ANNUAL REPORT 2018

Leader Environmental Technologies Limited

OVERCOMING CHALLENGES

CONTENTS

"We are a comprehensive one-stop environmental solutions provider."

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

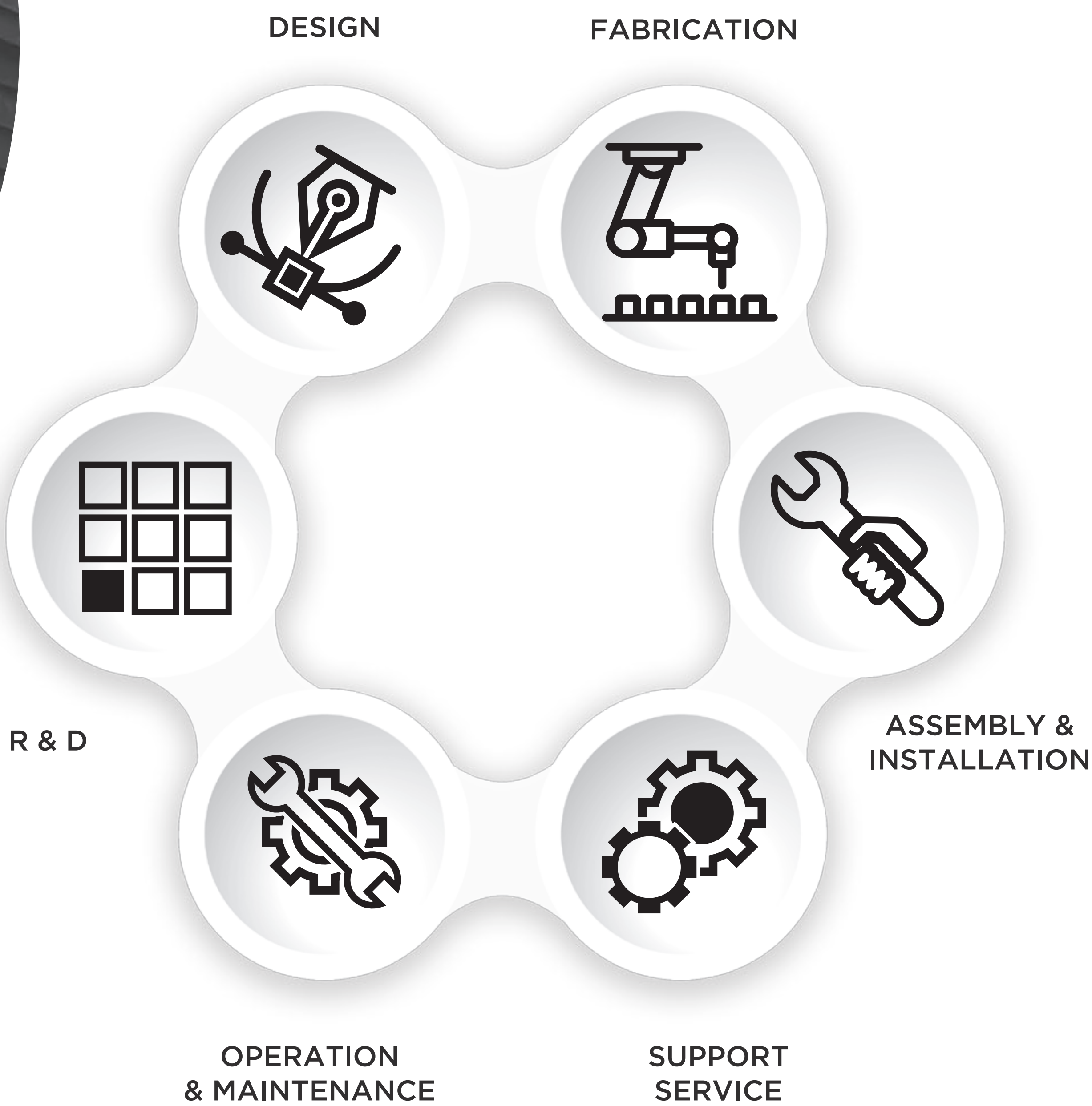
CORPORATE PROFILE

Based in the PRC, Leader Environmental Technologies Limited is principally engaged in the business of research and development, design, fabrication, assembly, installation and support services of environmental protection systems, primarily for industrial wastegas and wastewater treatments. The Group also has the license to 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)

100%

Jilin Anjie Environmental Engineering Co., Ltd (PRC)

99.9%

Jilin Anjie New Energy Power Generation 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,

Much to our dismay, FY2018 had turned out to be a difficult year for the Group. We had begun the year with modest optimism after an encouraging set of results in 2017, but only to succumb to the challenges stemming from various counteractive policy changes and unfavourable market conditions. The tightening of liquidity in China by the central bank has caused delays to the Group in securing the industrial wastegas and wastewater contracts. As the bulk of our new contracts were secured only in the third and fourth quarters of the financial year, we were unable to complete the projects in time for delivery in 2018. Consequently, our Group has sunk back into the red with loss after taxation of RMB10.3 million for FY2018.

However, not all is bleak looking ahead as we expect a more eventful year in 2019. The Group has secured an order book of RMB89.4 million going into the next financial year and barring unforeseen circumstances, we expect to complete and deliver these contracts in 2019. The Group is emboldened by the PRC government's continuing resolve and efforts to crack down on industrial pollution as well as its gumption to introduce stimulus measures to revive the flagging Chinese economy. Therefore when opportunities arise, the Group intends to partake in the tendering of larger scale contracts going forward.

To maintain our competitiveness in the industry, our Group will place more focus on research and development. It is imperative that we continue to upgrade existing and develop new technologies in order to meet the new emission requirements rolled out under the new PRC government Five-Year Plan. Our Group also intends to rejuvenate its senior management team, bringing in new personnel with relevant skill sets and investing in training and development for our existing workforce.

The on-going trade tensions between China and the United States will undoubtedly put additional drag on the Chinese economy, with growth likely to continue to slow in the near to mid term. It would therefore be unwise to assume that our industry will remain unscathed should the diplomatic relations between the two countries worsen. Amidst such challenging and uncertain times, the Group will continue to maintain a prudent and disciplined approach in managing its financial resources. If required, management will introduce more cost cutting measures to rein in business costs in order to weather any further economic downturn. Bolstering the Group's cash flows through more prompt and timely trade collections will continue to be one of our key priorities going into the new financial year.

Lastly, on behalf of the Board, I would like to take this opportunity to express my most sincere gratitude to our employees, customers, and suppliers for their dedication, commitment and contribution to our Company. I would also like extend my utmost appreciation to our valued shareholders for their continual support and faith in our Company. I must admit that the results for FY2018 were way below our expectations. But rather than to grief over a lost cause, my colleagues and I at Leader shall turn disappointment into strength and focus on delivering an improved performance in our next financial year. Together, we will overcome all adversities and emerge stronger.

LIN BAI YIN
Executive Chairman and CEO

OPERATIONS AND FINANCIAL REVIEW

Revenue

The Group has recorded total revenue of RMB53.8 million in FY2018, representing a decrease of RMB66.0 million or 55.5 % over revenue recorded of RMB119.8 million in FY2017. The decrease in revenue was mainly attributed to the delays in securing the industrial wastegas and wastewater contracts which could not be completed in time for deliveries in FY2018.

Profitability

Cost of sales of the Group constituted 80.4% and 73.7% of its revenue in FY2017 and FY2018 respectively. Cost of sales decreased byRMB56.6 million or 58.8%, from RMB96.3 million in FY2017 to RMB39.7 million in FY2018. Overall gross profit margin improved by 6.5%, from 19.7% in FY2017 to 26.2% in FY2018 because there was a change in product mix to focus mainly on dust elimination contracts in FY2018, which generated better overall gross profit margin.

Financial income

The decrease in financial income of RMB0.1 million or 75.6%, from RMB127,000 in FY2017 to only RMB31,000 in FY2018, was in line with the lower bank deposits pledged and cash and cash equivalents in FY2018.

Other income

Other income decreased by RMB9.5 million, from RMB10.3 million in FY2017 to RMB0.8 million in FY2018 due mainly to absence of gain on disposal of subsidiary of RMB1.4 million and lower written back of allowance for impairment of trade receivables amounting to RMB8.5 million in FY2018, partly offset by bad debts recovered from certain customer of RMB0.4 million during the financial year.

Operating expenses

Selling and distribution expenses increased by RMB0.2 million or 9.1%, from RMB2.3 million in FY2017 to RMB2.5 million in FY2018 due to higher payroll and related costs of RMB0.2 million due to headcount additions, tender related expenses and travelling and entertainment expenses of RMB0.4 million in aggregate as a result of increased participations in tendering of contracts and lease of new office in 4Q2018 of RMB0.1 million. The increase of RMB0.7 million in aggregate was partly offset by lower miscellaneous expenses of RMB0.4 million, in line with the decrease in revenue and operating rental paid of RMB0.1 million as certain leases relating to sales offices were terminated so that the Group can pool its resources to better service its customers from certain geographical regions.

Administrative expenses increased by RMB2.3 million or 16.4%, from RMB13.8 million in FY2017 to RMB16.1 million in FY2018 attributed to higher payroll and related costs of RMB0.2 million due to headcount additions, compliance costs incurred of RMB0.4 million, travelling and entertainment and miscellaneous expenses of RMB1.1 million and RMB0.7 million respectively in FY2018 because of increased participations in biddings of contracts. The increase of RMB2.4 million was partly offset by the decrease in amortization of intangibles of RMB0.1 million as the deferred development costs capitalized were fully amortized in October 2018.

Finance costs increased by RMB0.3 million or 7.2%, from RMB4.1 million in FY2017 to RMB4.4 million in FY2018 mainly due to higher weighted average interest rate (FY2018: 5.87% vs FY2017: 5.65%) on bank loans, coupled by new loans were renewed on a higher weighted average interest rate of 9.0% in 4Q2018, despite the lower loan quantum drawn down of RMB54.9 million (FY2017: RMB60.0 million).

Other expenses for FY2018 increased by RMB2.0 million or 671.2% attributed mainly to the allowance for impairment of trade receivables of RMB1.6 million as retention monies of RMB1.3 million were deemed to be no longer recoverable. There was no such allowance in FY2017. In addition, there was also impairment of trade receivables amounting to RMB0.6 million arising from our concessions to a customer to accept immediate settlement amounts in cash of RMB15.8 million out of RMB16.4 million, vis-a-vis a full settlement of the debts outstanding in 12 months. The increase was partly offset by the absence of a loss arising from the sale of club membership of RMB0.2 million in FY2018.

Taxation

Income tax expense decreased by RMB0.2 million or 270.0% in FY2018 due mainly to the reversal of RMB0.1 million of previous year's tax provision as it was deemed to be no longer payable by the tax authority.

In the light of the foregoing, the Group recorded a loss after taxation of RMB10.3 million in FY2018 against profit after taxation of RMB13.4 million in the previous year.

Financial Position

As at 31 December 2018, non-current assets amounted to RMB11.4 million and comprised property, plant and equipment ("PPE") of RMB9.4 million, intangible assets of RMB1.5 million. The amount of PPE was relatively flat at RMB9.4 million as at 31 December 2017 and 31 December 2018 because the fixed asset additions of RMB0.9 million was negated by depreciation of RMB0.9 million in FY2018.

Intangible assets amounted to RMB1.5 million and comprised solely patents as the deferred development costs were fully amortized in FY2018. The decrease in intangible assets of RMB1.3 million was attributed mainly to amortization in FY2018. The patent in relation to an internally developed new dust elimination technology with pulsating rotary positioning mechanism has a remaining tenure of 71 months (31 December 2017: 83 months) as at 31 December 2018.

Current assets comprised contract assets, inventories, trade and other receivables, prepayments, bank deposits pledged and cash and cash equivalents. Current assets amounted to RMB200.5 million and RMB222.7 million as at end of 31 December 2018 and 31 December 2017 respectively. Our current assets accounted for 94.8% of our total assets as at 31 December 2018 and 31 December 2017 respectively.

Contract assets relates to unbilled trade receivables and amounted to RMB41.8 million and RMB59.2 million as at 31 December 2018 and 31 December 2017 respectively, constituting 20.9% and 26.7% of our current assets as at the respective dates. The decrease of RMB17.4 million was mainly in line with the decrease in revenue.

Inventories were relatively unchanged at RMB1.3 million as at 31 December 2018 and 31 December 2017 as the procurement of industrial wastewater systems in previous quarter was transferred to the project in 4Q2018. The Group normally does not maintain substantial inventories due to relatively short purchasing lead time required.

Trade and other receivables comprised trade receivables, retention monies and other receivables amounted to RMB48.9 million and RMB48.1 million as at 31 December 2018 and 31 December 2017 respectively, and accounted for approximately 24.4% and 21.6% of our current assets as at the respective balance sheet dates. Trade receivables and retention monies amounted to RMB10.5 million as at 31 December 2018, representing a decrease of RMB7.6 million, in line with the decrease in revenue and higher allowance for impairment.

Other receivables comprised advances to employees for business purposes, bidding deposits and tax recoverable. Other receivables amounted to RMB38.4 million and RMB30.0 million as at 31 December 2018 and 31 December 2017 respectively. The increase in other receivables of RMB8.4 million was attributed mainly to increase in tender and security deposits of

OPERATIONS AND FINANCIAL REVIEW

RMB12.8 million. The increase was partly offset by lower VAT receivables and business advances of RMB1.4 million and RMB3.0 million respectively, in line with the decrease in business activities.

Prepayments comprised prepaid operating expenses and advances to trade and non-trade suppliers of RMB96.8 million and RMB95.1 million as at 31 December 2018 and 31 December 2017 respectively. The increase of RMB1.7 million was attributed to higher advances of RMB17.9 million for raw materials, partly offset by the refund received from certain supplier of RMB15.0 million as a result of termination of a contract and lower advances to non-trade suppliers of RMB1.2 million. These advances will be offset against trade payables when certain performance milestones have been achieved.

Bank deposits pledged decreased by RMB0.4 million, from RMB1.6 million as at 31 December 2017 to RMB1.2 million as at 31 December 2018. The decrease was attributed to the released of performance guarantee amounting to RMB0.8 million for certain contract as the performance obligation had been satisfied, partly offset by the increase in bank deposit placed for additional bill payable facilities of RMB0.4 million.

Cash and cash equivalents amounted to RMB10.5 million as at 31 December 2018, from RMB17.4 million a year ago. The net cash outflows from operating activities amounted to RMB11.9 million. Net cash outflows from investing activities amounted to RMB0.9 million. Net cash inflows from financing activities amounted to RMB5.9 million. The net cash outflows contributed to the overall decrease in cash and cash equivalents of RMB6.9 million in FY2018.

Current liabilities comprised mainly gross amount due to contract liabilities, trade and other payables, loans and borrowings, other liabilities and income tax payable. Our current liabilities amounted to RMB146.9 million and RMB158.7 million as at 31 December 2018 and 31 December 2017 respectively, and accounted for 100.0% each of our total liabilities as at the respective balance sheet dates.

Contract liabilities decreased by RMB5.0 million, from RMB11.1 million as at 31 December 2017 to RMB6.1 million as at 31 December 2018. The decrease was in line with the decrease in revenue.

Trade payables amounted to RMB50.2 million, representing an increase of RMB3.8 million over 31 December 2017. The increase was attributed to delays in payments.

Other payables comprised primarily bills payable, VAT, other operating tax payables and other operating expenses. Other payables amounted to RMB6.0 million and RMB7.8 million as at 31 December 2018 and 31 December 2017 respectively. The decrease of RMB1.8 million was mainly in line with the decrease in business activities.

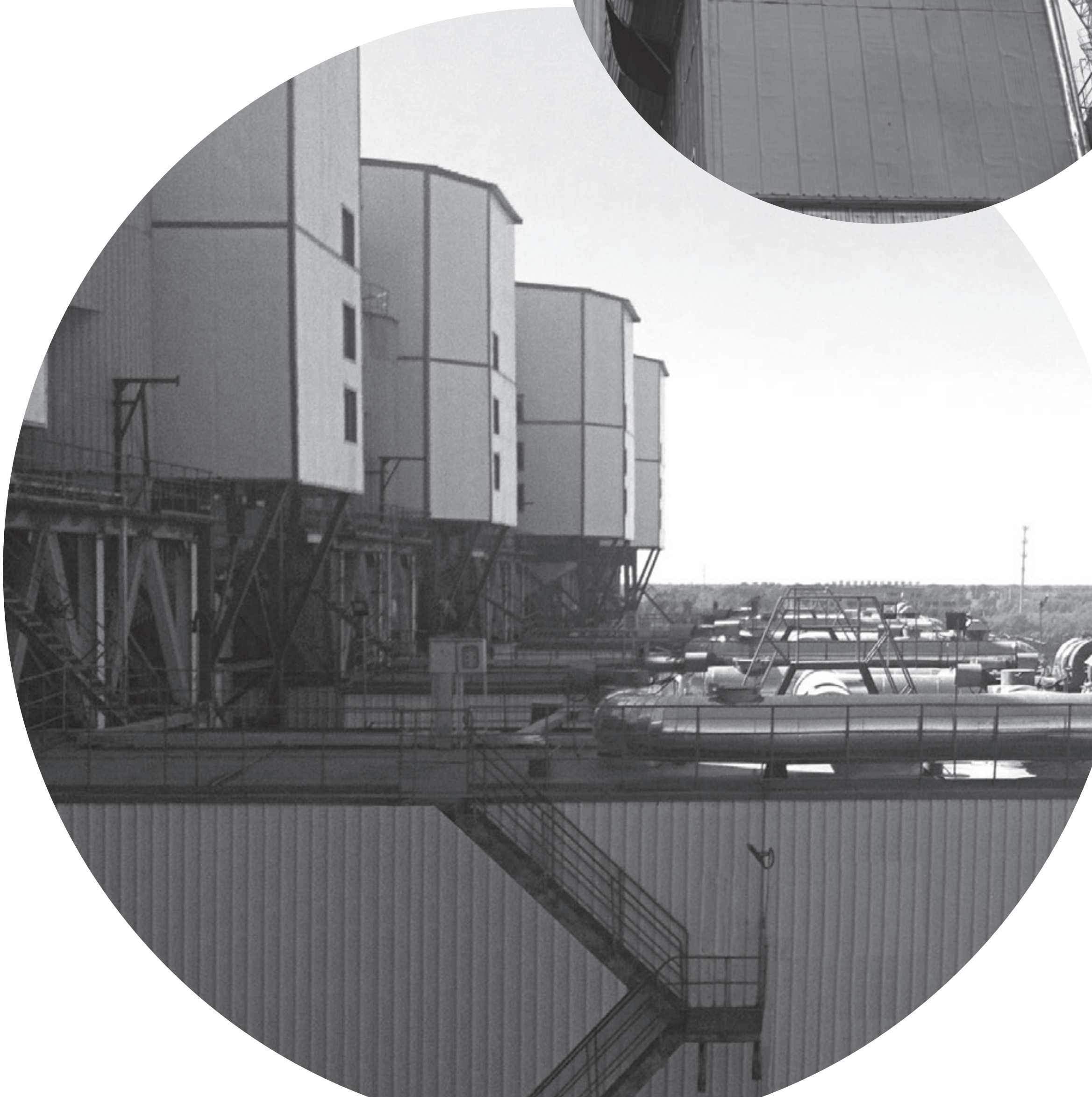
Loans and borrowings increased by RMB5.1 million, from RMB60.0 million as at 31 December 2017 to RMB65.1 million as at 31 December 2018. The increase was attributed to loans obtained from third parties of RMB10.2 million for purpose of tendering of contracts, partly offset by the lower loan quantum obtained from the bank of RMB5.1 million.

Other liabilities comprised accrued purchases, VAT, salaries and travelling expenses, other operating expenses, advances from customers and welfare expenses. Other liabilities amounted to RMB19.5 million and RMB33.4million as at 31 December 2018 and 31 December 2017 respectively. The decrease of RMB13.9 million was in line with the decrease in business activities.

Income tax payable was nil as at 31 December 2018 as opposed to RMB0.1 million as at 31 December 2017. The decrease was attributed to the reversal of RMB0.1 million of income tax payable against tax expense in FY2018 because the amount was deemed to be no longer payable by the tax authority.

The Group's total shareholder's equity comprised share capital, PRC statutory common reserve fund, merger reserve, accumulated losses and premium paid on acquisition of non-controlling interests. Total equity as at 1 January 2018 amounted to RMB76.2 million and was restated to RMB74.9 million due to the adoption of SFRS(I) 9. Loss attributable to owners of the Company amounted to RMB10.3 million in the current year. Consequently, total equity decreased to RMB64.6 million as at 31 December 2018, mainly attributable to equity holders of the Company.

The non-controlling interests of RMB4,000 relate to the minority shareholder's 0.1% stake in our subsidiary, Jilin Anjie New Energy Group Co., Ltd.



BOARD OF DIRECTORS

Lin Baiyin

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

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 18 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.

BOARD OF DIRECTORS

Mak Yen-Chen Andrew

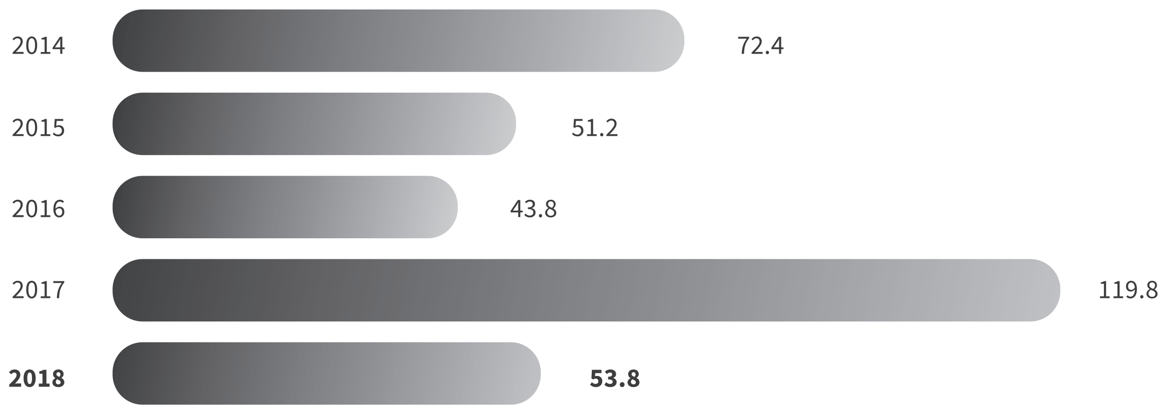
Mr Mak Yen-Chen Andrew is our Independent Non-executive Director. He is a practising lawyer with more than 23 years' experience in legal practice. He is currently a consultant with Fortis Law Corporation. Mr Mak is an independent director of Falcon Energy Group Limited (a company listed on the Main Board 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

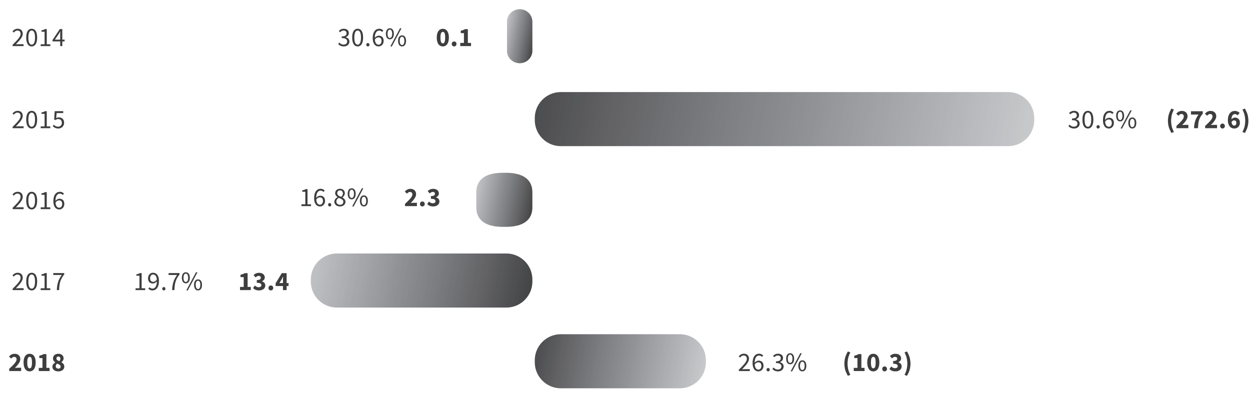
Zhai Guihua is our Independent Non-Executive Director. She is presently a retiree as she stepped down as a consultant to the Changchun National High-Technology Industry Development District Environmental Protection Bureau ("CHIDA") in December 2015. From 1984 to 1995, she was an engineer at the Changchun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

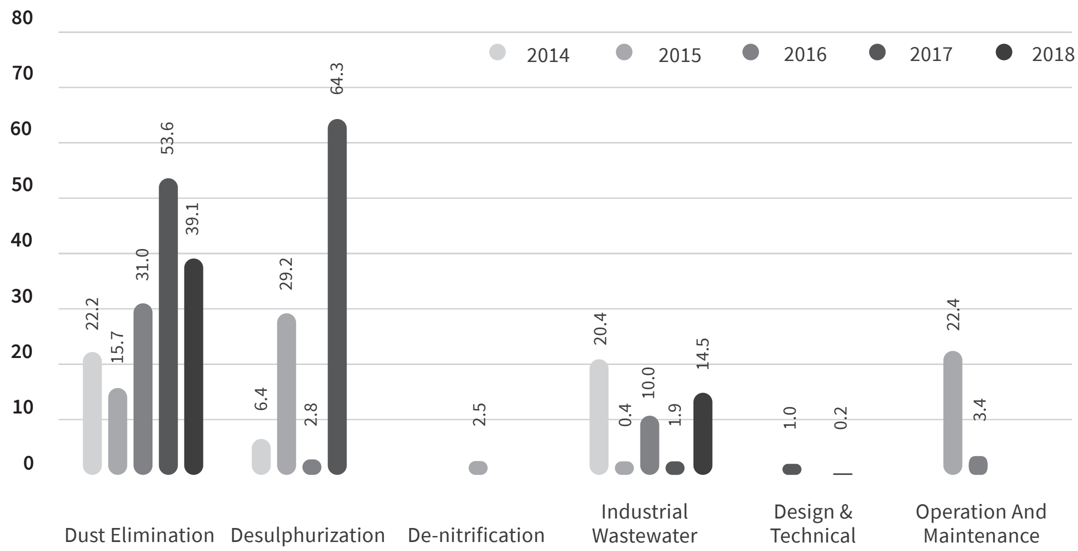
REVENUE (RMB' million)



NET PROFIT / (LOSS) (RMB' million) and GROSS PROFIT MARGIN (%)



BY BUSINESS SEGMENT (RMB' million)



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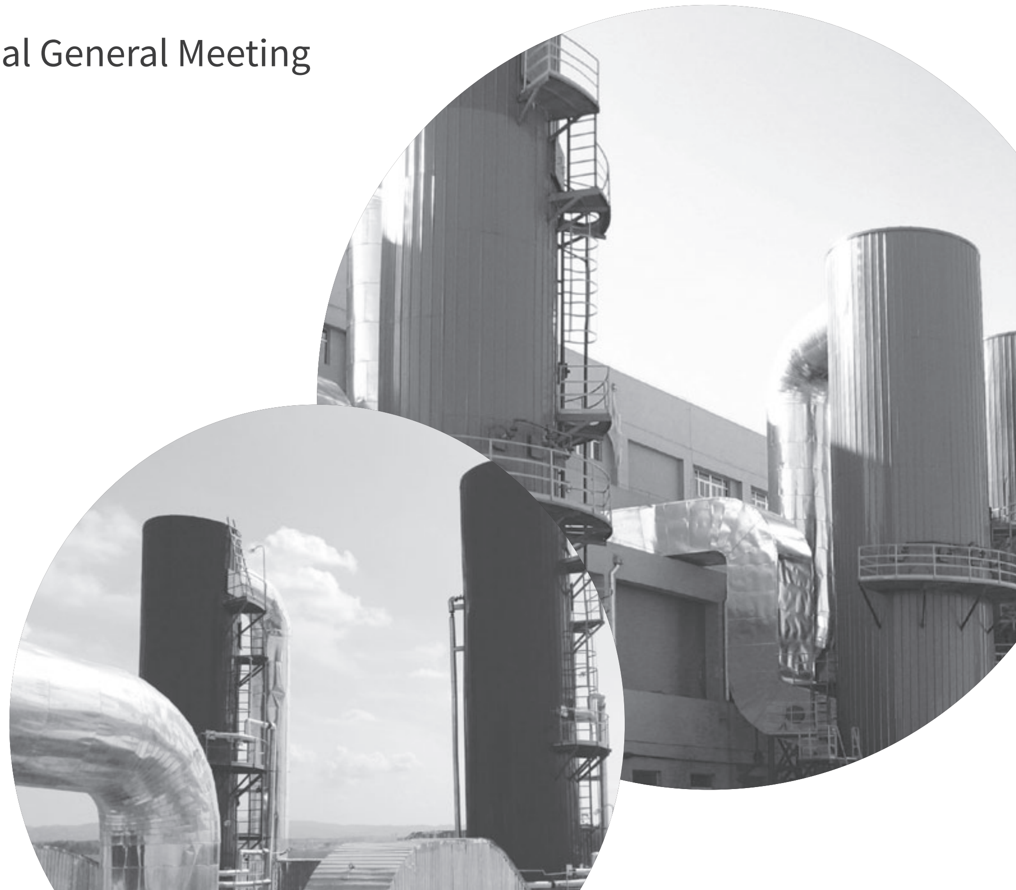

CORPORATE GOVERNANCE REPORT

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 2018 ("FY2018"), 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 sustainability report to be released by 31 May 2019.

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	Board Committees		
		Audit	Nominating	Remuneration
Number of meetings held	4	4	1	1
	Number of meetings attended			
Mr Lin Baiyin	4	4*	1	1*
Mr Goh Kay Seng Edwin	4	4	1	1
Mr Mak Yen-Chen Andrew	4	4	1*	1
Ms Zhai Guihua	4	4	1	1

* By Invitation
** Ms Zang Linying did not attend any of the meetings in 2018 as she has resigned as Non-Executive Director on 3 May 2018.

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

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.

During FY2018, the directors are provided with briefings by professionals at Board meetings on regulatory changes and changes in financial reporting standards and issues which have a direct impact on financial statements.

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 in FY2018.

CORPORATE GOVERNANCE REPORT

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 four members, one of whom holds executive position:

Mr Lin Baiyin	Executive Chairman and Chief Executive Officer
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 FY2018, each of Mr Goh Kay Seng Edwin, Mr Mak Yen-Chen Andrew and Ms Zhai Guihua is non-executive and independent.

There are no Independent Directors who have served on the Board beyond nine (9) years from the date of his or her first appointment. The independence of each Director has been and will be reviewed annually by the Nominating Committee based on the guidelines set forth in the Code.

The Board has examined its size and is satisfied that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Group, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and board committees. The Nominating Committee is of the view that no individual or small group of individuals dominates the Board's decision-making process. Ms Zang Linying had resigned as Non-Executive Director on 3 May 2018. The Group is still looking for suitable candidate to assume the executive position and identifying a suitable candidate to be appointed onto the Board in place of Executive Director.

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 four Directors, three of whom are independent. There are three male Directors and one female Director. 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	Member, Independent Non-Executive Director
-	Mr Lin Baiyin	Member, 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 Goh Kay Seng Edwin and Mr Mak Yen-Chen Andrew be nominated for re-election at the forthcoming AGM. Mr Goh Kay Seng Edwin will, upon re-election, as an Independent Non-Executive Director, remain as the Chairman of the Audit Committee and member of Remuneration Committee and Nominating Committee of the Company. Mr Mak Yen-Chen Andrew will, upon re-election as an Independent Non-Executive Director, remain as the Chairman of the Remuneration Committee and member of Audit Committee. In making the recommendations, the Nominating Committee has considered the Directors' overall contributions and performances. Neither had participated in reviewing, recommending and approving his own re-election.

Directors seeking Re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST are stipulated in the table below:

Name of Director	**Goh Kay Seng Edwin**	**Mak Yen-Chen Andrew**
Date of Appointment	15 July 2015	21 June 2010
Date of last re-appointment (if applicable)	28 April 2016	21 April 2017
Age	45	49
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	After assessing Mr Goh's contribution and performance, the NC has recommended that he be re-elected as Director of the Company	After assessing Mr Mak's contribution and performance, the NC has recommended that he be re-elected as Director of the Company
Whether appointment is executive, and if so, the area of responsibility	N.A.	N.A
Job title (e.g. Lead ID, AC Chairman, AC Member etc)	Lead Independent Non-Executive Director, Chairman of Audit Committee, Member of Nominating and Remuneration Committee	Independent Non-Executive Director, Chairman of Remuneration Committee, Member of Audit Committee
Professional qualification	Bachelor of Accountancy (Honours) degree from Nanyang Technological University	Bachelor of Laws (Honours) degree from the National University of Singapore
Working experience and occupation(s) during the past 10 years	2002 – 2007 Senior Manager in Ernst & Young LLP 2007 – 2014 Joint secretary and Chief Financial Officer of China Animal Healthcare Ltd 2014 – 2016 Non-Executive Director of China Animal Healthcare Ltd	2006 – 2013 Partner, Kelvin Chia Partnership 2014 – 2015 Partner, Loo & Partners LLP 2016 – present Consultant, Fortis Law Corporation
Shareholding interest in the listed issuer and its subsidiaries	9,000,000 ordinary shares in the listed issuer	N.A

CORPORATE GOVERNANCE REPORT

Name of Director	Goh Kay Seng Edwin	Mak Yen-Chen Andrew
Any relationship (including immediate family relationships) with any existing director, existing executive director, existing executive director, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships*	Nil	Nil
* "Principal Commitments" has the same meaning as defined in the code.		
** These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8) Past (for the last 5 years)		
Disclose the following matters concerning the appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given. (a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No

Name of Director	Goh Kay Seng Edwin	Mak Yen-Chen Andrew
b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being partnership) of which he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

Name of Director	Goh Kay Seng Edwin	Mak Yen-Chen Andrew
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

Name of Director	Goh Kay Seng Edwin	Mak Yen-Chen Andrew
(j) Whether he has ever, to his knowledge, been concerned with the management of conduct, in Singapore or elsewhere, of the affairs of:-		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business in trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Goh Kay Seng Edwin	Mak Yen-Chen Andrew
Disclosure applicable to appointment of Director only		
Any prior experience as a director of an issuer listed on the Exchange? (Yes/No) If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	This relates to re-appointment of Director. NA NA	This relates to re-appointment of Director. NA NA
Please provide details of relevant experience and the Nominating Committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	NA	NA

Key information on the Directors is set out below:

Name	Appointment	Date of initial Appointment	Date of last re-election	Directorship in other listed companies
Lin Baiyin Age: 52	Executive Chairman and Chief Executive Officer	18 December 2006	30 April 2018	NIL
Goh Kay Seng Edwin Age: 45	Independent Non-Executive Director	15 July 2015	28 April 2016	**Present Directorship (in the last four preceding year)** China Animal Healthcare Limited
Mak Yen-Chen Andrew Age: 49	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: 64	Independent Non-Executive Director	21 June 2010	30 April 2018	NIL

Key information on the individual directors in the Company is 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 — Member, Independent Non-Executive Director
- Ms Zhai Guihua — Member, 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 agreement with the Executive Director, Mr Lin Baiyin. The service agreement is valid for an initial period of three years with effect from 21 June 2010. Upon the expiry of the initial period of three years, the aforesaid service agreement of Mr Lin Baiyin has 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 2018, as part of the Group's cost-cutting initiative, Mr Lin Baiyin volunteered to take a pay cut of approximately 27.0% of the remuneration as stipulated in his service agreement.

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 FY2018, 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 2018, none of the Executive Director' remuneration 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 Director in FY2018.

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 FY2018.

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 2018 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	93.2	–	–	6.8
Below S$100,000				
Mr Goh Kay Seng Edwin	–	100	–	–
Mr Mak Yen-Chen Andrew	–	100	–	–
Ms Zhai Guihua	–	100	–	–

* Fees payable to the Independent Non-Executive Directors during FY2018 have been approved at the last AGM held on 30 April 2018.

1 Other benefits include contributions to defined contribution plans.

Ms Zang Linying was not remunerated for her service as a non-executive director. However, she was paid for her role as a consultant to the subsidiary till end of December 2018.

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

Name of Key Executive	Salary	Bonus[1]	Other benefits[2]
	%	%	%
Below S$250,000			
Xu Shulin	82.3	–	17.7
Wang Xiaoyan[3]	98.2	–	1.8
Sun Weili	97.1	–	2.9
Lim Poh Yeow	90.7	–	9.3

1 No variable bonus or performance shares were paid/awarded to any key management personnel in FY2018.

2 Other benefits include contributions to defined contribution plans.

3 Wang Xiaoyan has stepped down as the Group's sales manager on 31 December 2018, but she will remain as a consultant to the sales department. Wang jixin is appointed as the new sales manager of the Group with effect from 1 January 2019.

The Company has not disclosed exact details of the remunerations of its Executive Director, 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 four Key Executives of the Company (who are not Directors or the Chief Executive Officer) for FY2018 is approximately S$300,000 (RMB1,469,000).

No employee who is an immediate family member of a Director was paid more than S$50,000 during FY2018. "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 FY2018, 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) The Chief Financial Officer ("CFO") and senior management currently assume the responsibilities of the risk management function. 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 FY2018 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 CFO (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 2018; and (b) regarding the effectiveness of the Group's risk management and internal control systems.

(iv) The Audit Committee has also appointed MS Risk Management Pte Ltd in November 2018 to review Jilin Anjie Engineering Co., Ltd's internal controls of the Purchases to Payment Process including Prepayments. These business processes have been identified by the Audit Committee, upon discussion with management as most critical to the operations of the Group's most significant operating subsidiary. The review work has been completed as of the date of this report and the draft internal audit findings highlighted the following three significant internal controls deficiencies which required immediate remedies:

(i) Approval for Use of Official Seals and Custodianship

The use of the Company Seal and Contract Seal is to be approved by the respective heads of departments currently. The internal auditors is of the opinion that the current designated approving personnel are inappropriate as the Company Seal can be used for all legal documents and supplants all the functions of other Official Seals such as Contract Seal, Finance Seal, Legal Seal, except for the Customs Seal and the Invoice Seal. It was also recommended that the Official Seals be held by the Company's legal representative. Nevertheless, the highlighted control weakness did not result in any impropriety noted in the review conducted by the internal auditors.

All our personnel empowered to approve the use of the Company's Official Seals have been briefed of their responsibilities and are fully aware at all times that the use of the seals without proper authorisations is a serious offence under the Chinese Law. Nonetheless, Management has noted the internal auditors' observation and to augment the existing controls, the Company will now require additional approval to be sought from either the Group's CEO or Deputy General Manager. Due to operational inhibitions, it will not be practicable to designate the custodianship of the Official Seals to the Company's legal representative as recommended by the internal auditors. However, as additional safeguards over the Official Seals' custodianship, the finance department, at the end of every business day, will also perform an independent check to ensure that the seals are held by the various appointed custodians. The person performing the check is also required to document in writing that the verification work has been performed.

(ii) Enhancement on the Segregation of Duties within the Finance Team

The internal auditors noted that the Accounts Supervisor was tasked to perform both keying in and approval of journal entries. The lack of proper segregation of duties may lead to weak check and balance that may result in material misstatement of financial statements.

The Group is actively searching to appoint a qualified finance manager or director. Meanwhile, to mitigate the control weakness highlighted, the Accounts Supervisor with immediate effect shall only supervise the accounting work of the accounts assistants and perform review work. Our Group CFO reviews the financial statements of the Group and oversees the finance team. He communicates regularly with the CEO to understand the developments in the subsidiaries so as to attest if the financial statements prepared are consistent with his understanding. The audited accounts for FY2018 did not highlight any material misstatements that may affect the true and fair view of the Group's consolidated financial position.

(iii) Enhancement on the process to release payment in bank portal

Our CEO has delegated the authority to release payment in the bank portal to his personal assistant ("PA") single-handedly and without limits. As the releasing of payment request in the bank portal is deemed reviewed and approved, the internal auditors is of the opinion that there may be a lack of accountability over the good corporate governance practices within the Company. Notwithstanding, the internal auditors have not noted any anomaly in the course of their review.

Similarly, our external auditors have audited the Group's bank balances and did not highlight any exceptions in their audit report. Prior to the PA releasing any payment in the bank portal, the payment is to be approved and authorised by either the CEO or Deputy General Manager before the account assistant inputs the payment details to be processed via internet banking. The CEO's PA will then cross check the payment details against the documents before releasing the payment. Bank notifications are sent to the CEO's phone for all payments made. In the event that the CEO takes note of any unusual activity, he will immediately call the bank to verify and seek to stop payment if necessary.

Nevertheless, management has taken note of the internal auditors' comments and will contemplate the imposition of appropriate approval limits for the release of payments going forward. The delegation of the release of payment duties to alternative personnel will also be reviewed and explored. In the interim, the accounts supervisor has been assigned to perform additional checks on the payment details in the system against the supporting documents before any payment is made via internet banking by the PA.

Apart from the above highlighted control weaknesses, there were also other controls improvement recommendations proposed by the internal auditors in their draft internal audit report. Management has reviewed these recommendations and as far as practicable, progressively implement these recommended controls with a view to make the internal controls environment of the Group more robust.

The Board, in making the assessment on the Group's internal controls, has taken into account the internal controls established and maintained by the Group, work performed and audit findings by the independent external and internal auditors, regular reviews carried out by Management and the Audit Committee as well as the aforementioned assurance received from the Chief Executive Officer and CFO. While there were control deficiencies highlighted by the internal auditors in their draft report, the Board noted that these deficiencies did not result in any significant financial losses suffered or material misstatements to the Group's audited financial statements. The Board has also considered the various mitigating factors against the control deficiencies highlighted and the prompt measures put in place by management to address and rectify the control weaknesses. Thus, based on the above said factors, the Board confirms that the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective for FY2018. The AC concurs with the Board's comments. The Audit Committee will continue to monitor the effectiveness of these controls and augment them with new controls implementation to ensure the controls remain relevant and adequate in our ever-changing operational and business landscape. Going forward, the Audit Committee will consider the re-engagement of internal auditors to perform periodic 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	Member, Independent Non-Executive Director
- Ms Zhai Guihua	Member, Independent Non-Executive Director

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

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.

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.

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 FY2018. 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 for construction contracts and provision for foreseeable losses	During the presentation of FY2018's audit findings, the external auditors communicated to the Board that they reviewed and evaluated the Group's revenue recognition policy in accordance to the new financial reporting framework, Singapore Financial Reporting Standards (International) 15 ("SFRS(I) 15"). Their audit findings were corroborated by the performance of system walkthrough on the revenue cycle, control testing on project costings and substantive testing on major cost components. No irregularities or exceptions were highlighted in the audit findings. As for provision for foreseeable losses, the external auditors have also communicated to the Board that they reviewed and performed checks on the budgeted costs on individual projects against actual costs incurred. They also had discussions with management regarding any potential delays, cost overruns, liquidated damages, penalty clauses, among others, expected of the projects undertaken in FY2018 which may require provision for foreseeable losses. The audit findings indicated that the projects remained profitable, and they were mainly in line with Management's representation. Taking into account the above procedures undertaken, coupled by the quarterly reviews performed on the financial position of the Group as at 31 December 2018, the Audit Committee concurs with management that the Group's revenue recognition is in line with the new accounting standard on revenue recognition and no provision for foreseeable losses on the projects is required. This understanding is consistent with and supported by the audit findings from the external auditors during the year-end audit.

Matters considered	Action
Impairment of trade and other receivables and contract assets	The Audit Committee has performed quarterly reviews of the financial statements as well as discussions with management on material trade and other receivable balances. In addition, the Audit Committee has also reviewed the audit findings and held discussions with the external auditors to obtain an understanding of the work performed by them in respect of the new impairment requirement under SFRS(I) 9. Based on the work performed, the Audit Committee concurs with management that the impairment of trade receivable and other receivables made is adequate while no impairment is required on contract assets in FY2018. Trade receivables amounted to approximately RMB12.0 million as at 31 December 2018. The Group's historical trade debtors ageing for the last three years was used to assess and compute the expected credit loss ("ECL") percentage and amount of ECL to be provided retrospectively in FY2017. In FY2018, a default rate, which was applicable to Chinese companies, was also factored into the historical expected credit loss percentage to compute the amount of ECL for FY2018. Based on the new requirement, the ECL computed for FY2017 was to increase the impairment allowance by RMB1.3 million to RMB2.6 million, while there was a reversal of impairment allowance amounting to approximately RMB0.3 million in FY2018, notwithstanding the higher ECL rate applied. The approach adopted by the Group above was in line with the new impairment requirement under SFRS(I) 9 and it was also appropriate to factor in a higher ECL rate in view of the slowing economy in China. Other receivables comprised mainly retention monies of RMB0.8 million, tender and security deposits of RMB32.1 million as at 31 December 2018. Three retention sums had specifically identified to have exceeded the retention periods as stipulated in the agreements, so 100% impairment amounting to RMB1.3 million was provided in FY2018 in accordance to SFRS(I) 9. As for tender and security deposits, they were supported by receipts issued by agents for the respective tenders and also signed contract to support the security deposit required prior to commencement of contract. No exception was noted by the external auditors during the course of their audits. As for contract assets of RMB41.8 million, they were ascertained to be current and not overdue by management. Majority of these contracts were completed or near completions as at 31 December 2018. Hence, expected credit loss for contract assets is deemed to be immaterial.
Impairment of investment in subsidiary	To be satisfied that the carrying amount of the investment in subsidiary is fairly stated, a detailed impairment review was performed. It was established that the investment in subsidiary needs to be further written down to its recoverable amount by RMB55.0 million to RMB8.0 million. The recoverable amount of the investment was determined based on the Value in Use of the subsidiary using profit forecasts and cash flow projections approved by the Management, which are determined using pre-tax discount rate. Several steps were taken by the Audit Committee to satisfy themselves that the impairment was necessary and reasonable. A discussion was first held with the Chief Financial Officer to obtain a basic understanding of the reasonableness of the profit and cash flow forecasts prepared as well as the basis for the additional impairment. Additionally, the AC Committee also assessed the reasonableness, relevance of the assumptions used in the impairment review and the justification for the additional impairment by management. The AC Committee concurred with management on the need, and the amount, to further impair the investment in subsidiary.

Matters considered	Action
Impairment of deposits to a trade supplier	Based on the past and continuing discussions with the Group's CEO, and also taking cognisant of the following representations and work performed, the Audit Committee concurs with management that no impairment is necessary: (i) CEO's representation to the Board members that he is in regular contact with the supplier and is confident that the supplier will be able to repay all the outstanding monies in full should the contracts be terminated under unforeseen circumstances; (ii) CEO also confirmed and represented that the smaller prepayment made to the supplier for a wastewater treatment project will likely commence work in 2Q2019; iii) as confirmed and verified by the CFO, there was a partial refund of approximately RMB20.0 million from the supplier in March 2019; and iv) to further minimise the credit risk exposure from this supplier, a supplemental agreement was entered into to repay all the deposits for projects if not materialised before the end of the financial year ending 31 December 2019. Should the customers agree to proceed with the contracts subsequently, the balance of RMB17.1 million should be utilised for the procurement of raw materials and whatever amount not used should be returned to the Group by 31 December 2019.

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 FY2018, the aggregate amount of audit fees payable to the external auditors was approximately RMB735,000. The amount of fees payable to other independent auditors amounted to approximately RMB50,000 during the financial year. The external auditors did not provide any non-audit services to the Company.

The Company complies with Rule 712 and Rule 715 of the Listing Rules of the Singapore Exchange Securities Trading Limited in engaging Foo Kon Tan LLP as the external auditors of the Company. Foo Kon Tan LLP is registered with the Accounting and Corporate Regulatory Authority. Foo Kon Tan LLP is the external auditors of the Company and 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 FY2018, 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. The Audit Committee reviewed the internal audit function and noted necessary co-operation were provided by the Management to enable the internal auditor to perform its function. After reviewing the internal auditors' reports and actions implemented by Management, the Audit Committee is satisfied that the internal audit functions are adequate and effective.

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 Annual General Meeting, the CFO 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 FY2018 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. 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 FY2018, the Company has complied with Rule 1207(19) of the Listing Rules.

Material Contracts

There are no material contracts entered into by the Company and its subsidiaries during FY2018 or still subsisting as at 31 December 2018 which involved the interests of any of the Directors or controlling shareholders of the Company.

INTERESTED PERSON TRANSACTIONS

There are no interested person transactions entered into by the Group during FY2018 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 2018 and the statement of financial position of the Company as at 31 December 2018.

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 2018 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 (International); and

(b) at the date of this statement, except as disclosed in Note 2 (f), 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 statement 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)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other 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 holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Number of ordinary shares					
	Holdings registered in the name of director			Holdings in which a director is deemed to have an interest		
Director	As at 1.1.2018	**As at 31.12.2018**	**As at 21.1.2019**	As at 1.1.2018	**As at 31.12.2018**	**As at 21.1.2019**
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**

The directors' interests in the ordinary shares of the Company as at 21 January 2019 were the same as those as at 31 December 2018.

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 those 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 2018 as well as the auditor's report thereon;

(iv) effectiveness of the Company's material internal controls, including financial, operational and 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: 4 April 2019

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 2018, 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 and Singapore Financial Reporting Standards (International)(SFRS(I)s) 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 2018 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(f) in the financial statements, which indicates that the Group incurred a loss before taxation of RMB10.4 million (2017 – profit before taxation of RMB13.4 million) and total comprehensive loss of RMB10.3 million (2017 – total comprehensive income of RMB13.4 million) during the financial year ended 31 December 2018. As of that date, the Group's current assets exceeded its current liabilities by RMB53.6 million (2017 – RMB64.0 million) while the Company's current liabilities exceeded its current assets by RMB7.2 million (2017 – RMB3.5 million) as stated in Note 2(f). The Group also incurred net cash used in operating activities of RMB11,899,000 (2017 – RMB1,943,000). These events or conditions, along with other matters as set forth in Note 2(f), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter

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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters	**Risk**	**Our responses and work performed**
Revenue recognition for construction contracts and provision for foreseeable losses	The Group is primarily involved in the business of design and construction of environmental protection systems, primarily for industrial waste gas and wastewater treatments. We focus on revenue recognition and provision foreseeable losses because (i) 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; and (ii) when it is probable that the total contract costs would exceed the total construction revenue and remaining costs. No provision for foreseeable losses was recognised for the financial year ended 31 December 2018. The Group's disclosures about revenue recognition and contract work-in-progress are included in the significant accounting policy in Note 2(e) and Note 7 to the financial statements.	<u>Contract costs</u> We obtained an understanding of on-going contracts through discussions with management and examination of contract documentation (including correspondences with customers). In relation to actual costs incurred, we: • assessed the competence of the surveying engineers; • agreed the progress of the construction to certified progress reports from engineers; and • performed substantive testing procedures by verifying contracts costs including any variation orders to the underlying documentation. In relation to estimated total contract costs, we: • discussed with the project managers to assess the reasonableness of estimated total contract costs; • evaluated management's underlying assumptions made using our understanding of past completed projects; and • agreed the cost to complete for each contract by substantiating costs that have been committed to quotations from and contracts with suppliers. We compared the contract revenue against the estimated total contract costs. <u>Revenue</u> We have reviewed and evaluated the accounting policy on revenue recognition, taking into account the performance obligations stipulated in the sales transactions; We have performed walkthroughs of the revenue control process and tested the design and implantation of key controls identified to ascertain that key controls are operating effectively;

Key Audit Matters (Cont'd)

Key audit matters	Risk	Our responses and work performed
Revenue recognition for construction contracts and provision for foreseeable losses		We have tested selected revenue transactions by assessing and evaluating the following steps: Step 1 - Identify the Contract(s) with a Customer Step 2 - Identify the Performance Obligations in the Contract Step 3 - Determine the transaction price Step 4 - Identifying Performance Obligations Step 5 - Recognize revenue when (or as) the entity satisfies a performance obligation We have assessed the reasonableness of the stage of completion of the contract by verifying against internal evaluation of the progress of the contract by in-house engineers and acknowledgement by customer. We have evaluated the competency, capabilities and objectivity of a management expert (i.e. in-house engineers). We have assessed the reasonableness of the percentage of completion by cross checking using the input and output method of determining percentage of completion. We have performed arithmetic checks on the calculation of percentage of completion. We also computed the cumulative construction revenue and the construction revenue for the current financial year and agreed to the accounting records and found no exception. We also considered the adequacy of the disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates.

Key Audit Matters (Cont'd)

Key audit matters	Risk	Our responses and work performed
Impairment of trade and other receivables and contract assets	The Group is subject to contract risk with significant judgment and accounting estimates used in determining the recoverability of trade and other receivables and contract assets. The Group's disclosures about revenue recognition, contract assets, trade and other receivables are included in the significant accounting policy in Note 2(e) and Notes 7 and 9 to the financial statements.	We have circularised significant trade receivable and payables balances and significant advances to suppliers. We have: • discussed with management regarding the level and ageing of receivables and recoverability of amounts due from customers, along with the consistency and appropriateness of receivables and recoverability of amounts due from customers by assessing recoverability with reference to cash received in respect of debtors and billings raised against valuation of amounts due from customers. In addition, we have considered the Group's previous experience of bad debt exposure and the individual counterparty credit risk • assessed the recoverability of overdue unprovided debt with reference to the historical levels of bad debt expense and credit profile of the counterparties • tested these balances on a sample basis through agreement to post period end invoicing, post period end cash receipt or agreement to the terms of the contract in place, as appropriate; • Considered the consistency of judgments regarding the recoverability of trade receivables made year on year through discussion with management on their rationale and obtaining evidence to support judgment areas, and • We also considered the adequacy of the disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates. 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 subsequently 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.

Key Audit Matters (Cont'd)

Key audit matters	**Risk**	**Our responses and work performed**
Impairment of trade and other receivables and contract assets (Cont'd)		We have concurred with management's assessment on the use of the simplified approach on impairment assessment on trade receivables and contract assets where management chooses as its accounting policy to measure the loss allowance at an amount equal to lifetime expected credit losses. Management has assessed the presumed default may happened for debts more than 1 year based on its historical collection pattern. Further, the expected credit loss for specialised equipment construction industry took the presumption of 3 years as indication of default. This is consistent with the accounts receivable provisioning policy where customers are not making any payment more than 1 year will be provided full provision. We have concurred with management's assessment on the use of the general approach on impairment assessment on other receivables where management determines the other receivables as 12 month expected credit loss (ECL) and lifetime ECL.
Impairment of deposits to a trade supplier	The Group is subject to contract risk with significant judgment and accounting estimates used in determining the recoverability of deposits paid to a trade supplier if the underlying project is aborted. The Group's disclosures about deposits paid to a supplier is in Note 10 to the financial statements.	The deposits to a trade supplier are made without the trade supplier invoices obtained at the point before the expenses were incurred. The deposits to a trade supplier will be reclassified and recognised as project costs upon the receipt of trade supplier invoices. Payments are made to the 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 pay deposits to the customer-appointed supplier(s) during the bidding stage or upon signing of the contract so as to ensure that the Group 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 FY2018, the deposits to a trade supplier amount to RMB68,600,000 for 3 projects for the subsidiary group. The supplier is one of the top suppliers in Dunhuang which is one of the locations that the Group operates in.

Key Audit Matters (Cont'd)

Key audit matters	Risk	Our responses and work performed
Impairment of deposits to a trade supplier (Cont'd)		We considered the potential risks and implications associated with deposits paid to this supplier and we have identified specific procedures to address these risks: a) We circularised the deposits paid to this supplier; b) We reviewed management's assessment of the commencement of the projects relating to the deposits paid to this supplier to the underlying documentation; c) For projects that are delayed and pending further discussions with the customers during the financial year, we have traced to subsequent refund of the deposit. As at the date of this report, the Group had collected a partial refund of RMB20 million from this supplier. The projects are due to long delay in the commencement of projects that have no visibilities of their commencement dates because of factors beyond the control of the Group and the customers. Factors include the requirement to clear land areas for the constructions of the wastewater treatment systems. The clearance of land requires time needed for the relocations of the people still residing in these locations that has been earmarked for the projects; d) The Group had also entered into a settlement agreement with this supplier to obtain refund of the deposits in order to further minimise its credit risk exposure. Based on the settlement agreement, the supplier is expected to repay all the deposits for projects if not materialised before the end of the financial year ending 31 December 2019. In addition, the supplier has no history of default in refund to the Group upon termination of wastewater project during the last 2 financial years. Accordingly, no expected credit loss is provided; and e) We have concurred with management's assessment on the use of the general approach on impairment assessment on deposits to this supplier where management determines the deposits to supplier as 12 month expected credit loss (ECL) and lifetime ECL. We assessed the adequacy of the related disclosures in the notes to the financial statements.

Key Audit Matters (Cont'd)

Key audit matters	Risk	Our responses and work performed
Impairment of investment in subsidiary	Investment in subsidiary is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss RMB55 million is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is based on certain key assumptions, such as cash flow projections covering a two-year period and the perpetual growth rate and discount rate per cash generating unit. These assumptions which are determined by management are judgemental.	We have identified the valuation of investment in subsidiary is significant to our audit. We considered the potential risks and implications associated with investment in subsidiary and we have identified specific procedures to address these risks: a) Reviewed for external and internal indications of impairment for its investment in subsidiary. b) Assessed if the recoverable amount of investment in subsidiary is measured as the higher of "fair value less costs of disposal" and "value in use". c) Obtained an understanding of the valuation model and assumptions used. d) Challenged management's assumption and involving independent valuation experts to support us. e) Reviewed management's cash flows forecast and assessment of value-in-use assumptions and estimates including the discount rate used for the assessment. f) Assessed the competency, capability and objectivity of the management and auditor expert and appropriateness of their work. g) Assessed the adequacy of impairment in subsidiary disclosure in the note to the financial statements. Management's disclosures on the impairment of investment in subsidiary is included in notes to the consolidated financial statements.

Other matters

The Company was placed on the watch-list pursuant to Rule 1311(2) of the SGX-ST Listing Manual since 3 March 2016 due to the Minimum Trading Price (the "MTP") Entry Criterion. Based on the assessment performed by Singapore Exchange Securities Trading Limited (the "SGX-ST") under the revised MTP rules, the Company will continue to be placed on the watch list with effect from 5 June 2017. Accordingly, the Company must take active steps to meet the requirements of Rule 1314(2) of the SGX-ST Listing Manual within 36 months from 5 June 2017 to exit the MTP watch list, failing which SGX-ST would delist the Company or suspend trading in the Company's shares with a view to delisting the Company.

Other information
Management is responsible for the other information. The other information comprises 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 other sections of the annual report (the Other Sections) 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 Other Sections, 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 SFRS(I)s, 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.

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)
As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit 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.

INDEPENDENT AUDITOR'S REPORT

To the members of Leader Environmental Technologies Limited

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

The engagement partner on the audit resulting in this independent auditor's report is Tei Tong Huat.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 4 April 2019

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

		The Group			The Company		
		31 December		1 January	**31 December**		1 January
		2018	2017	2017	**2018**	2017	2017
	Note	**RMB'000**	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
ASSETS							
Non-Current Assets							
Property, plant and equipment	3	**9,400**	9,365	11,505	**-**	-	-
Intangible assets	4	**1,543**	2,825	4,205	**-**	-	-
Club membership	5	**-**	-	671	**-**	-	-
Investment in subsidiaries	6	**-**	-	-	**8,000**	63,000	63,000
		10,943	12,190	16,381	**8,000**	63,000	63,000
Current Assets							
Contract assets	7	**41,842**	59,165	18,173	**-**	-	-
Inventories	8	**1,281**	1,281	1,307	**-**	-	-
Trade and other receivables	9	**48,901**	48,096	27,093	**-**	14	-
Deposits and prepayments	10	**96,795**	95,134	97,082	**15**	-	39
Bank deposits pledged	11	**1,190**	1,650	6,381	**-**	-	-
Cash and cash equivalents	12	**10,516**	17,398	25,953	**56**	19	1,066
		200,525	222,724	175,989	**71**	33	1,105
Total assets		**211,468**	234,914	192,370	**8,071**	63,033	64,105
EQUITY AND LIABILITIES							
Capital and Reserves							
Share capital	13	**224,747**	224,747	224,747	**224,747**	224,747	224,747
PRC statutory common reserve	14	**31,748**	31,748	31,748	**-**	-	-
Merger reserve	15	**(454)**	(454)	(454)	**-**	-	-
Premium paid on acquisition of non-controlling interests	16	**(170)**	(170)	-	**-**	-	-
Accumulated losses		**(191,302)**	(179,686)	(193,052)	**(223,925)**	(165,296)	(162,171)
		64,569	76,185	62,989	**822**	59,451	62,576
Non-controlling interests		**4**	-	31	**-**	-	-
Total equity		**64,573**	76,185	63,020	**822**	59,451	62,576
Non-Current Liabilities							
Deferred tax liabilities	17	**-**	-	-	**-**	-	-
Current Liabilities							
Contract liabilities	7	**6,073**	11,087	-	**-**	-	-
Trade and other payables	18	**56,250**	54,141	35,373	**4,244**	1,272	294
Borrowings	19	**65,109**	60,000	70,000	**-**	-	-
Other liabilities	20	**19,463**	33,354	23,830	**3,005**	2,310	1,235
Income tax payable		**-**	147	147	**-**	-	-
		146,895	158,729	129,350	**7,249**	3,582	1,529
Total equity and liabilities		**211,468**	234,914	192,370	**8,071**	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 2018

The Group	Note	2018 RMB'000	2017 RMB'000
Revenue	21	**53,818**	119,838
Cost of sales		**(39,675)**	(96,285)
Gross profit		**14,143**	23,553
Financial income	22(a)	**31**	127
Other income	22(b)	**757**	10,310
Selling and distribution expenses		**(2,522)**	(2,311)
Administrative expenses	22(c)	**(16,088)**	(13,820)
Finance costs	22(a)	**(4,435)**	(4,139)
Other expenses	22(b)	**(2,306)**	(299)
(Loss)/profit before taxation	22(d)	**(10,420)**	13,421
Taxation	23	**119**	(70)
(Loss)/profit after taxation		**(10,301)**	13,351
Other comprehensive income after tax		**-**	-
Total comprehensive (loss)/income for the year		**(10,301)**	13,351
(Loss)/profit attributable to:			
Owners of the parent		**(10,297)**	13,366
Non-controlling interests		**(4)**	(15)
		(10,301)	13,351
Total comprehensive (loss)/ income attributable to:			
Owners of the parent		**(10,297)**	13,366
Non-controlling interests		**(4)**	(15)
		(10,301)	13,351
(Loss)/earnings per share			
- Basic and diluted (RMB cents)	24	**(1.67)**	2.17

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 2018

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	Total attributable To equity holders of parent RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	<-----------------------Attributable to owners of the Company----------------------->							
At 1 January 2018, previously reported	**224,747**	**31,748**	**(454)**	**(179,686)**	**(170)**	**76,185**	**-**	**76,185**
Effects of adopting SFRS(I) 9 (Note 2(b))	**-**	**-**	**-**	**(1,319)**	**-**	**(1,319)**	**-**	**(1,319)**
At 1 January 2018, restated	**224,747**	**31,748**	**(454)**	**(181,005)**	**(170)**	**74,866**	**-**	**74,866**
Loss for the year	**-**	**-**	**-**	**(10,297)**	**-**	**(10,297)**	**(4)**	**(10,301)**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive loss for the year	**-**	**-**	**-**	**(10,297)**	**-**	**(10,297)**	**(4)**	**(10,301)**
Transaction with owners - Issuance of shares of subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**8**	**8**
At 31 December 2018	**224,747**	**31,748**	**(454)**	**(191,302)**	**(170)**	**64,569**	**4**	**64,573**
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
Transaction with owners - 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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

The Group	Note	2018 RMB'000	2017 RMB'000
Cash Flows from Operating Activities			
(Loss)/profit before taxation		**(10,420)**	13,421
Adjustments for:			
Property, plant and equipment written off		**1**	38
Depreciation of property, plant and equipment		**878**	830
Loss/(gain) on disposal of property, plant and equipment		**8**	(59)
Amortisation of intangible assets and club membership		**1,282**	1,404
Allowance for impairment of trade receivables written back	A	**(297)**	(8,768)
Impairment of retention monies		**1,300**	-
Gain on disposal of subsidiary	B	**-**	(1,401)
Loss on disposal of club membership		**-**	197
Finance costs		**4,435**	4,139
Interest income		**(31)**	(127)
Operating (loss)/profit before working capital changes		**(2,844)**	9,674
Decrease/(increase) in contract assets		**17,323**	(40,992)
Decrease in inventories		**-**	26
Increase in trade and other receivables		**(3,121)**	(17,628)
(Increase)/decrease in prepayments		**(1,660)**	1,888
(Decrease)/increase in contract liabilities		**(5,014)**	11,087
Increase in trade and other payables		**1,740**	28,560
(Decrease)/increase in other liabilities		**(13,891)**	9,524
Cash (used in)/generated from operations		**(7,467)**	2,139
Interest paid		**(4,435)**	(4,139)
Interest income received		**31**	127
Income tax paid		**(28)**	(70)
Net cash used in operating activities		**(11,899)**	(1,943)
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment		**(937)**	(58)
Construction-in-progress on solar photovoltaic plant		**-**	(901)
Proceeds from disposal of property, plant and equipment		**15**	238
Proceed from disposal of club membership		**-**	450
Proceed from disposal of subsidiary	B	**-**	3,660
Net cash (used in)/generated from investing activities		**(922)**	3,389
Cash Flows from Financing Activities			
Proceeds from third party loan		**26,619**	-
Repayments of third party loan		**(16,370)**	-
Proceeds from bank borrowings		**75,860**	88,000
Repayments of bank borrowings		**(81,000)**	(98,000)
Proceeds/(repayments) from bills payable - net		**370**	(4,732)
Decrease in bank deposits pledged		**460**	4,731
Net cash generated from/(used in) financing activities		**5,939**	(10,001)
Net decrease in cash and cash equivalents		**(6,882)**	(8,555)
Cash and cash equivalents at beginning of year		**17,398**	25,953
Cash and cash equivalents at end of year (Note 12)		**10,516**	17,398

NOTE:

A Trade and other receivables (Note 9)

Allowance for impairment of trade receivables
During the financial year, the Group wrote back RMB297,000 of impairment allowance for trade receivables, computed in accordance to the life time expected credit loss model under SFRS(I) 9.

In 2017, the Group wrote back impairment allowance for trade receivables of RMB9,464,000, net of impairment allowance for trade receivables of RMB696,000.

B Disposal of subsidiary (Note 6)

There is no disposal of subsidiary during the financial year. In 2017, the Group disposed of one subsidiary, Dunhuang Anjie New Energy Co., Ltd. The carrying value of assets disposed of and liabilities discharged were as follows:

	2018 RMB'000	2017 RMB'000
Property, plant and equipment – construction in progress	**-**	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
Cash consideration	**-**	3,660
Net assets derecognised	**-**	(2,259)
Gain on disposal	**-**	1,401

C 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	Cash flows		31 December
	2017	Repayments	Proceeds	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Bills payables	820	-	370	**1,190**
Bank borrowings	60,000	(81,000)	75,860	**54,860**
Third parties' borrowings	-	(16,370)	26,619	**10,249**
Bank deposits pledged	1,650	-	460	**1,190**

NOTE:

C Reconciliation of liabilities arising from financing activities

	31 December	Cash flows		31 December
	2016	Repayments	Proceeds	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Bills payables	5,552	(4,732)	-	**820**
Bank 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 2018 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

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(d).

2(b) Adoption of SFRS(I)

As required by the listing requirements of Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the year ended 31 December 2018 are the first set of financial statements the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 First-time Adoption of SFRS(I).

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

The Group's opening balance sheet has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I) ("date of transition").

2(b) Adoption of SFRS(I) (Cont'd)

(i) Optional exemptions applied

SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has applied the following exemptions in preparing this first set of financial statements in accordance with SFRS(I):

(a) Business combinations

SFRS(I) 3 Business Combinations has not been applied to business combinations that occurred before the date of transition on 1 January 2017. The same classification as in its previous SFRS financial statements has been adopted.

The Group has not applied SFRS(I) 1-21 The Effects of Changes in Foreign Exchange Rates retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I) on 1 January 2017. Such fair value adjustments continue to be accounted for using the same basis as under SFRS 21.

(b) Leases

The Group has not reassessed the determination of whether an arrangement contained a lease in accordance with SFRS(I) INT 4 Determining whether an Arrangement contains a Lease.

(c) Borrowing costs

The Group has elected to apply the requirements in the SFRS(I) 1-23 Borrowing Costs from the date of transition to SFRS(I) on 1 January 2017. Borrowing costs that were accounted for previously under SFRS prior to date of transition are not restated.

(d) Short-term exemption on adoption of SFRS(I) 9 Financial Instruments

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 Financial Instruments: Recognition and Measurement are applied to financial instruments up to the financial year ended 31 December 2017. The Group is also exempted from complying with SFRS(I) 7 Financial Instruments: Disclosure to the extent that the disclosures required by SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within scope of SFRS(I) 9.

(e) Practical expedients on adoption of SFRS(I) 15 Revenue from Contracts with Customers

The Group has elected to apply the transitional provisions under paragraph C5 of SFRS(I) 15 at 1 January 2018 and have used the following practical expedients provided under SFRS(I) 15 as follows:

- for the financial year ended 31 December 2017, the Group did not disclose the amount of transaction price allocated to the remaining performance obligations and explanation of when the Group expects to recognise that amount as revenue.

2(b) Adoption of SFRS(I) (Cont'd)

(ii) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I)

	As at 31 December 2017 reported under SFRS RMB'000	Effects of Applying SFRS(I) 1 RMB'000	Effects of Applying SFRS(I) 15 RMB'000	As at 31 December 2017 reported under SFRS(I) RMB'000	Effects of applying SFRS(I) 9 RMB'000	As at 1 January 2018 reported under SFRS(I) RMB'000
ASSETS						
Non-Current Assets						
Property, plant and equipment	9,365	-	-	9,365	-	9,365
Intangible assets	2,825	-	-	2,825	-	2,825
	12,190	-	-	12,190	-	12,190
Current Assets						
Gross amount due from customers for contract work-in-progress	59,165	-	(59,165)	-	-	-
Contract assets	-	-	59,165	59,165	-	59,165
Inventories	1,281	-	-	1,281	-	1,281
Trade and other receivables	48,096	-	-	48,096	(1,319)	46,777
Prepayments	95,134	-	-	95,134	-	95,134
Bank deposits pledged	1,650	-	-	1,650	-	1,650
Cash and cash equivalents	17,398	-	-	17,398	-	17,398
	222,724	-	-	222,724	(1,319)	221,405
Total assets	234,914	-	-	234,914	(1,319)	233,595
EQUITY AND LIABILITIES						
Capital and Reserves						
Share capital	224,747	-	-	224,747	-	224,747
PRC statutory common reserve	31,748	-	-	31,748	-	31,748
Merger reserve	(454)	-	-	(454)	-	(454)
Premium paid on acquisition of non-controlling interests	(170)	-	-	(170)	-	(170)
Accumulated losses	(179,686)	-	-	(179,686)	(1,319)	(181,005)
	76,185	-	-	76,185	-	74,866
Non-controlling interests	-	-	-	-	-	-
Total equity	76,185	-	-	76,185	(1,319)	74,866
Non-Current Liabilities						
Deferred tax liabilities	-	-	-	-	-	-
Current Liabilities						
Gross amount due to customers for contract work-in-progress	11,087	-	(11,087)	-	-	-
Contract liabilities	-	-	11,087	11,087	-	11,087
Trade and other payables	54,141	-	-	54,141	-	54,141
Borrowings	60,000	-	-	60,000	-	60,000
Other liabilities	33,354	-	-	33,354	-	33,354
Income tax payable	147	-	-	147	-	147
	158,729	-	-	158,729	-	158,729
Total equity and liabilities	234,014	-	-	234,014	-	233,595

2(b) Adoption of SFRS(I) (Cont'd)

(ii) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I)

	As at 1 January 2017 reported under SFRS RMB'000	Effects of applying SFRS(I) 1 RMB'000	Effects of applying SFRS(I) 15 RMB'000	As at 1 January 2017 reported under SFRS(I) RMB'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	11,505	-	-	11,505
Intangible assets	4,205	-	-	4,205
Investment in subsidiaries	671	-	-	671
	16,381	-	-	16,381
Current Assets				
Gross amount due from customers for contract work-in-progress	18,173	-	(18,173)	-
Contract assets	-	-	18,173	18,173
Inventories	1,307	-	-	1,307
Trade and other receivables	27,093	-	-	27,093
Prepayments	97,082	-	-	97,082
Bank deposits pledged	6,381	-	-	6,381
Cash and cash equivalents	25,953	-	-	25,953
	175,989	-	-	175,989
Total assets	192,370	-	-	192,370
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	224,747	-	-	224,747
PRC statutory common reserve	31,748	-	-	31,748
Merger reserve	(454)	-	-	(454)
Premium paid on acquisition of non-controlling interests	-	-	-	-
Accumulated losses	(193,052)	-	-	(193,052)
	62,989	-	-	62,989
Non-controlling interests	31	-	-	31
Total equity	63,020	-	-	63,020
Non-Current Liabilities				
Deferred tax liabilities	-	-	-	-
Current Liabilities				
Gross amount due to customers for contract work-in-progress	-	-	-	-
Contract liabilities	-	-	-	-
Trade and other payables	35,373	-	-	35,373
Borrowings	70,000	-	-	70,000
Other liabilities	23,830	-	-	23,830
Income tax payable	147	-	-	147
	129,350	-	-	129,350
Total equity and liabilities	192,370	-	-	192,370

2(b) Adoption of SFRS(I) (Cont'd)

(iii) Reconciliation of the Group's total comprehensive income reported in accordance with SFRS to SFRS(I)

The Group	As at 31 December 2017 reported under SFRS RMB'000	Effects of applying SFRS(I) 1 RMB'000	Effects of applying SFRS(I) 15 RMB'000	As at 31 December 2017 reported under SFRS(I) RMB'000
Revenue	119,838	-	-	119,838
Cost of sales	(96,285)	-	-	(96,285)
Gross profit	23,553	-	-	23,553
Financial income	127	-	-	127
Other income	10,310	-	-	10,310
Selling and distribution expenses	(2,311)	-	-	(2,311)
Administrative expenses	(13,820)	-	-	(13,820)
Finance costs	(4,139)	-	-	(4,139)
Other expenses	(299)	-	-	(299)
Profit before taxation	13,421	-	-	13,421
Taxation	(70)	-	-	(70)
Profit after taxation	13,351	-	-	13,351
Other comprehensive income after tax	-	-	-	-
Total comprehensive income for the year	13,351	-	-	13,351

(iv) There were no material adjustments to the Group's statement of cash flows arising from the transition from SFRS to SFRS(I).

Explanatory notes to reconciliations:
The effect of transition to SFRS(I) mainly arises from the adoption of SFRS(I) 9 Financial Instruments and SFRS(I) 15 Revenue from Contracts with Customers which are as follows:

A. Adoption of SFRS (I) 15
SFRS (I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

In accordance with the requirements of SFRS(I) 1, the Group adopted SFRS(I) 15 retrospectively.

The adoption of SFRS(I) 15 resulted in adjustments to the previously issued SFRS financial statements as explained below:

Presentation of contract assets and contract liabilities
The Group has changed the presentation of certain amounts in the balance sheet as at1 January 2017 and 31 December 2017 on adopting SFRS(I) 15:
(i) Contract assets relating to specialised equipment construction contracts were previously presented as "gross amount due from customers for contract work-in-progress" of RMB59,165,000 (1 January 2017 – RMB18,173,000) under SFRS.
(ii) Contract liabilities in relation to specialised equipment construction contracts were previously presented as "gross amount due to customers for contract work-in-progress of RMB11,087,000 (1 January 2017 – RMB Nil) under SFRS.

2(b) Adoption of SFRS(I) (Cont'd)

Explanatory notes to reconciliations: (Cont'd)

B. Adoption of SFRS (I) 9

SFRS(I) 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate comparative information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under SFRS 39 Financial Instruments: Recognition and Measurement. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018.

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 Financial Instruments: Disclosures for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under SFRS 107 Financial Instruments: Disclosures relating to items within the scope of SFRS 39 are provided for the comparative period.

The accounting policies for financial instruments under SFRS(I) 9 is as disclosed in Note 2(d).

Classification and measurement of financial assets and financial liabilities

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI – debt instrument, FVOCI – equity instrument; or FVTPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous SFRS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under SFRS(I) 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. No reclassifications resulting from management's assessment.

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

The following table presents original measurement categories under SFRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets as at 1 January 2018.

Group and Company	Original classification under SFRS 39 (Up to financial year ended 31 December 2017)	New classification under SFRS(I) 9 (Effective from 1 January 2018)
Financial assets		
Contract assets	Loan and receivables	Amortised costs
Trade and other receivables	Loan and receivables	Amortised costs
Bank deposits pledged	Loan and receivables	Amortised costs
Cash and cash equivalents	Loan and receivables	Amortised costs

2(b) Adoption of SFRS(I) (Cont'd)

Explanatory notes to reconciliations: (Cont'd)

B. Adoption of SFRS (I) 9Impairment of financial assets

The Group has trade and other receivables and contract assets recognised under SFRS(I) 15 that are subject to the expected credit loss impairment model under SFRS(I) 9.

The impairment methodology under SFRS and SFRS(I) for each of these classes of financial assets is different. The impairment methodology for each of these classes of financial assets under SFRS(I) 9 is as disclosed in Note 9 and Note 29.2.

The expected impact on adoption of SFRS(I) 9 is described below. The information below reflects the Group's expectation of the implications arising from changes in the accounting treatment, however, the actual tax effect may change when the transition adjustments are finalised.

	Accumulated losses RMB'000
Closing balance of accumulated losses as at 31 December 2017 – before adoption of SFRS(I) 9	179,686
Adjustment to accumulated losses from adopting SFRS(I) 9	1,319
Opening balance of accumulated losses as at 1 January 2018 – after adoption of SFRS(I) 9	181,005

The reconciliation for loss allowance for the Group

	Trade receivables RMB'000
Closing balance of impairment allowance as at 31 December 2017 – before adoption of SFRS(I) 9	1,260
Adjustment to accumulated losses from adopting SFRS(I) 9	1,319
Opening balance of impairment allowance as at 1 January 2018 after adoption of SFRS(I) 9 (Note 29.2)	2,579

2(b) Adoption of SFRS(I) (Cont'd)

(v) Reconciliation of the Company's equity reported in accordance with SFRS to SFRS(I)

	As at 31 December 2017 reported under SFRS RMB'000	Effects of applying SFRS(I) 1 RMB'000	Effects of applying SFRS(I) 15 RMB'000	As at 31 December 2017 reported under SFRS(I) RMB'000
ASSETS				
Non-Current Assets				
Investment in subsidiaries	63,000	-	-	63,000
	63,000	-	-	63,000
Current Assets				
Trade and other receivables	14	-	-	14
Cash and cash equivalents	19	-	-	19
	33	-	-	33
Total assets	63,033	-	-	63,033
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	224,747	-	-	224,747
Accumulated losses	(165,296)	-	-	(165,296)
Total equity	59,451	-	-	59,451
Current Liabilities				
Trade and other payables	1,272	-	-	1,272
Other liabilities	2,310	-	-	2,310
	3,582	-	-	3,582
Total equity and liabilities	63,033	-	-	63,033

2(b) Adoption of SFRS(I) (Cont'd)

(v) Reconciliation of the Company's equity reported in accordance with SFRS to SFRS(I)

	As at 1 January 2017 reported under SFRS RMB'000	Effects of applying SFRS(I) 1 RMB'000	Effects of applying SFRS(I) 15 RMB'000	As at 1 January 2017 reported under SFRS(I) RMB'000
ASSETS				
Non-Current Assets				
Investment in subsidiaries	63,000	-	-	63,000
	63,000	-	-	63,000
Current Assets				
Prepayments	39	-	-	39
Cash and cash equivalents	1,066	-	-	1,066
	1,105	-	-	1,105
Total assets	64,105	-	-	64,105
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	224,747	-	-	224,747
Accumulated losses	(162,171)	-	-	(162,171)
Total equity	62,576	-	-	62,576
Current Liabilities				
Trade and other payables	294	-	-	294
Other liabilities	1,235	-	-	1,235
	1,529	-	-	1,529
Total equity and liabilities	64,105	-	-	64,105

2(c) FRS issued but not yet effective

The following are the new or amended FRS and INT FRS issued in 2018 that are not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual periods beginning on or after)
SFRS(I) 16	Leases	1 January 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 January 2019
SFRS(I) 1-19	Plan Amendment, Curtailment or Settlement	1 January 2019
SFRS(I) 3	Business Combination	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8	Definition of Material	1 January 2020

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 offices where they are operating leases. The Group expects these operating leases amounting to RMB539,000 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.

SFRS(I) INT 23 Uncertainty over Income Tax Treatments

The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The Interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

SFRS(I) 3 Business Combination

On 11 March 2019, ASC issued the narrow-scope amendments to SFRS(I) 3 Business Combinations to improve the definition of a business. The amendments narrowed and clarified the definition of a business.

They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets.

The amendments to SFRS(I) 3 should apply for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning or after 1 January 2020, with earlier application permitted.

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

SFRS(I) 1-1, SFRS(I) 1-8 Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material
The amendments clarify that the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in SFRS(I) Standards. materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary user.

The amendments to SFRS(I) 1-1 and SFRS(I) 1-8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

2(d) Significant accounting estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) 1 requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and areas involving a significant 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.

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 2018 amounted to approximately RMB Nil (2017 - RMB147,000) and RMB Nil (2017 - RMB Nil) respectively.

2(d) Significant accounting estimates and judgements (Cont'd)

Significant judgements in applying accounting policies (Cont'd)

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.

Critical accounting estimates and assumptions used in applying accounting policies

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.

In current period, the group determined the recoverable amount using value-in-use (as it was higher than fair value less disposal cost) which involves everything the future cash flows expected from the cash generating units and an appropriate discount rate in order to calculate the present value of future cash flows, taking into account business outlook, including factors such as industry and sector performance, general market and economic conditions and other available information.

As at 31 December 2018, increase/decrease in:

i. discount rate by 1% would result in an increase/decrease in impairment loss in subsidiary by approximately RMB4,000,000 (2017 – Nil) and RMB5,000,000 (2017 – Nil) respectively.
ii. growth rate by 1% would result in an decrease/increase in impairment loss in subsidiary by approximately RMB4,000,000 (2017 – Nil) and RMB4,000,000 (2017 – Nil) respectively.

Expected credit losses (ECL) on trade and other receivables and contract assets (Note 9, Note 7 and Note 29.2)
As at 31 December 2018, the Group's trade and other receivables (excluding VAT receivables) and contract assets amounted to RMB48,375,000 (Note 9) and RMB41,842,000 (Note 7) (2017 – RMB46,116,000 and RMB59,165,000 and 1 January 2017 – RMB87,093,000 and RMB18,173,000) respectively.

In determining the ECL on trade receivables and retention receivables and contract assets, the Group used three year of historical losses data to determine the loss rate and applied an adjustment against the historical loss rate based on the change in China loans default rates. Should ECL be calculated based on historical loss, the ECL on trade receivables would have been lowered by RMB77,000.

Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately.

2(d) Significant accounting estimates and judgements (Cont'd)

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

Expected credit losses (ECL) on trade and other receivables and contract assets (Note 9, Note 7 and Note 29.2) (cont'd)
As at date of balance sheet, the ECLs for trade receivables, retention receivables and contract assets are RMB3,582,000. The Group's and the Company's credit risk exposure for trade receivables, retention receivables and contract assets are set out in Note 29.2.

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 (2017 - RMB128,000). 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 2018 are RMB9,400,000 and RMB Nil (2017 - RMB9,365,000 and RMB Nil and 1 January 2017 – 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 RMB88,000 (2017 - RMB83,000).

2(e) 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.

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

Consolidation (Cont'd)
Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:
- de-recognises the assets (including goodwill, 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.

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

Thus, the Group controls an investee if and only if the Group has all of the following:
- power over the investee;
- exposure, or rights or variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:
- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Consolidation (Cont'd)

A change in the ownership interest

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

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

Acquisitions

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.

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

Consolidation (Cont'd)

Disposals (Cont'd)

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.

Intangible assets

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

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

Patents

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

Research and development costs

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

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

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

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

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

Intangible assets (Cont'd)

Research and development costs (Cont'd)

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

Club membership

Club membership was acquired separately and is amortised on a straight-line basis over its finite useful life of 20 years. In 2017, the club membership was sold at a loss.

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.

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.

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

Financial assets

The accounting for financial assets before 1 January 2018 are as follows:

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.

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.

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

Financial assets (Cont'd)
The accounting for financial assets from 1 January 2018 are as follows:

Classification and measurement
The Group classifies its financial assets in the following measurement categories:
- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

Other than debt instruments at amortised cost, the Group has not designated any financial assets at fair value through profit or loss and fair value through other comprehensive income.

At initial recognition
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

At subsequent measurement
Debt instruments
Debt instruments mainly comprise of cash and cash equivalents, bank deposits pledge, trade and other receivables and contract assets.

The Group's business model for these financial assets is by collecting the contractual cash flow where those cash flows represent solely payments of principal and interest, measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

Impairment
The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 29.2 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, retention receivables and contract assets, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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

Financial assets (Cont'd)
The accounting for financial assets from 1 January 2018 are as follows:
Impairment (Cont'd)
For other receivables and cash and bank deposits, the general 3 stage approach is applied. Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is a significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognised.

Recognition and derecognition
Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

Contract balances
Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

Contract Liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from customer. If customer pays consideration before the Group transfers good or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Cash and cash equivalents
Cash and cash equivalents comprise cash at banks and on hand and unpledged bank deposits 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(e) 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.

Trade and other payables and other liabilities
Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

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

Financial guarantees
The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-Group transactions are eliminated on consolidation.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

(a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
(b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

Prior to 1 January 2018, financial guarantees were subsequently measured at the higher of (a) and the expected amounts payable to the banks in the event it is probable that the Company will reimburse the banks.

Borrowings
Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

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

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

Borrowings (Cont'd)
Borrowings are derecognised when the obligation is discharged, cancelled or expired. The difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

Leases
Where the Group is the lessee
<u>Operating leases</u>
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
<u>Pension obligations</u>
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.

<u>Employee leave entitlements</u>
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.

<u>Key management personnel</u>
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.

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.

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

Income taxes (Cont'd)
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(e) 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.

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.

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

Impairment of non-financial assets (Cont'd)
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.

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.

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

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

Conversion of foreign currencies (Cont'd)

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.

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

Revenue

Construction of specialised equipment

The Group manufactures and produces specialised equipment for customers through fixed-price contracts. Revenue is recognised when the control over the specialised equipment has been transferred to the customer. At contract inception, the Group assesses whether the Group transfers control of the equipment over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

The specialised equipment has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment arising from the contractual terms. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction of the specialised equipment. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

The period between the transfer of the promised goods and payment by the customer may exceed one year. For such contracts, there is no significant financing component present as the payment terms is an industry practice to protect the customers from the performing entity's failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceed the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised.

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (eg. Inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs assets only if (a) these cost relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these cost generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

Design, technical services

Revenue from design and technical services are recognised when services are rendered.

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

Revenue (Cont'd)
Interest income
Interest income is recognised on a time-apportioned basis using the effective interest rate method.

2(f) Going concern

The Group reported a loss before tax of RMB10.4 million (2017 - profit before taxation of RMB13.4 million) and total comprehensive loss of RMB10.3 million (2017 – total comprehensive income of RMB13.4 million) during the financial year ended 31 December 2018. The Group's current assets exceeded the current liabilities by approximately RMB53.6 million (2017 - RMB64.0 million) as at 31 December 2018. The Company's current liabilities exceeded the current assets by approximately RMB7.2 million (2017 - RMB 3.5 million) as at 31 December 2018.

In addition, the Group net cash flows used in operating activities for financial year 2018 is RMB11.9 million (2017 – RMB 1.9 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 RMB140,000 (2017 – RMB20.0 million) of unutilised banking facilities available as at 31 December 2018. The management is confident of obtaining additional banking facilities to meet the Group's operating requirements where required. In additions, the Group has collected a refund of RMB20 million from its suppliers for wastewater projects subsequent to year end. The Group has obtained an undertaking from its controlling shareholder to enable the Group to meet its debts as and when they fall due. Based on these assessments, the use of going concern is appropriate. Accordingly, the financial statements have been prepared on a going concern basis taking into considerations of the above factors.

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 2017	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**
Additions	**-**	**-**	**901**	**36**	**-**	**937**
Disposals/written off	**-**	**-**	**(130)**	**(7)**	**-**	**(137)**
At 31 December 2018	**7,749**	**1,163**	**4,971**	**854**	**-**	**14,737**
Accumulated depreciation						
At 1 January 2017	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**
Depreciation	**242**	**103**	**443**	**90**	**-**	**878**
Disposals/written off	**-**	**-**	**(107)**	**(6)**	**-**	**(113)**
At 31 December 2018	**1,671**	**681**	**2,441**	**544**	**-**	**5,337**
Net book value						
At 31 December 2018	**6,078**	**482**	**2,530**	**310**	**-**	**9,400**
At 31 December 2017	6,320	585	2,095	365	-	9,365
At 1 January 2017	6,562	689	2,675	428	1,151	11,505

The Company	Office equipment RMB'000
Cost	
At 1 January 2017, 31 December 2017 and 31 December 2018	**11**
Accumulated depreciation	
At 1 January 2017, 31 December 2017 and 31 December 2018	**11**
Net book value	
At 1 January 2017, 31 December 2017 and 31 December 2018	**-**

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. In the financial year 2017, the subsidiary's net assets which comprised construction-in-progress of RMB2.05 million was disposed off to a third party.

3 Property, plant and equipment (Cont'd)

The Group has pledged its commercial properties to a bank to partially secure a banking facility of RMB55 million (2017 - RMB80 million) for 1 year starting from 1 December 2018.

The Group	2018 RMB'000	2017 RMB'000
Depreciation expenses are allocated to:		
Cost of sales	**124**	125
Selling and distribution expenses	**129**	129
Administrative expenses	**625**	576
	878	830

4 Intangible assets

The Group	Patents RMB'000	Deferred development costs RMB'000	Total RMB'000
Cost			
At 1 January 2017, 31 December 2017 and 31 December 2018	**2,978**	**6,641**	**9,619**
Accumulated amortisation			
At 1 January 2017	913	4,501	5,414
Amortisation for the year	261	1,119	1,380
At 31 December 2017	**1,174**	**5,620**	**6,794**
Amortisation for the year	**261**	**1,021**	**1,282**
At 31 December 2018	**1,435**	**6,641**	**8,076**
Net book value			
At 31 December 2018	**1,543**	**-**	**1,543**
At 31 December 2017	1,804	1,021	2,825
At 1 January 2017	2,065	2,140	4,205

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

The Group	2018 RMB'000	2017 RMB'000
Amortisation expense charged to:		
Administrative expenses	**1,282**	1,380

4 Intangible assets (Cont'd)

Patents

The amount of patents cost incurred of RMB2,608,000 in 2014 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 2018, the patent has a remaining tenure of 71 months (2017 - 83 months).

Deferred development costs

Deferred development costs relate to technological effectiveness improvement project for dust elimination and desulphurisation system segments. The development has undergone commercial sale and amortisation of the deferred development costs has been made from the month of the commencement of the sale since 2012. The deferred development costs are fully amortised as at 31 December 2018.

5 Club Membership

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

The Group no longer owns any club membership as at 31 December 2018 following its disposal of a golf club membership, which was purchased in May 2011, to a third party for a cash consideration of RMB450,000 on 30 June 2017.

6 Investment in subsidiaries

The Company	31 December 2018 RMB'000	2017 RMB'000
At beginning of the year	**63,000**	63,000
Allowance for impairment – Investment in subsidiary	**(55,000)**	-
At 31 December	**8,000**	63,000

Allowance for impairment

During the financial year ended 31 December 2018, the subsidiary group - Jilin Anjie Environmental Engineering Co., Ltd and its subsidiaries have incurred loss after taxation for the year of approximately RMB6,670,000 as opposed to a profit after tax of RMB16,481,000 for the financial year ended 31 December 2017. An additional allowance for impairment of RMB55,000,000 (2017: Nil) is recognised in respect of the Company's investments in the subsidiary to reduce the carrying value of the investment to its recoverable amounts.

The recoverable amounts of the investment in the subsidiaries are determined based on value-in-use (VIU) approach. Cash flow projections used in the VIU calculations are based on financial budgets approved by the management covering a two-year period. Cash flows beyond the two-year period was extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate for the subsidiaries business in China. 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 21% (2017 – 21%) for the subsidiary group is 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 2018 RMB'000	2017 RMB'000
Equity value or recoverable amount	**8,000**	68,000
Less: Cost of investment	**(63,000)**	(63,000)
Excess	**(55,000)**	5,000
Key assumptions		
Perpetual growth rate	**4.73%**	4.5%
Weighted average cost of capital (WACC)	**21%**	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.

As the estimated value-in-use or recoverable amount is lower than the carrying amount of investment in subsidiaries, reflecting a slowdown and uncertainty faced by the Chinese economy, additional impairment loss of RMB55,000,000 (2017 – RMB Nil) is recognized in 2018.

6 Investment in subsidiaries (Cont'd)

Allowance for impairment (Cont'd)

The movement of the allowance for impairment of the investment in subsidiaries during the year ended 31 December 2018 and 2017 is as follows:

The Company	31 December 2018 RMB'000	31 December 2017 RMB'000
Allowance for impairment of investment in subsidiaries		
Balance at beginning of year	**99,606**	99,606
Allowance made	**55,000**	-
Balance at end	**154,606**	99,606

The calculation of the allowance for impairment is as follows:

The Company	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
Unquoted equity shares, at cost	**162,606**	162,606	162,606
Amount owing by subsidiary (Note 9)	**-**	-	40,560
Net investment in subsidiaries	**162,606**	162,606	203,166
Less:			
Allowance for impairment on net investment in subsidiaries	**(154,606)**	(99,606)	(99,606)
Allowance for impairment for amount due from subsidiary (Note 9)	**-**	-	(40,560)
	8,000	63,000	63,000

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

The Group has the following subsidiaries as at 31 December 2018 and 2017 and 1 January 2017:

Name	Country of incorporation/ principal place of business	Issued and fully paid share Capital	Registered capital	Proportion of ownership interest and voting rights held			Principal activities
				31 December		1 January	
		RMB	RMB	**2018**	2017	2017	
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	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
Held by Jilin Anjie Environmental Engineering Co., Ltd.							
Jilin Anjie New Energy Group Co., Ltd ("Anjie New Energy")[2, 5, 6]	The People's Republic of China	12,397,798[7]	100,000,000	**99.9**	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	100.0	Dormant
Linjiang City Anjie Environmental Co; Ltd. ("Linjiang Anjie)[3, 5]	The People's Republic of China	-[4]	50,000,000	**100.0**	100.0	100.0	Dormant

6 Investment in subsidiaries (Cont'd)

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 2018.

5 Audited by Foo Kon Tan LLP for consolidation purposes.

6 During the financial year, Anjie New Energy changed its name from Jilin Anjie New Energy Power Generation Co., Ltd to Jilin Anjie New Energy Group Co., Ltd. ("Anjie New Energy").

7 In 2018, Anjie Environmental has capitalised RMB8.0 million of its advances to Anjie New Energy as share capital. Following the capitalisation, its equity stake in the subsidiary remains unchanged at 99.9%. Consequently, the share capital of Anjie New Energy increased from approximately RMB4.4 million to approximately RMB12.4 million.

Transaction with non-controlling interests

There is no transaction with non-controlling interests during the financial year. In 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%. 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:

	2018 **RMB'000**	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

There is no disposal of subsidiary during the financial year. In 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.

There are no subsidiaries with material non-controlling interests.

7 Contract assets and liabilities

The Group	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
Contract assets			
- Specialised equipment construction contracts	**41,842**	59,165	18,173
Contract liabilities			
- Specialised equipment construction contracts	**6,073**	11,087	-

Contract assets
The contract assets relate primarily to the Group's right to recognise revenue for percentage of work completed but not billed at the reporting period on its industrial wastewater and wastegas contracts. Upon fulfilling certain agreed performance milestones with customers or commissioning and handing over of projects to customers, the amounts recognised as contract assets are reclassified to trade receivables when the rights become unconditional. The information regarding the credit exposures are disclosed in Note 29.2.

The decrease in contracts assets of RMB17.3 million in 2018 is in line with decrease in business activities.

There is no expected credit loss to be recognised as the amounts of contract assets are current and are expected to be receivable.

Contract liabilities
The contract liabilities relate to advances received from customers for on–going contracts, for which revenue is recognised for achieving certain contract milestones.

Contract liabilities decreased by RMB5.0 million in 2018 which is in line with the decrease in business activities.

(i) Revenue recognised in relation to contract liabilities

The Group	31 December 2018 RMB'000	31 December 2017 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**10,257**	-

(ii) Unsatisfied performance obligations

The Group	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 31 December	**4,357**	-#	-#

As permitted under the transitional provisions in the SFRS(I) 15, the transaction price allocated to partially or fully unsatisfied performance obligations as of 31 December 2017 and 1 January 2017 is not disclosed.

7 Contract assets and liabilities (Cont'd)

(ii) Unsatisfied performance obligations (Cont'd)

Management expects that 100% of the transaction price allocated to the unsatisfied performance obligations as of 31 December 2018 will be recognised as revenue during the next reporting period.

(iii) The Group has not recognised any asset in relation to costs to fulfil specialised equipment construction contracts.

8 Inventories

	31 December		1 January
	2018	2017	2017
The Group	**RMB'000**	RMB'000	RMB'000
Raw materials, at cost	**1,281**	1,281	1,307
Income statement:			
Cost of inventories included in cost of sales	**23,667**	61,141	15,171

9 Trade and other receivables

	The Group			The Company		
	31 December		1 January	**31 December**		1 January
	2018	2017	2017	**2018**	2017	2017
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
Trade receivables (Gross) (Note 29.2)	**11,983**	15,497	**15,446**	**-**	-	-
Allowance for impairment (Note 29.2)	**(2,282)**	(1,260)	**(10,028)**	**-**	-	-
	9,701	14,237	**5,418**	**-**	-	-
Retention receivables	**805**	3,859	**8,202**	**-**	-	-
Bills receivables	**-**	-	**336**	**-**	-	-
Other receivables	**38,395**	30,000	**13,137**	**-**	14	-
- Amount due from non-controlling interests	**-**	-	**155**	**-**	-	-
- VAT receivables	**526**	1,980	**-**	**-**	-	-
- Tendered deposits and security deposit	**31,310**	18,470	**4,910**	**-**	-	-
- Others	**6,559**	9,550	**8,072**	**-**	14	-
Amount owing by subsidiary (Note 6)	**-**	-	**-**	**-**	-	40,560
Allowance for impairment (Note 6)	**-**	-	**-**	**-**	-	(40,560)
Total	**48,901**	48,096	**27,093**	**-**	14	-

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

9 Trade and other receivables (Cont'd)

Retention receivables relate to amounts (ranging from 5% to 10% of the contract sums or agreed amounts with customers) withheld by customers normally for a period of one year or more as a form of warranty against defects in the construction projects. During the financial year, retention monies amounting to RMB1.3 million (2017 – RMB Nil) are written off because there are no reasonable expectations of recovering these contractual cash flows from customers.

The movement in the retention monies is as follow:

	The Group		
	31 December		1 January
	2018	2017	2017
	RMB'000	RMB'000	RMB'000
Retention monies	**2,105**	3,859	8,202
Allowance for impairment (Note 22(d))	**(1,300)**	-	-
	805	3,859	8,202

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

The amount due from subsidiary in 2017 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 2017 as the amount was deemed to be no longer receivable.

10 Deposits and prepayments

	The Group			The Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
Advances to trade suppliers	**26,949**	8,953	12,900	**-**	-	-
Deposit to a trade supplier	**68,600**	83,600	83,600			
Prepaid operating expense	**57**	127	302	**15**	-	39
Advances to non-trade suppliers	**1,189**	2,454	280	**-**	-	-
	96,795	95,134	97,082	**15**	-	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 before 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:

10 Deposits and prepayments (Cont'd)

- 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 the Group 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 FY2018, the deposits paid to a trade supplier of RMB68,600,000 (2017: RMB 83,600,000) are for 3 (2017 - 4) projects for the subsidiary group disclosed in Note 6. The deposits are paid for the same purpose as advances, but are refundable if the underlying projects are aborted. The supplier is one of the top suppliers in Dunhuang which is one of the locations that the Group operates in.

Below summarises the deposits to this trade supplier:

Supplier	2018	2017	Project
	RMB'000	RMB'000	
A	11,500	11,500	Wastewater treatment – Project 1
	-	15,000	Wastewater treatment – Project 2
	28,850	28,850	Wastewater treatment – Project 3
	28,250	28,250	Wastewater treatment – Project 4
Total	68,600	83,600	

In FY2017, wastewater treatment – project 2 was terminated. In FY2018, wastewater treatment project 1, 3 and 4 are currently under discussion with the customers as to its continuity.

In managing the credit risk exposure, the Group requested supplier A to refund the advance of RMB20 million (2017 – RMB 15 million) to be received in full by March 2019. The Group further instructed the supplier to repay all the deposits before the end of the financial year ending 31 December 2019. Subsequently, the Group entered into a settlement agreement with this supplier to obtain refund of the deposits for projects if not materialised in order to minimise its credit risk exposure. No allowance for impairment is provided for the remaining balance of RMB48.6 million (2017 – RMB 68.6 million). Based on the financial due diligence conducted by management, nothing has come to the management's attention that this supplier is in financial difficulties. In addition, the supplier has no history of default in refund to the Group upon termination of wastewater project during the last 2 financial years. The expected credit loss is assumed to be immaterial.

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 RMB1,190,000 (2017 - RMB1,650,000 and 1 January 2017 – RMB6,381,000) as at 31 December 2018 for the purpose of obtaining bills payable facilities of RMB1,190,000 (2017 - RMB820,000 and 1 January 2017 – RMB5,552,000). There is no (2017 – RMB 830,000 and 1 January 2017 – RMB Nil) issuance of performance guarantees to certain customers during the financial year.

12 Cash and cash equivalents

	The Group			The Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
Fixed deposit	**10,000**	-	-	**-**	-	
Cash on hand	**4**	6,613	102	**-**	-	-
Cash at bank	**512**	10,785	25,851	**56**	19	1,066
	10,516	17,398	25,953	**56**	19	1,066

The fixed deposit is placed with a bank for 7 days and bear interest at a rate of 1.1% (2017 – Nil) per annum.

The Group's and Company's bank balances bear interest at an average interest rate of between 0.30% - 0.35% (2017 - 0.3%) and Nil (2017 - 0.2%) per annum respectively.

13 Share capital

	No. of ordinary shares		Amount	
The Group and The Company	**2018**	2017	**2018**	2017
			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.

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.

14 PRC statutory common reserve (Cont'd)

The Group	2018 RMB'000	2017 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	2018 RMB'000	2017 RMB'000
Balance at beginning	**170**	-
Change in interest of a subsidiary (Note 6)	**-**	170
Balance at end	**170**	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 2018, 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.

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.

17 Deferred tax liabilities (Cont'd)

The unrecognised tax losses will expire as follows:

The Group	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
Year 2020	**-**	-	4,290
Year 2021	**-**	-	4,716
Year 2022	**2,693**	2,693	4,038
Year 2023	**3,714**	-	-
Balance at end	**6,407**	2,693	13,044

There is no utilization of losses brought forward from previous year as the subsidiaries, Jilin Anjie Environmental Engineering Co., Ltd and Jilin Anjie New Energy Power Generation Co., Ltd are in loss making position in 2018. In 2017, the subsidiaries has utilised RMB10,351,000 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		
	31 December		1 January			
	2018	2017	2017	**2018**	2017	2017
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
Trade payables	**50,204**	46,353	28,332	**-**	-	-
Bills payables	**1,190**	820	5,552	**-**	-	-
Other payables	**4,579**	3,070	1,489	**237**	489	156
Sundry payables	**-**	3,060	-	**-**	-	-
Amount due to subsidiary	**-**	-	-	**3,763**	539	138
Amount due to director	**277**	838	-	**244**	244	-
Net trade and other payables	**56,250**	54,141	35,373	**4,244**	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	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
Current			
Bank loans:			
China Merchants Bank Co., Ltd (招商银行长春大经路支行)	**54,860**	60,000	70,000
Third party loans	**10,249**	-	-
	65,109	60,000	70,000

The Group established a short term loan facility of RMB55 million (2017 - RMB80 million) during the financial year, of which the amount drawn down is RMB54.9 million (2017 - RMB60.0 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 weighted average interest rate for the bank loans is 8.71% (2017 - 5.84%) per annum.

The Group have also obtained unsecured interest-free loans of RMB6.5 million and unsecured loans of RMB3.7 million with an interest rate of 10% per annum from certain third parties. These loans are repayable on demand and are to be settled in cash. Subsequent to the year end, these unsecured loans of RMB10.2 million are fully repaid.

The carrying amounts of current borrowings approximate their fair values.

20 Other liabilities

	The Group			The Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
Accrued purchases	**9,615**	16,537	1,835	**-**	-	-
Accrued salary and related expenses	**2,181**	1,677	432	**1,634**	1,113	155
Deposits from customers	**6,252**	13,812	20,352	**-**	-	-
Accrued operating expenses	**1,371**	1,197	1,080	**1,371**	1,197	1,080
Accrued welfare expenses	**44**	131	131	**-**	-	-
	19,463	33,354	23,830	**3,005**	2,310	1,235

21 Principal activities and revenue

The principal activity of the Company is investment holding. Revenue by significant categories is as follows:

The Group	Overtime 2018 RMB'000	2017 RMB'000
PRC		
Contract revenue	**53,603**	119,838
Rendering of services	**215**	-
	53,818	119,838

22(a) Financial income and costs

The Group	2018 RMB'000	2017 RMB'000
Financial income:		
Interest income from bank balances	**31**	127
Financial costs:		
Interest expense on bank loans	**(4,435)**	(4,139)

22(b) Other income/(expenses)

The Group	2018 RMB'000	2017 RMB'000
Other income:		
Government grant	**-**	3
Gain on disposal of property, plant and equipment	**-**	59
Gain on disposal of subsidiary	**-**	1,401
Bad debts recovered	**420**	-
Write back of impairment allowance on trade receivables – net (Note 29.2)	**297**	8,768
Others	**40**	79
	757	10,310
Other expenses:		
Bad debts written off	**(861)**	-
Allowance for impairment of retention monies	**(1,300)**	-
Loss on disposal of club membership	**-**	(197)
Exchange loss	**(56)**	(6)
Contribution to the PRC Flood Prevention Fund	**(74)**	(58)
Loss on disposal of property, plant and equipment	**(8)**	-
Property, plant and equipment written off	**(1)**	(38)
Others	**(6)**	-
	(2,306)	(299)

22(c) Administrative expenses

The Group	2018 RMB'000	2017 RMB'000
Employees' salaries and related costs	**5,837**	4,114
Directors' fees and remunerations	**1,732**	2,460
Depreciation of property, plant and equipment	**625**	576
Amortisation of intangible assets and club membership	**1,282**	1,404
Operating lease expenses	**294**	293
Transportation expenses	**655**	362
Agent fees	**863**	799
Professional fees	**790**	559
Travelling and entertainment expenses	**3,010**	2,220
Others	**1,000**	1,033
	16,088	13,820

22(d) (Loss)/profit before taxation

The Group	Note	2018 RMB'000	2017 RMB'000
(Loss)/profit before taxation has been arrived at after charging/(crediting):			
Audit fee:			
- auditors of the Company		**735**	681
other auditors		**54**	-
Non audit fee:			
other auditors		**215**	-
Loss/(gain) on disposal of property, plant and equipment		**8**	(59)
Property, plant and equipment written off		**1**	38
Depreciation of property, plant and equipment	3	**878**	830
Amortisation of intangible assets and club membership	4&5	**1,282**	1,404
Allowance for impairment of trade receivables	29.2	**-**	696
Bad debts written off		**861**	-
Allowance for impairment of retention monies	29.2	**1,300**	-
Write-back of allowance for impairment of trade receivables - net #	29.2	**(297)**	(9,464)
Bad debts recovered		**(420)**	-
Loss on disposal of club membership		**-**	197
Gain on disposal of subsidiary		**-**	(1,401)
Operating lease expenses		**767**	772
Employees' compensations*	25	**10,514**	9,393

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

The write-back of impairment allowance in 2017 mainly relates to certain trade receivable who had initiated new contracts with the Group following a restructuring of its liabilities during the prior years. A settlement agreement with this customer was reached so as to recover the original debt owed to be completely settled before the end of 2018. The outstanding balances amounted to RMB3.36 million as at 31 December 2017 was received in full during the financial year.

23 Taxation

The Group	2018 RMB'000	2017 RMB'000
Current taxation	**28**	70
Overprovision in prior years	**(147)**	-
	(119)	70

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	2018 RMB'000	2017 RMB'000
(Loss)/profit before taxation	**(10,420)**	13,421
Tax at the domestic rates applicable to (loss)/profit in the countries concerned [1]	**(2,605)**	3,355
Difference in foreign tax rate	**290**	250
Tax effect on non-deductible expenses	**947**	526
Tax effect on non-taxable income	**(74)**	(2,366)
Effect of loss not available for offset against future profits - the Company	**617**	531
Effect of loss not recognised as deferred tax assets (Note17) - the Subsidiaries	**825**	237
Overprovision of current tax in prior years	**(147)**	-
Utilization of deferred tax assets previously not recognised	**-**	(2,539)
Others	**28**	76
	(119)	70

[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	2018 RMB'000	2017 RMB'000
Allowance written back - no tax deduction claimed in prior year	**74**	2,366

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

The Group	2018 RMB'000	2017 RMB'000
Purchases not supported by value added tax invoices	**25**	32
Entertainment expenses incurred over and above the amount deductible under the PRC tax regulations	**524**	271
Allowance of impairment of trade receivables and retention monies	**398**	174
Loss on disposal of club membership	**-**	49
	947	526

24 (Loss)/earnings per share

The (loss)/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 (2017 - 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 2017 and 2018.

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

The Group	2018	2017
(Loss)/profit for the year attributable to owners of the Company (RMB'000)	(10,297)	13,366
Weighted average number of ordinary shares	617,209,000	617,209,000
Basic and diluted (loss)/earnings per share (RMB cents)	(1.67)	2.17

25 Employee benefits

The Group	2018 RMB'000	2017 RMB'000
Employee benefits expenses (including directors)		
Directors' fees	525	524
Salaries and bonuses	8,466	7,506
Contribution to defined contribution plans	1,523	1,363
	10,514	9,393

26 Commitments

Operating lease commitments - as lessee

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

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

	The Group			The Company		
	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000	31 December 2018 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
Not later than one year	291	481	461	-	-	-
Later than one year but not later than five years	248	119	476	-	-	-
	539	600	937	-	-	-

The leases on the Group's offices on which rentals are payable will expire between 30 April 2019 and 31 July 2021 (2017 – 9 September 2018 and 30 April 2019). The current rent payable on the leases are between RMB3,520 and RMB29,750 (2017 - 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	2018 RMB'000	2017 RMB'000
Directors' remuneration		
- Directors' fees	**525**	524
- Salaries, bonuses and other short-term benefits	**1,084**	1,657
- Contribution to defined contribution plans	**123**	279
Key management personnel (other than directors)		
- Salaries, bonuses and other short-term benefits	**1,324**	1,534
- Contribution to defined contribution plans	**145**	237
	3,201	4,231

Other members of Group's key management in FY2018 comprise Deputy General Manager, CFO, Sales Manager and Administration and Human Resource Manager. The Group's General Manager left on January 2018 and his responsibilities are assumed by the deputy General 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.

28 Operating segments (cont'd)

The Group

(a) By business

	Dust elimination RMB'000	Desulphurisation RMB'000	Subtotal RMB'000	Industrial wastewater RMB'000	Design, technical services & others RMB'000	Total RMB'000
2018						
Revenue						
Sales to external customers	**39,095**	**-**	**39,095**	**14,508**	**215**	**53,818**
Results						
Segment gross profit	**12,103**	**-**	**12,103**	**1,825**	**215**	**14,143**
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

(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 2018, revenue from three (2017: three) major customers amounted to RMB14.5 million, RMB7.8 million and RMB7.3 million (2017: RMB60.7 million, RMB12.5 million and RMB12.0 million), arising from sales by the dust elimination and industrial wastewater segments. In FY2017, the sales derived from these major customers were mainly from desulphurization and dust elimination segments.

29 Financial risk management objectives and policies

The Group and the Company financial risk management 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 (2017 - 50) basis points higher/lower with all other variables held constant, the Group's profit net of tax would have been RMB53,000 (2017 - RMB87,000) lower/higher, arising mainly as a result of higher/lower interest expenses on bank borrowings. 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 refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group adopts the policy of dealing only with:

- Customers of appropriate credit standing and history, and obtaining sufficient collateral where appropriate to mitigate credit risk; and
- High credit quality counterparties rating by external credit rating companies.

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

(a) upon signing of a contract, an advance payment between nil to 30% of the total contract value;
(b) upon delivery of equipment and systems to customers, between nil and 60% of the contract value;

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

29.2 Credit risk (Cont'd)

(c) after the installation and commissioning of equipment and systems, the issue of the project completion report by the Group 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 up to 3 years to pay the advance payments and progress billings. Some of the customers may pay even before the issue of notification of payments to them.

Measures to curtail credit risk

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

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. The maximum exposure of the Company in respect of the intra-group financial guarantee at the reporting date is the facility drawn down by the subsidiary in the amount of RMB 54.86 million (2017 - RMB60 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.

The Group and the Company exposure to credit risk arises primarily from trade and other receivables, contract assets, deposits pledge to bank and bank balances.

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

29.2 Credit risk (Cont'd)

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. Bank balances are deposits with reputable banks.

Expected credit losses

The movement for expected credit losses of trade receivables, retention monies and contract assets computed based on lifetime ECL under SFRS(I) 9 is as follow:

The Group	Trade receivables RMB'000	Retention monies RMB'000	Contract assets RMB'000	Total RMB'000
Balance at 1 January 2018 under SFRS	1,260	-	-	1,260
Adoption of SFRS(I) 9 (Note 2(b))	1,319	-	-	1,319
Balance at 1 January 2018 under SFRS(I) 9	2,579	-	-	2,579
Loss allowance recognised in profit or loss during the year on (Note 22 (d))				
- Assets acquired/originated	-	1,300	-	1,300
- Reversal of unutilised amounts	(297)	-	-	(297)
	(297)	1,300	-	1,003
Balance at 31 December 2018	2,282	1,300	-	3,582

No adjustment has been made to the allowance for retention monies and contract assets on initial adoption of SFRS(I) 9 as the amount to be adjusted is insignificant.

Cash and cash equivalents and other receivables are subject to immaterial credit loss.

(a) Trade receivables, retention monies and contract assets

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables, retention monies and contract assets.

In measuring the expected credit losses, trade receivables, retention monies and contract assets are grouped based on shared credit risk characteristics and days past due. The contract assets relate to unbilled work in progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the China loan default loss rates to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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

29.2 Credit risk (Cont'd)

Expected credit losses (Cont'd)

Trade receivables, retention monies and contract assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group considers a financial asset as in default if the counterparty fails to make contractual payments within 365 days when they fall due, and writes off the financial asset when a debtor fails to make contractual payments greater than 365 days past due. Where receivables are written off, the company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

The Group's and the Company's credit risk exposure in relation to trade receivables, retention monies and contract assets under SFRS(I) 9 as at 31 December 2018 are set out in the provision matrix as follows:

The Group	Trade receivables RMB'000	Retention monies RMB'000	Contract assets RMB'000	Total RMB'000
Expected loss rate	14.7%	14.7%	14.7%	
Balances individually assessed with no expected credit loss (ECL)	339	-	41,524	41,863
Balance subject to ECL	10,976	805	318	12,099
Loss allowance	1,614	*	*	1,614
Level 3 impairment on trade receivables	668	1,300	-	1,968
Total loss allowance	2,282	1,300	-	3,582

* The loss allowance on retention monies and contract assets balance subject to ECL is insignificant.

The Company

The Company is not exposed to significant expected credit losses on its bank balances and trade and other receivables.

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements of SFRS(I) 9. The Company has assessed that its subsidiaries have the financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from these guarantees.

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:

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

29.2 Credit risk (cont'd)

	31 December				1 January	
	2018		2017		2017	
The Group	**RMB'000**	**% of total**	RMB'000	% of total	RMB'000	% of total
By industry sector						
Construction	**320**	**10.2**	-	-	1,980	36.5
Steel	**-**	**-**	6,592	46.3	1,000	18.5
Heat supply	**7,897**	**71.9**	4,168	29.3	80	1.5
Investment management	**19**	**0.2**	-	-	18	0.3
Energy	**-**	**-**	-	-	847	15.6
Others	**1,465**	**17.7**	3,477	24.4	1,493	27.6
	9,701	**100.0**	14,237	100.0	5,418	100.0

As at 31 December 2018, none (2017 - none) of the trade receivables individually exceed 5% of the Group's total assets.

Previous accounting policy for impairment of trade and other receivables
In 2017, the impairment of financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

The Group considered that there was evidence if any of the following indicators were present:
• Significant financial difficulties of the debtor;
• Probability that the debtor will enter bankruptcy or financial reorganisation; and
• Default or delinquency in payments (more than 360 days overdue).

The Group's and the Company's credit risk exposure in relation to trade receivables under SFRS 39 as at 31 December 2017 and 1 January 2017 are set out in the provision matrix as follows:

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

	The Group		The Company	
	31 December 2017 RMB'000	1 January 2017 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
Current – Neither past due nor impaired	37,017	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.

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

29.2 Credit risk (cont'd)

Previous accounting policy for impairment of 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	
	31 December 2017 RMB'000	1 January 2017 RMB'000	31 December 2017 RMB'000	1 January 2017 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 any allowance for impairment of trade receivables for the remaining outstanding balances in FY2017 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 Company's and Group's amount owing to subsidiary and trade receivables that is impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	The Group Individually impaired		The Company	
	31 December 2017 RMB'000	1 January 2017 RMB'000	31 December 2017 RMB'000	1 January 2017 RMB'000
Gross amount	1,260	10,028	-	40,560
Allowance for impairment loss	(1,260)	(10,028)	-	(40,560)
	-	-	-	-

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

29.2 Credit risk (cont'd)

Previous accounting policy for impairment of trade and other receivables (Cont'd)

Movement in allowance accounts:	The Group 31 December 2017 RMB'000	The Group 1 January 2017 RMB'000	The Company 31 December 2017 RMB'000	The Company 1 January 2017 RMB'000
Allowance for impairment of trade receivables and amount owing to 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)	-	-
Impairment of trade receivables	-	(159,290)	(40,560)	-
Balance at end	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.

Other than the above, there are no credit loss allowance for other financial assets at amortised costs as at 31 December 2017 and 1 January 2017.

29.3 Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or other financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

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

The Group	Note	**1 year or less 31 December 2018 RMB'000**	1 year or less 31 December 2017 RMB'000	1 year or less 1 January 2017 RMB'000
Non-derivative financial liabilities				
Borrowings		**69,544**	64,139	74,106
Trade and other payables	18	**56,250**	54,141	35,373
Other liabilities	20	**19,463**	33,354	23,830
Total undiscounted financial liabilities		**145,257**	151,634	133,309

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

29.3 Liquidity risk (Cont'd)

	Note	**1 year or less 31 December 2018 RMB'000**	1 year or less 31 December 2017 RMB'000	1 year or less 1 January 2017 RMB'000
The Company				
Non-derivative financial liabilities				
Trade and other payables	18	**4,244**	1,272	294
Other liabilities	20	**3,005**	2,310	1,235
Corporate guarantee		**54,860**	60,000	70,000
Total undiscounted financial liabilities		**61,109**	63,582	71,529

The Group and the Company do not have any financial liabilities that matured more than 1 year. Except for borrowings, balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

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

Management 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 RMB56,000 (2017 - RMB19,000) for the Group.

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

29.4 Foreign currency risk (Cont'd)

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 and the Company's profit before tax and equity:

The Group	**2018** Profit before taxation RMB'000	**2018** Equity RMB'000	2017 Profit before Taxation RMB'000	2017 Equity RMB'000	1 January 2017 Profit before Taxation RMB'000	1 January 2017 Equity RMB'000
SGD against RMB						
- strengthened by 5% (2017 - 5%)	**1**	**1**	1	1	157	157
- weakened by 5% (2017 - 5%)	**(1)**	**(1)**	(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, taking into consideration the future capital requirements of the Group capital efficiency, prevailing and projected revenue, projected operating cash flows and projected capital expenditures. The Group currently does not adopt any formal dividend policy.

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

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 borrowings, trade and other payables and other liabilities less cash and cash equivalents. The Group's gearing ratio has increased due to increased participations in tendering of contracts. Notwithstanding the high gearing ratio, management continues to keep a tight rein on costs and maintains focus on collections of trade receivables. Given the economic slowdown and uncertainty in China, management is hopeful that the various stimulus measures as implemented by the PRC government will help to revive the Chinese economy. The Group has secured a decent order book for FY2019 and hopes the timely executions and deliveries of these contracts plus new and potentially larger scale contracts will help to increase its cash and cash equivalents so as to reduce its overall net debt and improves its gearing ratio.

Total capital is calculated as equity plus net debt.

The Group	Note	**2018 RMB'000**	2017 RMB'000	2016 RMB'000
Borrowings	19	**65,109**	60,000	70,000
Trade and other payables	18	**56,250**	54,141	35,373
Other liabilities	20	**19,463**	33,354	23,830
Less: Cash and cash equivalents	12	**(10,516)**	(17,398)	(25,953)
		130,306	130,097	103,250
Equity attributable to owners of the parent		**64,569**	76,185	62,989
Less: PRC statutory common reserve	14	**(31,748)**	(31,748)	(31,748)
Total capital		**32,821**	44,437	31,241
Capital and net debt		**163,127**	174,534	134,491
Gearing ratio		**79.9%**	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 Fair value measurement (Cont'd)

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 2018 and 2017.

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		
		31 December		1 January	31 December		1 January
		2018	2017	2017	**2018**	2017	2017
	Note	**RMB'000**	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
Financial assets							
Trade and other receivables	9	**48,375**	46,116	27,093	**-**	14	-
Deposits	10	**68,600**	83,600	83,600	**-**	-	-
Bank deposits pledged	11	**1,190**	1,650	6,381	**-**	-	-
Cash and bank balances	12	**10,516**	17,398	25,953	**56**	19	1,066
		128,681	148,764	143,027	**56**	33	1,066
Financial liabilities							
Trade and other payables	18	**56,250**	54,141	35,373	**4,244**	1,272	294
Borrowings	19	**65,109**	60,000	70,000	**-**	-	-
Other liabilities	20	**19,463**	33,354	23,830	**3,005**	2,310	1,235
		140,822	147,495	129,203	**7,249**	3,582	1,529

33 Subsequent event

Subsequent to the year end, the outstanding bank loan amount of RMB5.0 million which is due on 11 March 2019 with interest rate of 5.87% per annum is fully repaid and loan of RMB5.0 million with interest rate of 7.9% per annum is drawn down on 11 March 2019.

SHAREHOLDERS' STATISTICS

As at 21 March 2019

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	:	1,296
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	1.16	12,300	–
1,001 - 10,000	275	21.22	2,120,000	0.35
10,001 - 1,000,000	973	75.08	86,918,600	14.08
1,000,001 and above	33	2.54	528,158,100	85.57
	1,296	100.00	617,209,000	100.00

Based on information available to the Company as at 21 March 2019, 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	110,309,800	17.87
3	RAFFLES NOMINEES (PTE) LIMITED	32,026,400	5.19
4	QIU YUHUA	30,767,300	4.98
5	XU HAN	27,122,000	4.39
6	PHILLIP SECURITIES PTE LTD	23,701,300	3.84
7	WANG DONGMING	10,648,000	1.73
8	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	10,115,000	1.64
9	LIM AND TAN SECURITIES PTE LTD	9,031,000	1.46
10	CHE WENJING	7,442,000	1.21
11	YANG YUGUANG	6,376,000	1.03
12	TAN KUANG HUI	5,500,000	0.89
13	LIU ENHUI	4,727,000	0.77
14	TEO YI-DAR (ZHANG YIDA)	4,684,800	0.76
15	NEE LUNG-YUAN	3,400,000	0.55
16	TAN ENG CHUA EDWIN	3,381,000	0.55
17	MA XIAOYING	2,979,000	0.48
18	LIM KENG HOE	2,800,000	0.45
19	CITIBANK NOMINEES SINGAPORE PTE LTD	2,761,000	0.45
20	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,416,000	0.39
		507,491,600	82.22

SHAREHOLDERS' STATISTICS

As at 21 March 2019

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Registrar of Substantial Shareholders as at 21 March 2019)

	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 Tuesday, 30 April 2019 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 2018 together with the Auditors' reports thereon. **(Resolution 1)**

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

3. To re-elect Mr Mak Yen-Chen Andrew, who is retiring by rotation in accordance with Regulation 104 of the Company's Constitution, as Director of the Company. **(Resolution 3)**
   (See Explanatory Note (ii))

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 2019 and to pay the Directors' fees in arrears on a quarterly basis over the financial year 2019. **(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 (iii))

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 given 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 treasury shares and subsidiary holdings at any time and from time to time.

(See Explanatory Note (iv))

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

15 April 2019

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

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

(iii) Resolution 6, if passed, will empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 50 per cent. (50%) of the total number of issued shares excluding treasury shares 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.

(iv) 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.

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

ANNUAL GENERAL MEETING
PROXY FORM

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

I/We, ______________________________ (Name)

of ______________________________ (Address)

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

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting ("AGM") of the Company ("AGM"), to be held at RELC International Hotel, Tanglin Room 2, Level 1, 30 Orange Grove Road, Singapore 258352, on Tuesday, 30 April 2019 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 2018 together with the Auditors' report thereon.		
2	Re-election of Mr Goh Kay Seng Edwin as a Director of the Company.		
3	Re-election of Mr Mak Yen-Chen Andrew as a Director of the Company.		
4	Approval of proposed Directors' fees of S$107,000/- for the financial year ending 31 December 2019 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 (Ö) within the box provided.

Dated this __________ day of ________________ 2019

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, Cap.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 15 April 2019.

Leader Environmental Technologies Limited

(Company Registration No.: 200611799H)

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