of a contract. – We assessed the adequacy of the related disclosures in the notes to the financial statements.

Other information

Management is responsible for the other information. The other information refers to the "Directors' Statement" section of 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 and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

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.

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

- 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 matter. 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.

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 Tei Tong Huat.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 6 April 2018

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

	Note	The Group 2017 RMB'000	The Group 2016 RMB'000	The Company 2017 RMB'000	The Company 2016 RMB'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	3	**9,365**	11,505	**-**	-
Intangible assets	4	**2,825**	4,205	**-**	-
Club membership	5	**-**	671	**-**	-
Investment in subsidiaries	6(a)	**-**	-	**63,000**	63,000
		12,190	16,381	**63,000**	63,000
Current Assets					
Gross amount due from customers for contract work-in-progress	7	**59,165**	18,173	**-**	-
Inventories	8	**1,281**	1,307	**-**	-
Trade and other receivables	9	**48,096**	27,093	**14**	-
Prepayments	10	**95,134**	97,082	**-**	39
Bank deposits pledged	11	**1,650**	6,381	**-**	-
Cash and cash equivalents	12	**17,398**	25,953	**19**	1,066
		222,724	175,989	**33**	1,105
Total assets		**234,914**	192,370	**63,033**	64,105
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)	**-**	-
Premium paid on acquisition of non-controlling interests	16	**(170)**	-	**-**	-
Accumulated losses		**(179,686)**	(193,052)	**(165,296)**	(162,171)
		76,185	62,989	**59,451**	62,576
Non-controlling interests		**-**	31	**-**	-
Total equity		**76,185**	63,020	**59,451**	62,576
Non-Current Liabilities					
Deferred tax liabilities	17	**-**	-	**-**	-
Current Liabilities					
Gross amount due to customers for contract work-in-progress	7	**11,087**	-	**-**	-
Trade and other payables	18	**54,141**	35,373	**1,272**	294
Borrowings	19	**60,000**	70,000	**-**	-
Other liabilities	20	**33,354**	23,830	**2,310**	1,235
Income tax payable		**147**	147	**-**	-
		158,729	129,350	**3,582**	1,529
Total equity and liabilities		**234,914**	192,370	**63,033**	64,105

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

Year ended 31 December 2017

The Group	Note	2017 RMB'000	2016 RMB'000
Revenue	21	**119,838**	43,790
Cost of sales		**(96,285)**	(36,434)
Gross profit		**23,553**	7,356
Financial income	22(a)	**127**	93
Other income	22(b)	**10,310**	10,873
Selling and distribution expenses		**(2,311)**	(1,347)
Administrative expenses	22(c)	**(13,820)**	(13,310)
Finance costs	22(a)	**(4,139)**	(4,106)
Other expenses	22(b)	**(299)**	(104)
Profit/(loss) before taxation	22(d)	**13,421**	(545)
Taxation	23	**(70)**	2,821
Profit after taxation		**13,351**	2,276
Other comprehensive income after tax		**–**	–
Total comprehensive income for the year		**13,351**	2,276
Profit attributable to:			
Owners of the parent		**13,366**	2,401
Non-controlling interests		**(15)**	(125)
		13,351	2,276
Total comprehensive income attributable to:			
Owners of the parent		**13,366**	2,401
Non-controlling interests		**(15)**	(125)
		13,351	2,276
Earnings per share			
– Basic and diluted (RMB cents)	24	**2.17**	0.39

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

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2017

The Group	Share capital RMB'000	PRC statutory common reserve RMB'000	Merger reserve RMB'000	Accumulated losses RMB'000	Premium paid on acquisition of non-controlling interests RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	← Attributable to equity holders of the Company →							
At 1 January 2017	**224,747**	**31,748**	**(454)**	**(193,052)**	**-**	**62,989**	**31**	**63,020**
Profit for the year	**-**	**-**	**-**	**13,366**	**-**	**13,366**	**(15)**	**13,351**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**13,366**	**-**	**13,366**	**(15)**	**13,351**
Change in interest in a subsidiary	**-**	**-**	**-**		**(170)**	**(170)**	**(16)**	**(186)**
At 31 December 2017	**224,747**	**31,748**	**(454)**	**(179,686)**	**(170)**	**76,185**	**-**	**76,185**
At 1 January 2016	224,747	31,748	(454)	(195,453)	-	60,588	18	60,606
Profit for the year	-	-	-	2,401	-	2,401	(125)	2,276
Other comprehensive income	-	-	-	-	-	-	-	-
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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

The Group	Note	2017 RMB'000	2016 RMB'000
Cash Flows from Operating Activities			
Profit/(loss) before taxation		**13,421**	(545)
Adjustments for:			
Property, plant and equipment written off		**38**	–
Depreciation of property, plant and equipment		**830**	844
Gain on disposal of property, plant and equipment	C	**(59)**	(36)
Amortisation of intangible assets and club membership		**1,404**	1,414
Allowance for impairment of trade receivables written back	A	**(2,664)**	(1,000)
Gain on disposal of subsidiary	B	**(1,401)**	–
Loss on disposal of club membership		**197**	–
Finance costs		**4,139**	4,106
Interest income		**(127)**	(93)
Gain on disposal of associate	D	**–**	(4,750)
Unrealised exchange differences		**–**	(46)
Operating profit/(loss) before working capital changes		**15,778**	(106)
(Increase)/decrease in gross amount due from customers for contract work-in-progress		**(40,992)**	20
Decrease in inventories		**26**	35
(Increase)/decrease in trade and other receivables		**(23,732)**	4,275
Decrease in prepayments		**1,888**	19,273
Increase/(decrease) in gross amount due to customers for contract work-in-progress		**11,087**	(573)
Increase/(decrease) in trade and other payables		**28,560**	(11,884)
Increase in other liabilities		**9,524**	16,492
Cash generated from operations		**2,139**	27,532
Interest paid		**(4,139)**	(4,106)
Interest income received		**127**	93
Income tax (paid)/refunds		**(70)**	2,821
Net cash (used in)/generated from operating activities		**(1,943)**	26,340
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment		**(58)**	(260)
Construction in progress on solar photovoltaic plant		**(901)**	(1,151)
Proceed from disposal of property, plant and equipment		**238**	68
Proceed from disposal of associate		**–**	4,750
Proceed from disposal of club membership		**450**	–
Proceed from disposal of subsidiary	B	**3,660**	–
Net cash generated from investing activities		**3,389**	3,339

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

The Group	Note	2017 RMB'000	2016 RMB'000
Cash Flows from Financing Activities			
Proceeds from third party loan		-	15,000
Repayments of third party loan		-	(35,000)
Proceeds from borrowings		**88,000**	70,000
Repayments of borrowings		**(98,000)**	(97,000)
(Repayments of)/proceeds from bills payable – net		**(4,732)**	5,552
Decrease in bank deposits pledged		**4,731**	11,579
Net cash used in financing activities		**(10,001)**	(29,869)
Net decrease in cash and cash equivalents		**(8,555)**	(190)
Exchange differences on translation of cash and cash equivalents		-	46
Cash and cash equivalents at beginning of year		**25,953**	26,097
Cash and cash equivalents at end of year (Note 12)		**17,398**	25,953

NOTE:

A Trade and other receivables (Note 9)

Allowance for impairment of trade receivables
During the financial year, the Group wrote back impairment allowance for trade receivables of RMB9,464,000 (2016 – allowance of RMB5,445,000), which resulted in a non-cash allowance written back of RMB3,360,000 (2016 – RMB1,000,000) as they pertained to cash received after the financial year end, net of impairment allowance for trade receivables of RMB696,000 (2016 – Nil) during the financial year.

B Disposal of subsidiary (Note 6)

The Group disposed of one subsidiary in 2017. The carrying value of assets disposed of and liabilities discharged were as follows:

	2017 RMB'000	2016 RMB'000
Property, plant and equipment – construction in progress (Note 3)	**2,052**	–
Other receivables	**5,207**	–
Prepayments	**60**	–
Other payables	**(5,060)**	–
Carrying value of net assets	**2,259**	–
Cash consideration	**3,660**	
Cash and cash equivalent of the subsidiary	-	–
Net cash inflow on disposal of subsidiary	**3,660**	–
Gain on disposal		
Cash consideration	**3,660**	–
Net assets derecognised	**(2,259)**	–
Gain on disposal	**1,401**	–

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

C Disposal of Property, plant and equipment

The net proceeds from disposal of property, plant and equipment amounting to NIL (2016 – RMB 70,000) with VAT of RMB3,000 have been off set against the balances owing to trade creditors as part settlement for trade payable balances.

D 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.

E Reconciliation of liabilities arising from financing activities

With effective from 1 January 2017, the Amendments to FRS 7 Statements of Cash Flow comes with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The following is the disclosures of the reconciliation of items for which cash flows have been, or would be, classified as financing activities, excluding equity items:

	31 December 2016	Cash flows		31 December 2017
		Repayments	Proceeds	
	RMB'000	RMB'000	RMB'000	RMB'000
Bills payable	5,552	(4,732)	–	**820**
Loans and borrowings	70,000	(98,000)	88,000	**60,000**
Bank deposits pledged	6,381	(4,731)	–	**1,650**

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

1 General information

The financial statements of the Group and the Company for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' statement.

The Company is 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(a) Basis of preparation

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

The financial statements are presented in Renminbi (RMB) which is the Company's functional currency. All financial information is presented in RMB and has been rounded to the nearest thousand (RMB'000), unless otherwise stated.

Significant accounting estimates and 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 high degree of judgement are described below:

Significant judgements in applying accounting policies

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

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

Significant judgements in applying accounting policies (cont'd)

Income taxes (Notes 17 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 2017 amounted to approximately RMB147,000 (2016 - RMB147,000) and RMB Nil (2016 - 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.

Going concern

The Group reported a profit before tax of RMB 13.4 million (2016 - loss of RMB 0.5 million) and total comprehensive income of approximately RMB 13.4 million (2016 – income of RMB 2.3 million) for the financial year ended 31 December 2017. The Group's current assets exceeded the current liabilities by approximately RMB 64.0 million (2015 - RMB 46.6 million) as at 31 December 2017. The Company's current liabilities exceeded the current assets by approximately RMB 3.5 million (2016 - RMB 0.4 million) as at 31 December 2017.

In addition, the Group net cash flows used in operating activities for financial year 2017 is RMB 1.9 million (2016 – cash generated of RMB 26.3 million). This may affect the Group's ability to operate as a going concern.

The Company and the Group manage the liquidity risk by ensuring there are sufficient cash to meet all their normal operating commitments in a timely and cost-effective manner. The Group has RMB20 millions of unutilised banking facilities available as at 31 December 2017. Based on these assessments, the use of going concern is appropriate. Accordingly, the financial statements have been prepared on a going concern basis based on the above factors.

Impairment of investment in subsidiaries (Note 6)
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.

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

judgements in applying accounting policies (cont'd)

Impairment of investment in subsidiaries (Note 6)
No impairment in subsidiaries is deemed to be necessary in view of the Group's improving business, reversing from a loss making position to a profitable position during the year. In previous year, the group determined the recoverable using value-in-use (as it was higher than fair value less disposal cost) 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 and RMB10,000,000 respectively.

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 RMB14,396,000 (2016 - RMB3,527,000).

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.

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

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

Construction contracts (Note 7) (cont'd)

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 RMB11,244,000 (2016 – RMB2,386,000).

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 RMB128,000 (2016 – RMB131,000). 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 2017 are RMB9,365,000 and RMB Nil (2016 – RMB11,505,000 and RMB Nil) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. If depreciation on property, plant and equipment increases/decreases by 10% from management, the Group's profit for the year will decrease/increase by approximately RMB83,000 (2016 – RMB84,000).

Impairment of loans and receivables (Note 9)
The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

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

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

Impairment of loans and receivables (Note 9) (cont'd)
Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables as well as impairment or write-back of impairment in the period in which such estimate has been changed.

The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 9 to the financial statements.

If the present value of estimated future cash flows decrease by 10% from management's estimates, the Group's allowance for impairment will increase by RMB 4,809,000 (2016: increase by RMB 2,709,000).

2(b) Interpretations and amendments to published standards effective in 2017

The directors do not anticipate that the adoption of the FRSs will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption except for the following new or amended FRS and INT FRS issued and effective in year 2017:

Reference	Description	Effective date (Annual Periods beginning on)
Amendments to FRS 7	Statement of Cash Flows	1 January 2017

Amendments to FRS 7 *Statement of Cash Flows*
The Amendments to FRS 7 *Statement of Cash Flows* required entities to reconcile cash lows 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. These amendments are effective on beginning or after 1 January 2017. As this is a disclosure standard, it will have no impact to the financial position and performance of the Group when applied in.

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.

2(c) FRS issued but not yet effective

The Group has performed an assessment of the impact of adopting the new financial reporting framework. Other than the adoption of the new standards that are effective on 1 January 2018, the Group expects that the adoption of the new framework will have no material impact on the financial statements in the year of initial application. The Group expects that the impact of adopting the new standards that are effective on 1 January 2018 will be similar to that as disclosed below.

The following are the new or amended FRSs and INT FRS issued in 2017 that are not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual Periods beginning on)
SFRS(I) 15	Revenue from Contracts with Customers	1 January 2018
SFRS(I) 9	Financial Instruments	1 January 2018
SFRS(I) INT 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
SFRS(I) 16	Leases	1 January 2019

The directors do not anticipate that the adoption of the above FRSs in future periods will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption, except the following:

<u>SFRS(I) 15 *Revenue Contracts with Customers*</u>
SFRS(I) 15 *Revenue from Contracts with Customers* establishes a framework for determining when and how to recognise revenue. The objective of the standard is to establish the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. It established a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer.

The standard replaces FRS 11 *Construction Contracts*, FRS 18 *Revenue*, INT FRS 113 Customer Loyalty Programmes, INT FRS 115 *Agreements for Construction of Real Estate*, INT FRS 118 *Transfer of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions involving Advertising Services*. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall into the scope of other standards.

The standard clarifies how to:

- 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)
- Determine whether the revenue from granting a licence should be recognised at a point in time or over time.

The amendments have the same effective date as the Standard, SFRS(I) 15, i.e. on 1 January 2018.

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

SFRS(I) 15 *Revenue Contracts with Customers* (cont'd)
During 2017, the Group completed its initial assessment of the impact on the Group's financial statements. Based on its initial assessment, the Group does not expect significant changes to the basis of revenue recognition for its development projects in Singapore and overseas. However, additional disclosures for trade receivables and revenue may be required, including any significant judgement and estimation made.

The Group plans to adopt the standard when it becomes effective in 2018 using the full retrospective approach. The Group is currently performing a detailed analysis under SFRS (I) 15 to determine its election of the practical expedients and to quantity the transition adjustments on its financial statements. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the new SFRS (I) 15.

SFRS(I) 9 *Financial Instruments*
SFRS(I) 9 *Financial Instruments* replaces the FRS 39 and it is a package of improvements introduced by SFRS(I) 9 which includes a logical model for:

- Classification and measurement;
- A single, forward-looking "expected loss" impairment model; and
- A substantially reformed approach to hedge accounting.

SFRS(I) 9 is effective for annual periods beginning on or after 1 January 2018.

During 2017, the Group has completed its initial assessment of the impact on the Group's financial statements. Overall, the Group does not expect a significant change to the measurement basis arising from adoption the new classification and measurement model under SFRS (I) 9.

Loans and receivables currently accounted for at amortised cost will continue to be accounted for using amortised cost model under SFRS (I) 9.

Impairment – The Group plans to apply the 12- month approach and record lifetime expected impairment losses on all trade receivables.

The Group is currently performing a detailed analysis under SFRS (I) 9 which will result in changes to the accounting policies relating to the impairment provisions of financial assets and liabilities. Management will consider whether the 12 – month or lifetime expected credit losses on financial assets and liabilities should be recognised, which is dependent on whether there has been a significant increase in the credit risk of the assets and liabilities from initial recognition to the date of initial application of SFRS (I) 9. Additional disclosures will also be made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the new SFRS (I) 9.

SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*
This Interpretation provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance.

The Interpretations are effective from 1 January 2018. There is no significant impact in the Group's consolidated financial statements.

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

SFRS(I) 16 *Leases*
SFRS(I) 16 *Leases* replaces accounting requirements introduced more than 30 years ago in accordance with FRS 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 FRS 17. SFRS(I) 16 *Leases* will be effective for accounting periods beginning on or after 1 January 2019. Early adoption will be permitted, provided the company has adopted SFRS(I) 15.

The Group has performed a preliminary assessment of the new standard on its existing operating lease arrangements as a lessee. Based on the preliminary assessment, the Group has factory and office where they are operating leases. The Group expects these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. This would increase the gearing ratio of the Group. It is currently impracticable to disclose any further information on the known or reasonable estimable impact to the entity's financial statement. Management does not plan to early adopt the above new SFRS (I) 16.

2(d) Summary of 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. Information on its subsidiaries is given in Note 6 to the financial statements.

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

2(d) Summary of significant accounting policies (Cont'd)

Consolidation (cont'd)

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.

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill if any), 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.

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

Consolidation (cont'd)

Acquisition of businesses
The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business combination comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

Disposals
When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

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's 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.

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

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.

<u>Patents</u>
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 ten years.

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

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

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

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

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

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

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

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.

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

In the Company's separate financial statements, investments in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

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.

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

Financial assets (cont'd)

Derecognition 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 realise 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 2017, 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 2017.

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, bank deposits 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.

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.

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 ordinary shares are deducted against the share capital account.

Financial liabilities

The Group's financial liabilities include borrowings, trade and other payables, and other 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 borrowings in the statements of financial position even though the original terms was 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 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.

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.

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

Financial liabilities (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.

Leases

Where the Group is the lessee

Operating leases
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

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("CPF"), a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The contributions to CPF or other 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 estimated liability of the unconsumed leave as a result of services rendered by employees up to the end of reporting period.

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

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

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, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

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.

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

Related parties

A related party is defined as follows:

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

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

  (ii) has significant influence over the Company; or

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

(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 entity, or any member of a group which is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Impairment of non-financial assets

The carrying amounts of the Company's and Group'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.

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

Impairment of non-financial assets (cont'd)

Individual assets or cash-generating units are tested for impairment at least annually. All 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.

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, if any, 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 consolidated income statement, a reversal of that impairment loss is recognised as income in profit or loss.

Revenue recognition

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

<u>Construction contracts</u>
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.

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

Revenue recognition (cont'd)

Construction contracts (cont'd)
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.

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

Functional currencies

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.

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

Conversion of foreign currencies (cont'd)

Transactions and balances (cont'd)
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.

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 of 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 joint managing directors who regularly review 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.

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
Cost						
At 1 January 2016	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**
Additions	**–**	**–**	**–**	**58**	**901**	**959**
Disposals/written off	**–**	**–**	**(970)**	**(382)**	**–**	**(1,352)**
Disposal of subsidiary	**–**	**–**	**–**	**–**	**(2,052)**	**(2,052)**
At 31 December 2017	**7,749**	**1,163**	**4,200**	**825**	**–**	**13,937**
Accumulated depreciation						
At 1 January 2016	945	370	2,229	668	–	4,212
Depreciation	242	104	445	53	–	844
Disposals	–	–	(179)	–	–	(179)
At 31 December 2016	**1,187**	**474**	**2,495**	**721**	**–**	**4,877**
Depreciation	**242**	**104**	**401**	**83**	**–**	**830**
Disposals/written off	**–**	**–**	**(791)**	**(344)**	**–**	**(1,135)**
At 31 December 2017	**1,429**	**578**	**2,105**	**460**	**–**	**4,572**
Net book value						
At 31 December 2017	**6,320**	**585**	**2,095**	**365**	**–**	**9,365**
At 31 December 2016	6,562	689	2,675	428	1,151	11,505

The Company	Office equipment RMB'000
Cost	
At 1 January 2016 and 2017	11
At 31 December 2016 and 2017	11
Accumulated depreciation	
At 1 January 2016 and 2017	11
At 31 December 2016 and 2017	11
Net book value	
At 31 December 2017	–
At 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. During the financial year, the subsidiary's net assets which comprised construction-in-progress of RMB2.05 million (2016 – RMB Nil) was disposed of to a third party.

The Group has pledged its commercial properties to a bank to partially secure a banking facility of RMB80.0 million (2016 – RMB80.0 million) for 1 year starting from 1 December 2017.

4 Intangible assets

The Group	Patents RMB'000	Deferred development costs RMB'000	Total RMB'000
Cost			
At 1 January 2016 and 2017	2,978	6,641	9,619
At 31 December 2016 and 2017	**2,978**	**6,641**	**9,619**
Accumulated amortisation			
At 1 January 2016	652	3,394	4,046
Amortisation for the year	261	1,107	1,368
At 31 December 2016	**913**	**4,501**	**5,414**
Amortisation for the year	**261**	**1,119**	**1,380**
At 31 December 2017	**1,174**	**5,620**	**6,794**
Net book value			
At 31 December 2017	**1,804**	**1,021**	**2,825**
At 31 December 2016	2,065	2,140	4,205

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

The Group	2017 RMB'000	2016 RMB'000
Amortisation expense charged to:		
Administrative expenses	**1,380**	1,368

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 2017, the patent has a remaining tenure of 83 months (2016 – 95 months).

4 Intangible assets (Cont'd)

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 11 months (2016 – 23 months) as at 31 December 2017.

5 Club membership

The Group	Club membership RMB'000
Cost	
At 1 January 2016 and 31 December 2016	930
Disposal	(930)
At 31 December 2017	**–**
Accumulated amortisation	
At 1 January 2016	213
Amortisation for the year	46
At 31 December 2016	**259**
Amortisation for the year	**24**
Disposal	**(283)**
At 31 December 2017	**–**
Net book value	
At 31 December 2017	–
At 31 December 2016	671

The golf club membership, which was purchased in May 2011, was disposed of to a third party for a cash consideration of RMB450,000 (2016 – Nil) on 30 June 2017.

6(a) Investment in subsidiaries

The Company	2017 RMB'000	2016 RMB'000
At beginning of the year	**63,000**	75,000
Additional investment in subsidiary	**–**	10,112
Allowance for impairment – Investment in subsidiary	**–**	(22,112)
At 31 December	**63,000**	63,000

6(a) Investment in subsidiaries (Cont'd)

Allowance for impairment

During the financial year ended 31 December 2016, the subsidiary group - Jilin Anjie Environmental Engineering Co., Ltd and its subsidiaries had made a marginal profit of RMB446,000 but would had incurred a loss of RMB7,821,000 had the one-off items of tax refund of RMB2,822,000 and bad debs 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 investments in the subsidiary and 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% for environmental business. The increase 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 3.3% in 2016.

The recoverability of the investment in the subsidiaries in FY2017 was determined based on VIU approach. Cash flow projections used in the VIU calculations were based on financial budgets approved by the management covering a five-year period. Cash flow projections used in these calculations were based on financial budgets approved by management covering a five-year period from 2018 to 2022. The cash flow projections represent expected income less related costs and are based on past experience and expectations for the construction of environmental protection industry in general. A pre-tax discount rate of approximately 19% for the subsidiary group has been applied to the cash flow projections.

The equity value or recoverable amount is calculated as shown below:

	Jilin Anjie Environmental Engineering Co., Ltd and subsidiaries RMB'000
Equity value or recoverable amount	68,000
Less: Cost of investment	(63,000)
Excess	5,000
Key assumptions	
Perpetual growth rate	4.5%
Weighted average cost of capital (WACC)	21%

These assumptions were used for the analysis of the investment in this subsidiary group in China. The management determined budgeted profit margin based on past performance and its expectations of market developments. The weighted average growth rates used were consistent with forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments in which the subsidiary group operates.

6(a) Investment in subsidiaries (Cont'd)

Allowance for impairment (cont'd)

As the estimated value-in-use or recoverable amount is higher than the carrying amount of investment in subsidiary, no additional impairment loss was recognised. (refer to Note 10). As at the date of this report, there is no change of occurrence in events that lead to a reversal of allowance for impairment in subsidiary.

The movement of the allowance for impairment of the investment in subsidiary during the year ended 31 December 2017 and 2016 is as follows:

The Company	**2017 RMB'000**	2016 RMB'000
Allowance for impairment of investment in subsidiary		
Balance at beginning of year	**99,606**	77,494
Allowance made	**–**	22,112
Balance at end	**99,606**	99,606

The calculation of the allowance for impairment is as follows:

The Company	**2017 RMB'000**	2016 RMB'000
Unquoted equity shares, at cost	**162,606**	162,606
Amount owing by subsidiary (Note 9)	**–**	40,560
Net investment in subsidiary	**162,606**	203,166
Less:		
Allowance for impairment on net investment in subsidiary	**(99,606)**	(99,606)
Allowance for impairment for amount due from subsidiary (Note 9)	**–**	(40,560)
	63,000	63,000

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Issued and fully paid share capital RMB	Registered capital RMB	Proportion of ownership interest and voting rights held 2017 %	2016 %	Principal activities
Held by the Company:						
Jilin Anjie Environmental Engineering Co., Ltd. ("Anjie Environmental") [1]	The 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

6(a) Investment in subsidiaries (Cont'd)

Name	Country of incorporation/ principal place of business	Issued and fully paid share capital RMB	Registered capital RMB	Proportion of ownership interest and voting rights held 2017 %	2016 %	Principal activities
Held by Jilin Anjie Environmental Engineering Co., Ltd.						
Jilin Anjie New Energy Power Generation Co., Ltd ("Anjie New Energy")[2, 5]	The People's Republic of China	4,420,680	100,000,000	**99.9**	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, 5]	The 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 ("Anjie New Energy")[2, 5]	The People's Republic of China	1,360,000	30,000,000	**-**	100.0	Disposed of
Linjiang City Anjie Environmental Co; Ltd. ("Linjiang Anjie)[3, 5]	The People's Republic of China	-[4]	50,000,000	**100.0**	100.0	Construction, installation and operation and maintenance of environmental engineering projects, and the investment in and operation and maintenance of wastewater treatment projects, soil contamination controls and remediation works

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. Anjie New Energy has embarked on industrial wastegas projects, while Yincheng New Energy remained dormant during the financial year.

3 Linjiang Anjie was incorporated on 12 January 2017 and remained dormant during the financial year.

4 The Group has not subscribed for the issued share capital as at 31 December 2017.

5 Audited by Foo Kon Tan LLP for consolidation purposes.

6(a) Investment in subsidiaries (Cont'd)

Transaction with non-controlling interests

On 23 February 2017, Anjie Envriomental acquired an additional 4.8% equity interest in Anjie New Energy from its non-controlling interests for a consideration of RMB186,000. As a result of this acquisition, Anjie Environmental's equity interest in Anjie New Energy increased to 99.9% (2016 – 95.1%). The carrying value of the net assets of Anjie New Energy at 23 February 2017 was RMB345,000 and the carrying value of the additional interest acquired was RMB16,000. The difference of RMB170,000 between the consideration and the carrying value of the additional interest acquired has been recognised as "Premium paid on acquisition of non-controlling interests" within equity.

The following summarises the effect of the change in the Group's ownership interest in Anjie New Energy on the equity attributable to Owners of the Company:

	2017 RMB'000
Consideration paid to non-controlling interests	186
Carrying amount of non-controlling interests acquired	(16)
Excess of consideration paid recognised in parent's equity	170

Disposal of wholly owned subsidiary

On 25 September 2017, the Group entered into a sale and purchase agreement, followed by a supplemental agreement dated 18 October 2017 to complete the disposal of 100% of its equity interest in its wholly owned subsidiary, Dunhuang Anjie New Energy Co., Ltd to certain third party at its carrying value of RMB2,259,000. The disposal consideration of RMB3,660,000 was settled via Cash. Please refer to Note B of Consolidated Statements of Cash Flows.

6(b) Investment in associate

On 30 May 2016, the Group completed the disposal of the investment in associate, Nano Sun Pte Ltd for a cash consideration of RMB4.8 million. The costs of this asset had been fully impaired amounted to RMB3.4 million and RMB4.8 million by the Group and the Company respectively during the year ended 31 December 2015. This resulted in a gain of disposal of RMB4.8 million recognised in 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.

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

The Group	2017 RMB'000	2016 RMB'000
Contract costs incurred to date	**112,437**	23,863
Recognised profits less recognised losses to date	**31,527**	11,404
	143,964	35,267
Progress billings	**(95,886)**	(17,094)
	48,078	18,173
Presented as:		
Gross amount due from customers for contract work-in-progress	**59,165**	18,173
Gross amount due to customers for contract work-in-progress	**(11,087)**	–
	48,078	18,173
Advances received on construction contracts (Note 20)	**13,812**	20,352
Retention receivables from construction work-in-progress	**2,158**	7,059

8 Inventories

The Group	2017 RMB'000	2016 RMB'000
Raw materials , at cost	**1,281**	1,307
Income statement:		
Cost of inventories included in cost of sales	**61,141**	15,171

9 Trade and other receivables

	The Group		The Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables (Gross)	**15,497**	15,446	**–**	–
Allowance for impairment	**(1,260)**	(10,028)	**–**	–
	14,237	5,418	**–**	–
Retention receivables	**3,859**	8,202	**–**	–
Bills receivables	**–**	336	**–**	–
Other receivables	**30,000**	13,137	**14**	–
- Amount due from non-controlling interests	**–**	155	**–**	–
- VAT receivables	**1,980**	–	**–**	–
- Tendered deposits	**18,470**	4,910		
- Others	**9,550**	8,072	**14**	–
Amount owing by subsidiary (Note 6)	**–**	–	**–**	40,560
Allowance for impairment (Note 6)	**–**	–	**–**	(40,560)
Total	**48,096**	27,093	**14**	–

	The Group		The Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Allowance for impairment of trade receivables and amount owing by subsidiary				
Balance at beginning	**10,028**	174,763	**40,560**	40,560
Allowance for the year (Note 22(d))	**696**	–	**–**	–
Allowance written back (Note 22(d))	**(9,464)**	(5,445)	**–**	–
- Collected	**(6,104)**	(4,445)	**–**	–
- Allowance	**(3,360)**	(1,000)	**–**	–
Bad debts written off	**–**	(159,290)	**(40,560)**	–
Balance at end	**1,260**	10,028	**–**	40,560

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.

9 Trade and other receivables (Cont'd)

As a result of its critical evaluations performed on the trade receivables, further allowances of RMB696,000 were considered necessary by management (2016 - nil) as of 31 December 2017.

In FY2016, the Group wrote off RMB 159,290,000 against its impairment allowance. Below summarises the majority of trade receivables impairment allowance that have been written off against impairment allowances in FY2016 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.

No further write off of impairment allowance is required in FY2017 because the events and circumstances leading to impairment in FY2016 did not reoccurred in the current financial year. During the financial year, the Group collected RMB 6,104,000 (2016 - RMB 4,445,000) from its trade receivables where impairment allowance had previously been provided. In addition, the Group collected RMB3,360,000 (2016 – RMB 1,000,000) after the financial year ended. Accordingly, a reversal of impairment allowance of RMB9,464,000 was made to the profit or loss (2016 – RMB 5,445,000).

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 in 2016 relates to dividends receivable from Anjie Environmental and is unsecured, non-trade in nature, non-interest bearing and repayable on demand. The allowance for impairment on the entire amount due from subsidiary based on the impairment assessment in previous year was written off entirely during the financial year as the amount was deemed to be no longer receivable.

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

	The Group		The Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current – Neither past due nor impaired	**38,997**	21,675	**14**	–

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with a good payment record with the Group and the Company.

9 Trade and other receivables (Cont'd)

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

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

	The Group		The Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables past due but not impaired:				
91 days to 365 days	**4,812**	1,139	**–**	–
More than 365 days	**4,287**	4,279	**–**	–
	9,099	5,418	**–**	–

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. These receivables are mainly arising by customers that have a good credit record with the Group. The Group does not hold any collateral over these balances.

(iii) Financial assets that are past due and impaired

The carrying amount of trade and other receivables individually determined to be impaired are as follows:

	The Group		The Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Gross amount	**1,260**	10,028	**–**	40,560
Allowance for impairment loss	**(1,260)**	(10,028)	**–**	(40,560)
	–	–	**–**	–

Financial assets that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

10 Prepayments

	The Group		The Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances to trade suppliers	**92,553**	96,441	**–**	–
Prepaid operating expense	**127**	263	**–**	39
Advances to non-trade suppliers	**2,454**	278	**–**	–
	95,134	97,082	**–**	39
Allowance for impairment				
Balance at beginning	**–**	84,743	**–**	–
Write-off of allowance	**–**	(84,743)	**–**	–
Balance at end	**–**	–	**–**	–

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.

In prior years, 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 had ceased operation completely and remained uncontactable in year 2016, management had determined that the possibility of collecting back the prepayment was remote and decided to write off this amount of RMB84.7 million 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.

10 Prepayments (Cont'd)

Below summarises the advances to trade supplier that had been written off against the impairment allowance during in previous year and the principal reason for the written-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 had ceased operation and been uncontactable as advised by the legal adviser engaged by the Group since year 2015, management had decided to write off this amount.

In FY2017, included in the advances to trade suppliers of RMB 92,553,000 consist mainly of advances paid to a supplier amounting to RMB 83,600,000 for 4 projects that are expected to commence in the fourth quarter of FY2018 for the subsidiary group disclosed in Note 6(a). The supplier is one of the top suppliers in Dunhuang which is one of the location that the Group operates in. Based on the financial due diligence conducted by management, nothing has come to the management's attention that this supplier is in financial difficulties.

Below summarises the advances to this trade supplier:

Supplier	Amount (RMB'000)	Project
B	11,500	Wastewater treatment – Project 1
	15,000	Wastewater treatment – Project 2
	28,850	Wastewater treatment – Project 3
	28,250	Wastewater treatment – Project 4
Total	83,600	

During the financial year, the wastewater treatment – project 2 was terminated. Accordingly, the Group requested supplier B to refund the advance of RMB15 million paid. This amount is received in full in March 2018.

No allowance for impairment of advances to trade suppliers is deemed necessary during the financial year.

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 RMB1,650,000 (2016 – RMB6,381,000) as at 31 December 2017 for the purpose of obtaining bills payable facilities of RMB820,000 (2016 – RMB5,552,000) and issuance of performance guarantees to certain customer of RMB830,000 (2016 – RMB830,000).

12 Cash and cash equivalents

	The Group		The Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash on hand	**6,613**	102	**–**	–
Cash at bank	**10,785**	25,851	**19**	1,066
	17,398	25,953	**19**	1,066

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

		The Group	
	Note	**2017**	2016
		RMB'000	RMB'000
Cash at bank and on hand, and bank deposits pledged		**19,048**	32,334
Less: Bank deposits pledged	11	**(1,650)**	(6,381)
		17,398	25,953

The weighted average effective interest rates as at 31 December 2017 for the Group and the Company were 0.3% (2016 - 0.3%) and 0.2% (2016 - 0.2%) per annum respectively.

13 Share capital

	No. of ordinary shares		Amount	
The Group and The Company	**2017**	2016	**2017**	2016
			RMB'000	RMB'000
Issued and fully paid, with no par value				
Balance at beginning and at end of year	**617,209,000**	617,209,000	**224,747**	224,747

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.

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.

14 PRC statutory common reserve (Cont'd)

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	2017 RMB'000	2016 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 Premium paid on acquisition of non-controlling interests

The Group	2017 RMB'000	2016 RMB'000
Balance at beginning	**–**	–
Change in interest of a subsidiary (Note 6)	**170**	–
Balance at end	**170**	–

This represents the difference between the consideration paid and the carrying amount of additional equity interest of a subsidiary acquired from non-controlling interests.

17 Deferred tax liabilities

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 2017, there is no deferred tax liability to be provided or written back by the Group as Anjie Environmental did not have accumulated undistributed profits out of which to declare dividend.

17 Deferred tax liabilities (Cont'd)

Unrecognised tax loss

At the end of the financial year, the subsidiaries 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	**2017** **RMB'000**	2016 RMB'000
Year 2020	–	4,290
Year 2021	–	4,716
Year 2022	2,693	4,038
Balance at end	2,693	13,044

As at 31 December 2017, the subsidiary Jilin Anjie Environmental Engineering Co., Ltd has utilised RMB10,351,000 (2016 – Nil) of the unutilised losses brought forward from previous years to offset against current year's taxable profits, subjected to the agreement of the PRC tax authorities.

18 Trade and other payables

	The Group		The Company	
	2017 **RMB'000**	2016 RMB'000	**2017** **RMB'000**	2016 RMB'000
Trade payables	**46,353**	28,332	**–**	–
Bills payable	**820**	5,552	**–**	–
Other payables	**3,070**	1,489	**489**	156
Sundry payables	**3,060**	–	**–**	–
Amount due to subsidiary	**–**	–	**539**	138
Amount due to director	**838**	–	**244**	–
Net trade and other payables	**54,141**	35,373	**1,272**	294

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.

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

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

19 Borrowings

The Group	2017 RMB'000	2016 RMB'000
Current		
Bank loans		
China Merchants Bank Co., Ltd (招商银行长春大经路支行)	**60,000**	70,000

The Group established a short term loan facility of RMB80.0 million (2016 - RMB80.0 million) during the financial year, of which the amount drawn down was RMB60.0 million (2016 - RMB70.0 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).

The effective interest rate for the loan facility was 5.84% (2016 – 5.15%) per annum.

The carrying amounts of current borrowings approximate their fair values.

20 Other liabilities

	The Group		The Company	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Accrued purchases	**16,537**	1,835	**–**	–
Accrued salary and related expenses	**1,677**	432	**1,113**	155
Advances from customers (Note 7)	**13,812**	20,352	**–**	–
Accrued operating expenses	**1,197**	1,080	**1,197**	1,080
Accrued welfare expenses	**131**	131	**–**	–
	33,354	23,830	**2,310**	1,235

21 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	2017 RMB'000	2016 RMB'000
Contract revenue	**119,838**	43,790

22(a) Financial income and costs

The Group	2017 RMB'000	2016 RMB'000
Financial income:		
Interest income from bank balances	127	93
Financial costs:		
Interest expense on bank loans	(4,139)	(4,106)

22(b) Other income/(expenses)

The Group	2017 RMB'000	2016 RMB'000
Other income:		
Government grant	3	–
Gain on disposal of property, plant and equipment	59	36
Gain on disposal of subsidiary	1,401	–
Gain on disposal of associate	–	4,750
Write back of impairment allowance – net	8,768	5,445
Others	79	642
	10,310	10,873
Other expenses:		
Loss on disposal of club membership	(197)	–
Exchange loss	(6)	(55)
Contribution to the PRC Flood Prevention Fund	(58)	(49)
Property, plant and equipment written off	(38)	–
	(299)	(104)

22(c) Administrative expenses

The Group	2017 RMB'000	2016 RMB'000
Employees' salaries and related costs	4,114	4,112
Directors' fees and remunerations	2,460	2,427
Depreciation of property, plant and equipment	576	583
Amortisation of intangible assets and club membership	1,404	1,414
Operating lease expenses	293	287
Transportation expenses	362	418
Agent fees	799	927
Professional fees	559	605
Travelling and entertainment expenses	2,220	1,260
Others	1,033	1,277
	13,820	13,310

22(d) Profit/(loss) before taxation

The Group	Note	2017 RMB'000	2016 RMB'000
Profit/(loss) before taxation has been arrived at after charging/(crediting):			
Audit fee:			
– auditors of the Company		**681**	669
Gain on disposal of equity interest in associate		**–**	(4,750)
Gain on disposal of property, plant and equipment		**(59)**	(36)
Property, plant and equipment written off		**38**	–
Depreciation of property, plant and equipment	3	**830**	844
Amortisation of intangible assets and club membership	4&5	**1,404**	1,414
Allowance for impairment of trade receivables	9	**696**	–
Write-back of allowance for impairment of trade receivables #	9	**(9,464)**	(5,445)
Loss on disposal of club membership		**197**	–
Gain on disposal of subsidiary		**(1,401)**	–
Operating lease expenses		**772**	850
Employees' compensations*	25	**9,393**	7,818

* 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 previous 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 outstanding balances amounted to RMB3.36 million (2016 - RMB9.36 million) as at 31 December 2017 and was received in full after the year ended.

23 Taxation

The Group	2017 RMB'000	2016 RMB'000
Current taxation	**70**	7
Over provision in prior year	**–**	(2,828)
	70	(2,821)

23 Taxation (Cont'd)

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the Singapore statutory rate of income tax on Group's results before tax due to the following:

The Group	2017 RMB'000	2016 RMB'000
Profit/(loss) before taxation	**13,421**	(545)
Tax at the domestic rates applicable to profit/(loss) in the countries concerned [1]	**3,355**	(136)
Difference in foreign tax rate	**250**	(146)
Tax effect on non-deductible expenses	**526**	176
Tax effect on non-taxable income	**(2,366)**	(2,278)
Effect of loss not available for offset against future profits – the Company	**531**	611
Effect of loss not recognised as deferred tax assets (Note16) – the Subsidiaries	**237**	1,779
Overprovision of current tax in prior years	**–**	(2,828)
Utilization of deferred tax assets previously not recognised	**(2,539)**	–
Others	**76**	1
	70	(2,821)

[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	2017 RMB'000	2016 RMB'000
Allowance written back – no tax deduction claimed in prior year	2,366	1,361
Disposal of equity investment in associate	–	807
Others	–	110
	2,366	2,278

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

The Group	2017 RMB'000	2016 RMB'000
Purchases not supported by value added tax invoices	**32**	42
Entertainment expenses incurred over and above the amount deductible under the PRC tax regulations	**271**	134
Allowance of impairment of trade receivables	**174**	–
Loss on disposal of club membership	**49**	–
	526	176

24 Earnings per share

The earnings per share is calculated based on the consolidated profit attributable to owners of the parent divided by the weighted average number of shares in issue of 617,209,000 (2016 – 617,209,000) 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 2016 and 2017.

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

The Group	**2017**	2016
Profit for the year attributable to owners of the Company (RMB'000)	**13,366**	2,401
Weighted average number of ordinary shares	**617,209,000**	617,209,000
Basic and diluted earnings per share (RMB cents)	**2.17**	0.39

25 Employee benefits

The Group	**2017 RMB'000**	2016 RMB'000
Employee benefits expenses (including directors)		
Directors' fees	524	517
Salaries and bonuses	7,506	6,061
Contribution to defined contribution plans	1,363	1,240
	9,393	7,818

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.

26 Commitments (Cont'd)

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 factories with an original term of more than one year:

	The Group		The Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Not later than one year	**481**	461	**–**	–
Later than one year but not later than five years	**119**	476	**–**	–
	600	937	**–**	–

The leases on the Group's offices and factories on which rentals are payable will expire between 9 September 2018 and 30 April 2019 (2016 – 9 June 2017 and 30 April 2019). The current rent payable on the leases are between RMB1,000 and RMB29,750 (2016 - RMB1,000 and RMB29,750) per month which are subject to revision on renewal.

27 Significant related party transactions

Compensation of directors and key management personnel

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

The Group	**2017** **RMB'000**	2016 RMB'000
Directors' remuneration		
Directors' fees	**524**	517
Salaries, bonuses and other short-term benefits	**1,657**	1,754
Contribution to defined contribution plans	**279**	156
Key management personnel (other than directors)		
Salaries, bonuses and other short-term benefits	**1,534**	1,398
Contribution to defined contribution plans	**237**	207
	4,231	4,032

Other members of Group's key management comprise General Manager, Deputy General Manager, CFOs, 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.

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. The Group 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.

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, 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

	Dust elimination	Desulphurisation	Subtotal	Industrial wastewater	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2017					
Revenue					
Sales to external customers	53,614	64,321	117,935	1,903	119,838
Results					
Segment gross profit	15,874	6,678	22,552	1,001	23,553
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

28 Operating segments (Cont'd)

(b) Geographical information

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

(c) Information about major customers

During the financial year ended 31 December 2017, revenue from three (2016 – three) major customers amounted to RMB60.7 million, RMB12.5 million and RMB12.0 million (2016 – RMB14.0 million, RMB9.8 million and RMB7.4 million), arising from sales by the desulphurization and dust elimination segments. In FY2016, the sales derived from these major customers were from the dust elimination and industrial wastewater segments.

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 (2016 – 50) basis points higher/lower with all other variables held constant, the Group's profit net of tax would have been RMB87,000 (2016 – 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.

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.

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.

Further details of credit risks on trade and other receivables are disclosed in Note 9.

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:

	2017		2016	
The Group	**RMB'000**	**% of total**	RMB'000	% of total
By industry sector				
Construction	**–**	**–**	1,980	36.5
Steel	**6,592**	**46.3**	1,000	18.5
Heat supply	**4,168**	**29.3**	80	1.5
Investment management	**–**	**–**	18	0.3
Energy	**–**	**–**	847	15.6
Others	**3,477**	**24.4**	3,473	27.6
	14,237	**100.0**	5,418	100.0

As at 31 December 2017, none (2016 - none) of the trade receivables individually exceed 5% of the Group's total assets.

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.

<u>Measures to curtail credit risk</u>

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.

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

29.2 Credit risk (Cont'd)

Measures to curtail credit risk

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 RMB60 million (2016 - RMB70 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 Company's and the Group's financial liabilities based on contractual undiscounted cash flows:

		1 year or less	1 year or less
		2017	2016
The Group	Note	**RMB'000**	RMB'000
Non-derivative financial liabilities			
Borrowings		**64,139**	74,106
Trade and other payables	18	**54,141**	35,373
Other liabilities	20	**19,542**	3,478
Total undiscounted financial liabilities		**137,822**	112,957
The Company			
Non-derivative financial liabilities			
Trade and other payables	18	**1,272**	294
Other liabilities	20	**2,310**	1,235
Corporate guarantee		**60,000**	70,000
Total undiscounted financial liabilities		**63,582**	71,529

The Group and the Company ensure that there are adequate funds to meet all its obligations in a timely and cost effective manner. The Management aims at maintaining flexibility in funding by keeping committed credit facilities as disclosed in Note 19.

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 RMB19,000 (2016 – RMB3,148,000) 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	**2017** Profit before taxation RMB'000	**2017** Equity RMB'000	2016 Profit before taxation RMB'000	2016 Equity RMB'000
SGD against RMB				
– strengthened by 5% (2016 – 5%)	**1**	**1**	157	157
– weakened by 5% (2016 – 5%)	**(1)**	**(1)**	(157)	(157)

29.5 Market price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

The Group and the Company does not hold any quoted or marketable financial instruments, hence, is not exposed to any movements in market prices.

30 Capital risk management objectives and policies

The Group's objectives when managing capital are:

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

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

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

(d) To provide an adequate return to shareholders.

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

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. Notwithstanding the high gearing ratio, management continues to keep a tight rein on costs and maintains focus on collections of trade receivables. With an improving business environment, management is hopeful that the Group will be able to increase its cash and cash equivalents so as to further reduce its overall net debt and improves its gearing ratio.

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

Total capital is calculated as equity plus net debt.

The Group	Note	2017 RMB'000	2016 RMB'000
Borrowings	19	**60,000**	70,000
Trade and other payables	18	**54,141**	35,373
Other liabilities	20	**33,354**	23,830
Less: Cash and cash equivalents	12	**(17,398)**	(25,953)
		130,097	103,250
Equity attributable to owners of the parent		**76,185**	62,989
Less: PRC statutory common reserve	14	**(31,748)**	(31,748)
Total capital		**44,437**	31,241
Capital and net debt		**174,534**	134,491
Gearing ratio		**74.5%**	76.8%

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.

31 Fair value measurement

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.

31.1 Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 : unobservable inputs for the asset or liability

There is no financial assets and financial liabilities measured at fair value as at 31 December 2017 and 2016.

32 Financial Instruments

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	
	Note	**2017**	2016	**2017**	2016
		RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets					
Trade and other receivables	9	**48,096**	27,093	**14**	–
Cash and bank balances	12	**19,048**	32,334	**19**	1,066
		67,144	59,427	**33**	1,066
Financial liabilities					
Borrowings	19	**60,000**	70,000	**–**	–
Trade and other payables	18	**54,141**	35,373	**1,272**	294
Other liabilities	20	**19,542**	3,478	**2,310**	1,235
		133,683	108,851	**3,582**	1,529

33 Subsequent events

Subsequent to the year end, the outstanding bank loan amount of RMB2.0 million which was due on 3 January 2018 with interest rate of 5.655% was fully repaid and loans of RMB7.0 million and RMB5.0 million with interest rate of 5.87 % were drawn down on 8 January 2018 and 12 March 2018 respectively.

SHAREHOLDERS' STATISTICS

As at 21 March 2018

Class of Shares	:	Ordinary shares
Number of Ordinary Shares in issue	:	617,209,000
Number of Treasury Shares held	:	Nil
Number of Subsidiary Holdings held	:	Nil
Number of Ordinary Shareholders	:	1,323
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	1.13	13,200	–
1,001 – 10,000	279	21.09	2,158,000	0.35
10,001 – 1,000,000	995	75.21	90,705,400	14.70
1,000,001 and above	34	2.57	524,332,400	84.95
	1,323	100.00	617,209,000	100.00

Based on information available to the Company as at 21 March 2018, 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	107,902,000	17.48
3	QIU YUHUA	30,767,300	4.98
4	RAFFLES NOMINEES (PTE) LTD	28,517,200	4.62
5	XU HAN	27,122,000	4.39
6	PHILLIP SECURITIES PTE LTD	22,719,500	3.68
7	WANG DONGMING	10,648,000	1.73
8	CGS-CIMB SECURITIES (S) PTE LTD	10,115,000	1.64
9	LIM & TAN SECURITIES PTE LTD	9,121,000	1.48
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	4,652,900	0.75
15	NEE LUNG-YUAN	3,400,000	0.55
16	TAN ENG CHUA EDWIN	3,381,000	0.55
17	DB NOMINEES (S) PTE LTD	3,350,000	0.54
18	MA XIAOYING	2,979,000	0.48
19	MAYBANK KIM ENG SECURITIES PTE LTD	2,896,000	0.47
20	LIM KENG HOE	2,800,000	0.45
		501,719,900	81.28

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Registrar of Substantial Shareholders as at 21 March 2018)

	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 Monday, 30 April 2018 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 2017 together with the Auditors' reports thereon. **(Resolution 1)**

2. To re-elect Mr Lin Baiyin, who is retiring by rotation in accordance with Regulation 104 of the Company's Constitution, as Director of the Company. **(Resolution 2)**

3. To re-elect Ms Zhai Guihua, who is retiring by rotation in accordance with Regulation 104 of the Company's Constitution, as Director of the Company. **(See Explanatory Note (i))** **(Resolution 3)**

4. To approve the payment of S$107,000/- as Directors' fees to the Independent Non-Executive Directors for the financial year ending 31 December 2018 and to pay the Directors' fees in arrears on a quarterly basis over the financial year 2018. **(Resolution 4)**

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

SPECIAL BUSINESS:

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

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

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

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

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

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

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the total number of issued shares in the capital of the Company excluding treasury shares and subsidiary holdings (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 and subsidiary holdings (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 and subsidiary holdings 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 AWARDS AND TO ALLOT AND ISSUE SHARES UNDER THE LEADER ENVIRONMENTAL PERFORMANCE SHARE SCHEME** **(Resolution 7)**

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 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 and subsidiary holdings at any time and from time to time.

(see Explanatory Note (iii))

8. 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

13 April 2018

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, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the Annual General Meeting. Relevant intermediary is either:

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

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

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

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

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

EXPLANATORY NOTES:

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

(ii) 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 and subsidiary holdings in the capital of the Company, of which up to twenty per cent. (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) 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 and subsidiary holdings 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 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 any other share-based scheme not exceeding fifteen per cent. (15%) of the issued share capital of the Company excluding treasury shares and subsidiary holdings 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

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.

ANNUAL GENERAL MEETING PROXY FORM

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 Monday, 30 April 2018 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 2017 together with the Auditors' report thereon.		
2	Re-election of Mr Lin Baiyin as a Director of the Company.		
3	Re-election of Ms Zhai Guihua as a Director of the Company.		
4	Approval of proposed Directors' fees of S$107,000/- for the financial year ending 31 December 2018 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 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 ________________ 2018

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 common 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 shall if required by law, be duly stamped 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.

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

Personal Data Privacy

By submitting an instrument appointing a proxy/(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2018.

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Leader Environmental Technologies Limited

(Company Registration No.: 200611799H)

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