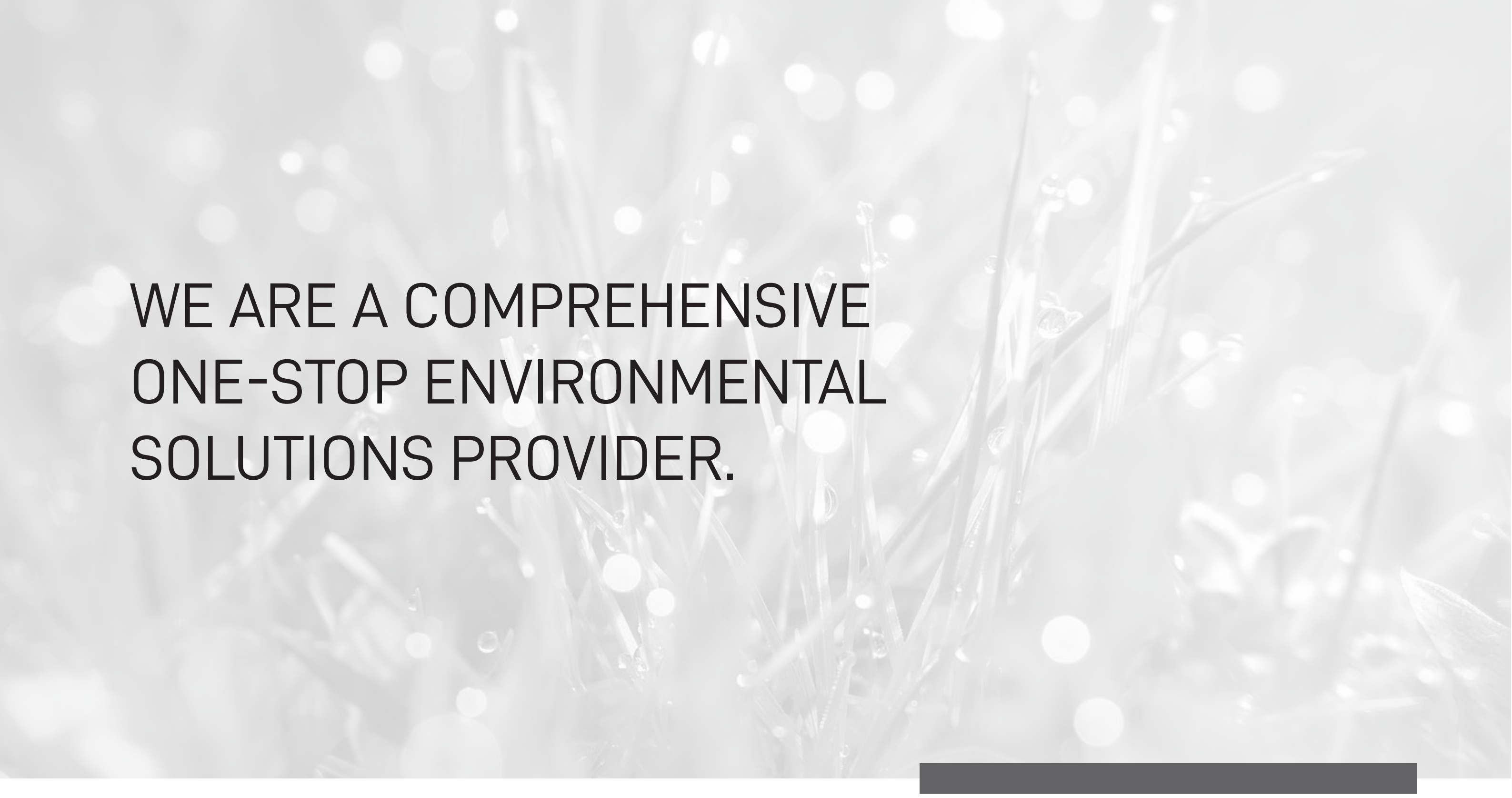
LEADER ENVIRONMENTAL TECHNOLOGIES LIMITED

DAWNING POSSIBILITIES

ANNUAL REPORT 2019



WE ARE A COMPREHENSIVE ONE-STOP ENVIRONMENTAL SOLUTIONS PROVIDER.

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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

Liu Kaiyi (刘开一) (Date of appointment: 20 February 2020)
Independent Non-Executive Director

AUDIT COMMITTEE

Goh Kay Seng Edwin (Chairman)

Mak Yen-Chen Andrew

Liu Kaiyi

NOMINATING COMMITTEE

Liu Kaiyi (Chairman)

Lin Baiyin

Goh Kay Seng Edwin

REMUNERATION COMMITTEE

Mak Yen-Chen Andrew (Chairman)

Goh Kay Seng Edwin

Liu Kaiyi

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: Yeo Boon Chye
(Year of appointment: with effect from the financial year ended 31 December 2019)

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

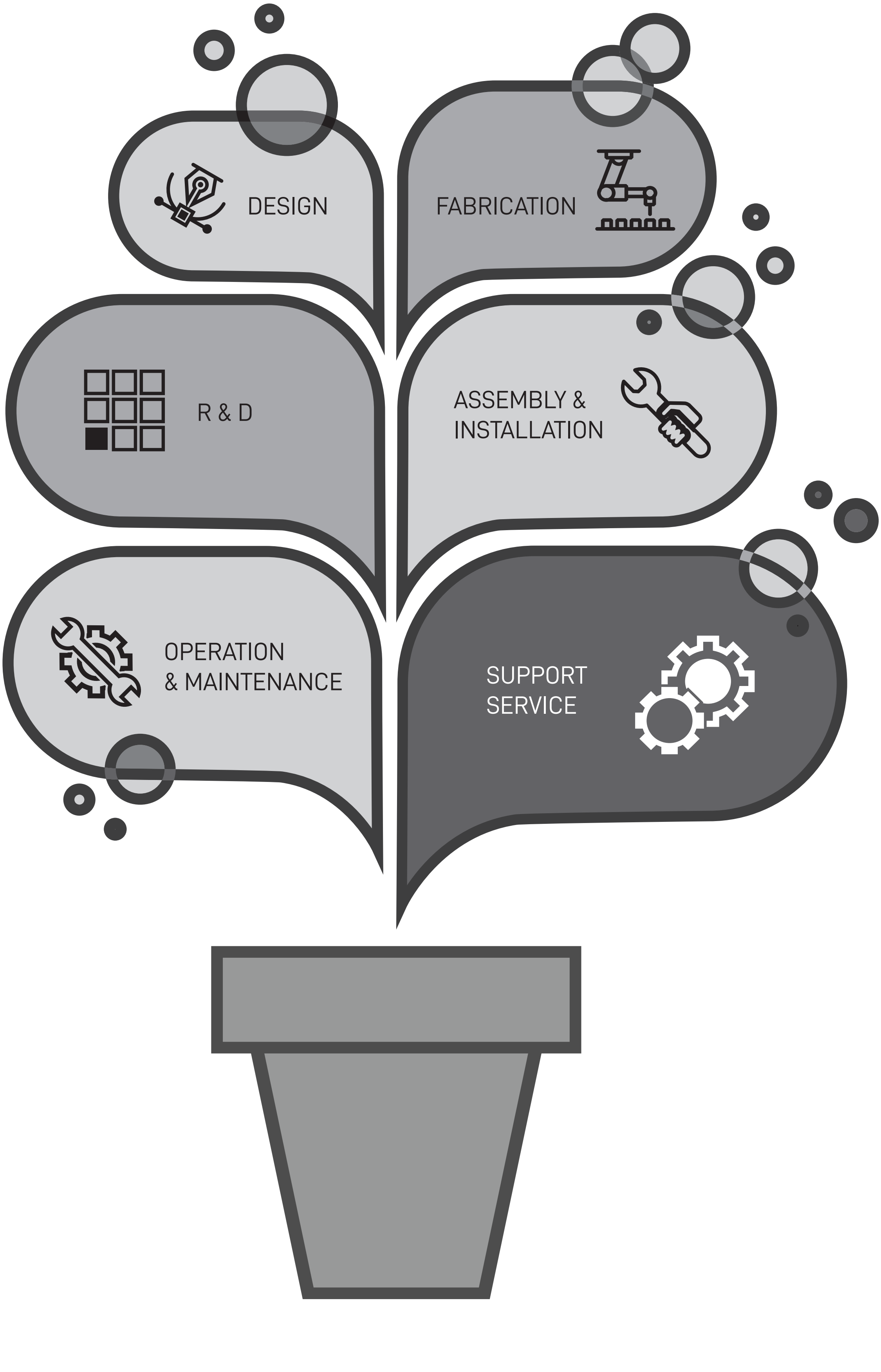
Based in the PRC, Leader Environmental Technologies Limited is principally engaged in the business of research and development, design, fabrication, assembly, installation and support services of environmental protection systems, primarily for industrial wastegas and wastewater treatments. The Group 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/m³. There are very few technologies in the PRC that can achieve similar standards. The common market average dust elimination emission standard is approximately 30 mg/m³.

Desulphurization

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

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

Double Alkali Desulphurization and Magnesium Oxide Desulphurization

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

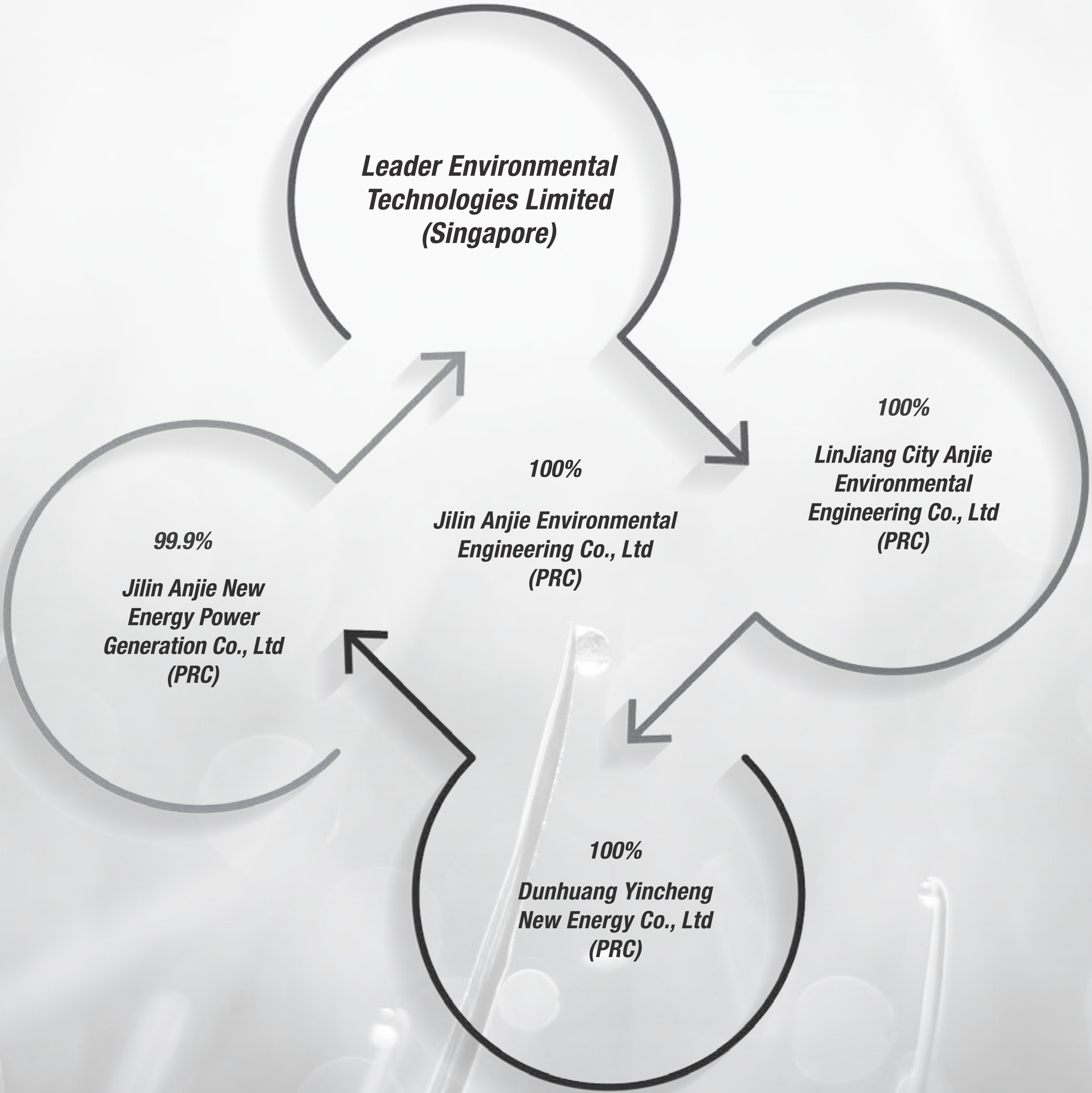
Denitrification

Selective Non-Catalytic Reduction ("SNCR") Method

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

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

GROUP STRUCTURE



CHAIRMAN'S STATEMENT

LIN BAI YIN
Executive Chairman and CEO

Dear Shareholders,

The ramifications of the COVID-19 pandemic have proven to be more far-reaching than expected. Our appraisement for the financial year 2019 has been delayed in consequent. The management team had begun the year with the goal of achieving an improved set of results over FY2018. Regrettably, it has not been so as our Group's net operating loss widened to almost RMB24.1 million in 2019. Unforeseen delay in the commencement of one of our key projects has affected our results, and despite continuing to adopt a prudent approach in our cash flow management, our Group has suffered further impairment loss on its receivables and contract assets amidst the deteriorating credit environment in China. The silver lining however, is that the Group continues to have the support of the financial institutions with the successful renewal of its RMB50 million bank loan. The available funding will allow us to focus on the completion of the projects in progress as well as allocate resources towards the fulfilment of our order books.

The on-going coronavirus outbreak has created much fear and anxiety throughout China, culminating in postponements of project discussions and tender exercises by our customers. We therefore expect to secure fewer industrial wastegas and wastewater contracts in the coming year. In addition, there is also the likelihood of further rescheduling of works on the uncompleted contracts until the work- related restrictions are lifted by the PRC authorities. In its efforts to bolster the economy against the disruptions caused by the outbreak, the PRC government has swiftly ramped up policy support for the economy, in particular measures to support lending and ease borrowing costs for affected businesses. The PRC government insofar has resisted large-scale blanket relief measures, but will have the wherewithal to ease monetary conditions further and more extensively should the adversities persist. We are confident to ride through this difficult period with help and support from the PRC government.

CHAIRMAN'S STATEMENT

In its way forward, the Group will continue to focus on sourcing for larger scale contracts, especially those from the industrial wastewater segment. We see much potential in this business segment with the emergence of more large scale contracts with recurring income potential in the pipelines. The successful pursuit these contracts will provide stable and sustainable contributions to the Group's business over time. Securing external funding for such contracts should also be easier as the banks are generally more inclined to support larger scale projects.

On the brighter side of things, the Group welcomed the appointments of two key management staff in late 2019. We trust that their backgrounds, vast experiences and skill sets will add news dynamism to our sales and finance teams. Their appointments also underline the Company's commitment to invest in human resource. In addition, the Company is in the midst of obtaining shareholders' approval at an Extraordinary General Meeting to raise funds amounting to approximately S$1.8 million through a share placement exercise for 120 million shares, and in the process, attracting an established strategic investor who has had much success and experience in the environmental industry.

On behalf of the Board, I would like to express my heartfelt appreciation to Ms Zhai Guihua, who resigned in November 2019, after more than 9 years of service. She was the Chairman of the Nominating Committee. We wish her all the best in her future endeavours. At the same time, we would like to welcome Mr Liu Kaiyi as Independent Non-Executive Director on the Board. The Group can tap on his valuable experience in advising Chinese companies on funding for public- private partnership projects, an area which the Group is keen to explore. Last, but not least, I would also like to express my sincere appreciations to our board of Directors, employees, bankers, suppliers, and customers for their unfailing support in this difficult year. Notwithstanding the set-back and disappointment in FY2019, my team remains committed and determined to deliver a much improved set of operating results in the new financial year.

LIN BAI YIN
Executive Chairman and CEO

OPERATIONS AND FINANCIAL REVIEW

Revenue

Total revenue decreased by RMB16.6 million or 30.8% in FY2019, from RMB53.8 million in FY2018 to RMB37.2 million in FY2019. The dust elimination segment was the main drag on the overall performance of the Group as the revenue decreased by RMB28.8 million to RMB10.3 million in FY2019. In addition, the absence of revenue from the design, technical and others segment of RMB0.2 million also contributed to the Group's lower revenue in FY2019. The decrease was partly offset by increased revenue from the industrial wastewater segment of RMB12.4 million due to new contracts added.

Profitability

Cost of sales of the Group constituted 73.7% and 74.7% of its revenue in FY2018 and FY2019 respectively. Cost of sales decreased by RMB11.9 million or 29.9%, from RMB39.7 million in FY2018 to RMB27.8 million in FY2019.

Overall gross profit margin decreased marginally by 1.0%, from 26.3% in FY2018 to 25.3% in FY2019 due to smaller dust elimination contracts undertaken.

Financial income

The decrease in financial income from RMB31,000 in FY2018 to RMB22,000 in FY2019 was not significant.

Other income

Other income of RMB146,000 in FY2019 relates mainly to write-back of advance received from certain customer.

Operating expenses

Selling and distribution expenses decreased by RMB1.2 million or 48.8%, from RMB2.5 million in FY2018 to RMB1.3 million in FY2019 due to lower payroll and related costs of RMB0.5 million as a result of staff attritions and layoffs. Furthermore, travelling and entertainment expenses and others also decreased by RMB0.4 million and RMB0.3 million respectively in FY2019, in line with the decrease in business activities during the financial year.

Administrative expenses decreased by RMB5.6 million or 34.8%, from RMB16.1 million in FY2018 to RMB10.5 million in FY2019 attributed to lower payroll and related costs incurred of RMB2.0 million attributed to staff attritions and layoffs, and amortization costs on intangible assets of RMB1.0 million as the deferred development costs were fully amortized in FY2018. In addition, travelling, transportation, and entertainment, others and office expenses also decreased by RMB1.5 million, RMB1.0 million and RMB0.1 million respectively, and the lower expenditure incurred was in line with the decrease in business activities during the financial year.

Higher finance costs were incurred of RMB1.5 million or 32.5%, from RMB4.4 million in FY2018 to RMB5.9 million in FY2019 due to the higher weighted interest rate charged of 9.19% in FY2019 (FY2018: 8.71%), partly offset by the lower average loan quantum drawn down of RMB50.0 million in FY2019 (FY2018: RMB54.9 million). There was also interest paid on the third party loans of RMB0.7 million in 4Q2019. Furthermore, the Group also obtained unsecured short term loans amounting to RMB10.0 million from another bank in November 2019, bearing interest rate of 5.22%. These loans were fully repaid in December 2019.

Other operating expenses increased by RMB14.5 million, from RMB1.6 million in FY2018 to RMB16.1 million in FY2019. The increase is attributed to higher net impairments of trade and other receivables amounting to RMB15.1 million as a result of the application of the expected credit risk model coupled by higher loss on disposal of property, plant and equipment amounting to RMB0.2 million. The increase was partly offset by lower bad debts written off from certain steel maker of RMB0.8 million.

Taxation

Income tax expense increased by RMB0.1 million or 105.0% in FY2019 due mainly to the absence of a reversal of tax provision of RMB0.1 million in FY2019 as it was deemed to be no longer payable by the tax authority.

In view of the above, loss after taxation increased by RMB13.8 million or 134.0%, from loss after taxation of RMB10.3 million in FY2018 to loss after taxation of RMB24.1 million in FY2019.

Financial Position

As at 31 December 2019, non-current assets amounted to RMB9.9 million and comprised property, plant and equipment ("PPE") of RMB8.6 million, and intangible assets of RMB1.3 million.

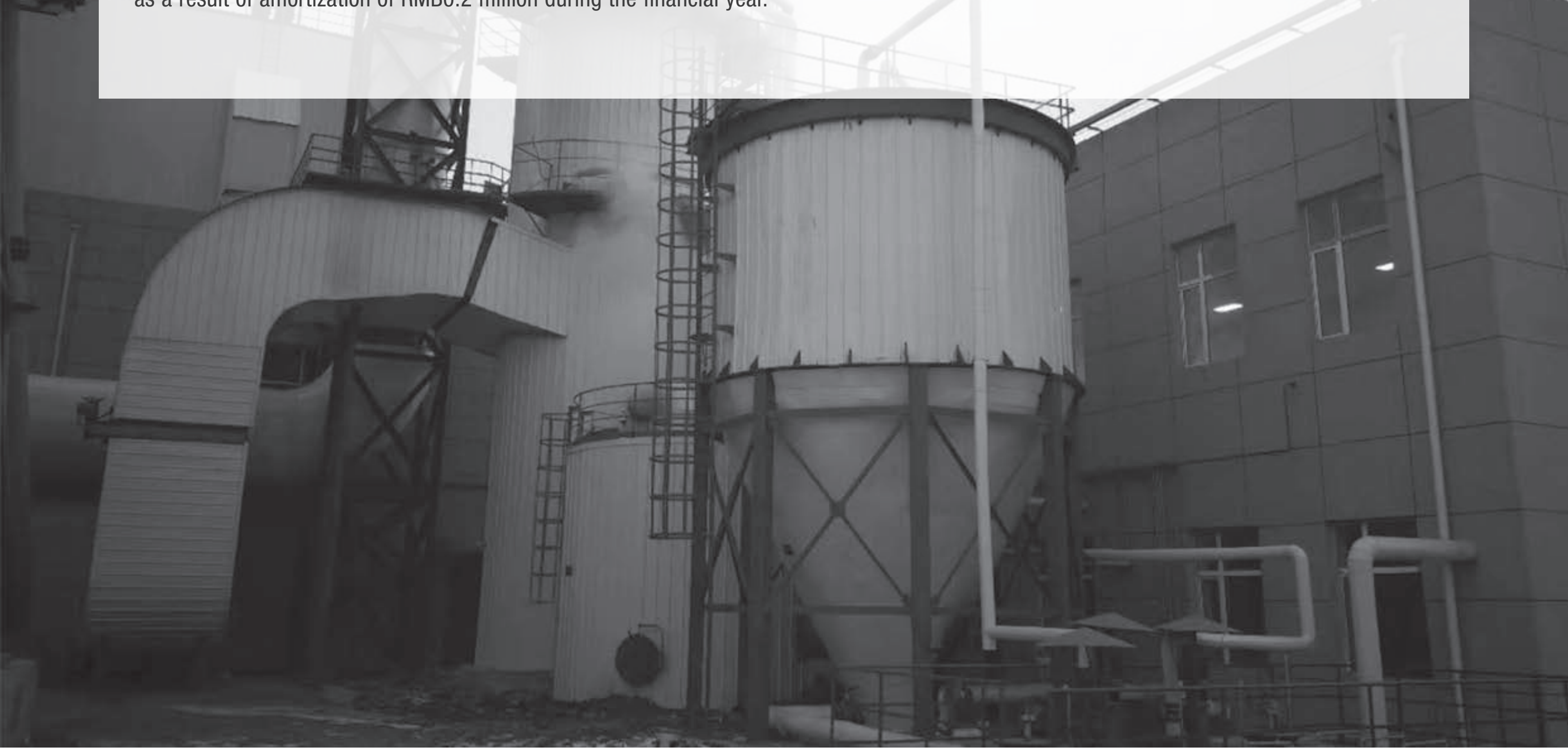
The decrease in PPE of RMB0.8 million was due mainly to disposal of motor vehicle with a net book value of RMB0.7 million coupled by depreciation of RMB1.0 million during the financial year. The decrease was partly offset by the recognition of right-of-use, asset amounting to RMB1.0 million during the financial year following the adoption of SFRS(I) 16 leases.

Intangible assets decreased by RMB0.2 million, from RMB1.5 million as at 31 December 2018 to RMB1.3 million as at 31 December 2019 as a result of amortization of RMB0.2 million during the financial year.

Current assets comprised contract assets, inventories, trade and other receivables, prepayments, bank deposits pledged and cash and cash equivalents. Current assets amounted to RMB158.7 million and RMB200.5 million as at end of 31 December 2019 and 31 December 2018 respectively. Our current assets accounted for 94.1% and 94.8% of our total assets as at 31 December 2019 and 31 December 2018 respectively.

Contract assets amounted to RMB20.1 million and RMB41.8 million as at 31 December 2019 and 31 December 2018 respectively, constituting 12.7% and 20.9% of our current assets as at the respective dates. The decrease of RMB21.7 million was attributed to allowance for impairment of RMB3.3 million, and in line with the decline in revenue.

Inventories amounted to RMB1.3 million and RMB0.9 million as at 31 December 2018 and 31 December 2019 respectively. The decrease of RMB0.4 million was in line with the decrease in business activities during the financial year. The Group normally does not maintain high level of inventories in the warehouse due to relatively short purchasing lead time.



OPERATIONS AND FINANCIAL REVIEW

Trade and other receivables comprised trade receivables, retention monies and other receivables amounted to RMB126.4 million and RMB145.6 million as at 31 December 2019 and 31 December 2018 respectively, and accounted for approximately 79.7% and 72.6% of our current assets as at the respective balance sheet dates. Trade receivables amounted to RMB3.5 million as at 31 December 2019, a decrease of RMB6.1 million over FY2018. The decrease was attributed to collections and in line with the decrease in business activities, partly offset by the higher write-back in allowance for trade receivables of RMB1.6 million during the year.

Retention monies amounted to RMB5.8 million as at 31 December 2019, representing an increase of RMB5.0 million over FY2018 as a result of more completed contracts which were commissioned and handed over to the customers, partly offset by an increase in allowance for impairment of RMB0.2 million as a result of the application of the expected credit loss model.

Other receivables comprised VAT receivables, advances to trade suppliers, non-trade, third party, tender and security deposits and employees amounted to RMB117.1 million as at 31 December 2019. There was a decrease of RMB18.1 million due mainly to refunds of deposits, allowance for impairments of trade, non-trade suppliers and tender and security deposits as a result of the expected credit loss model application. The decrease was also in line with the overall decrease in business activities.

Bank deposits pledged to secure the bills payable facility increased by RMB0.3 million, from RMB1.2 million as at 31 December 2018 to RMB1.5 million as at 31 December 2019.

Cash and cash equivalents amounted to RMB9.7 million and RMB10.5 million as at 31 December 2019 and 31 December 2018 respectively, and accounted for approximately 6.1% and 5.2% of current assets as at the respective balance sheet dates.

Net cash generated from operating activities was RMB19.9 million compared to net cash used in operating activities of RMB7.5 million in the prior year. This was due mainly to several refunds received from certain suppliers coupled by lower working capital requirements.

Net cash generated from investing activities was RMB0.4 million. This was directly attributable to the proceeds received from the disposal of motor vehicle of RMB0.4 million.

Net cash used in financing activities was RMB21.2 million. This was due mainly to the repayments of third-party loans of RMB10.2 million and repayments of bank borrowings of RMB4.9 million during the financial year. In addition, there was also interest paid of RMB5.8 million and principal repayment of lease liabilities amounting to RMB0.2 million during the financial year.

Non-current liabilities comprised mainly lease liabilities of RMB0.5 million following the adoption of SFRS (I) 16 Leases.

Current liabilities comprised mainly gross amount due to contract liabilities, trade and other payables, lease liabilities, loans and borrowings and other liabilities. Current liabilities amounted to RMB127.8 million and RMB146.9 million as at 31 December 2019 and 31 December 2018 respectively, and accounted for 99.6% and 100.0% respectively of our total liabilities as at the respective balance sheet dates.

Contract liabilities decreased by RMB0.4 million, from RMB6.1 million as at 31 December 2018 to RMB5.7 million as at 31 December 2019. These pertained to advances received from customers on on-going contracts which works have yet to be performed. The decrease is in line with the decrease in business activities.

Trade payables were relatively flat at RMB49.9 million and RMB50.2 million respectively as at 31 December 2018 and 31 December 2019. The Group has delayed certain payments to suppliers pending the finalization of certain contracts and settlements with customers.

Other payables comprised primarily bills payable, VAT, other operating tax payables and other operating expenses. Other payables amounted to RMB7.0 million and RMB6.0 million as at 31 December 2019 and 31 December 2018 respectively. The increase of RMB1.0 million was attributed mainly to VAT payables of RMB1.3 million for issuance of billings to customers, increase in utilization of bills payable facilities in FY2019 of RMB0.3 million and higher advances from directors of RMB0.5 million for purpose of projects tenders. The increase was partly offset by decrease in other payables of RMB1.2 million, which was in line with the decrease in business activities.

OPERATIONS AND FINANCIAL REVIEW

Borrowings decreased from RMB65.1 million as at 31 December 2018 to RMB50.0 million as at 31 December 2019 due to repayments of third party borrowings of RMB10.2 million coupled by higher net repayments of bank borrowings of RMB4.9 million during the year as the loan quantum approved by the bank for drawn down for working capital was reduced from RMB55.0 million to RMB50.0 million in FY2019.

There were lease liabilities of RMB0.3 million following the adoption of SFRS (I) 16 Leases.

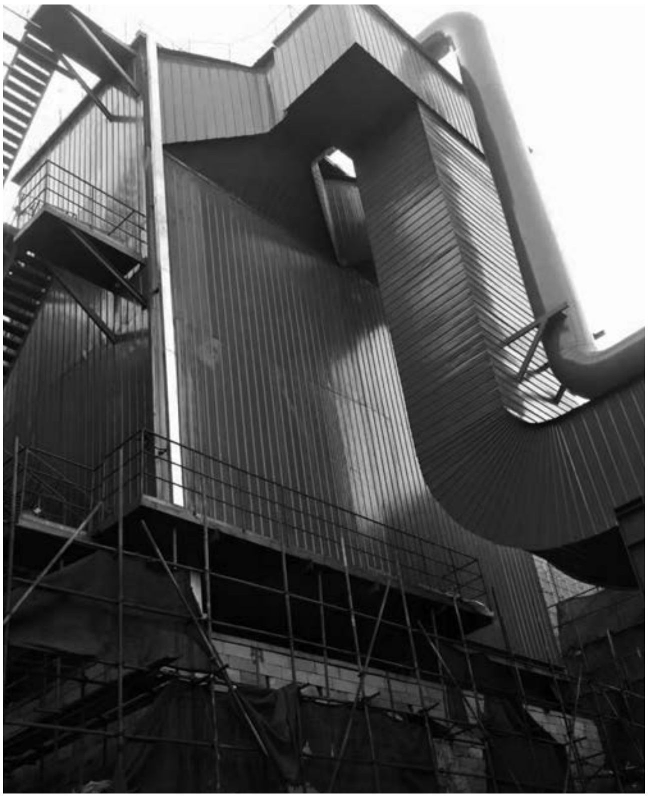
Other liabilities comprised accrued purchases, VAT, salaries and travelling expenses, other operating expenses, advances from customers and welfare expenses. Other liabilities amounted to RMB14.8 million and RMB19.5 million as at 31 December 2019 and 31 December 2018 respectively.

Accrued purchases, payroll and related expenses, operating expenses and welfare expenses amounted to RMB10.5 million and RMB13.2 million as at 31 December 2019 and 31 December 2018 respectively. The decrease of RMB2.7 million was in line with the decrease in business activities.

Advances from customers were RMB4.3 million and RMB6.3 million as at 31 December 2019 and 31 December 2018 respectively. The decrease of RMB2.0 million was mainly due to the transfer to contract liabilities as these contracts have already commenced works.

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 2019 amounted to RMB64.6 million. Loss attributable to owners of the Company amounted to RMB24.1 million in the current year. Consequently, total equity decreased to RMB40.5 million as at 31 December 2019, mainly attributable to equity holders of the Company.

The non-controlling interests was nil as at 31 December 2019 and it relates to the minority shareholder's 0.1% equity 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

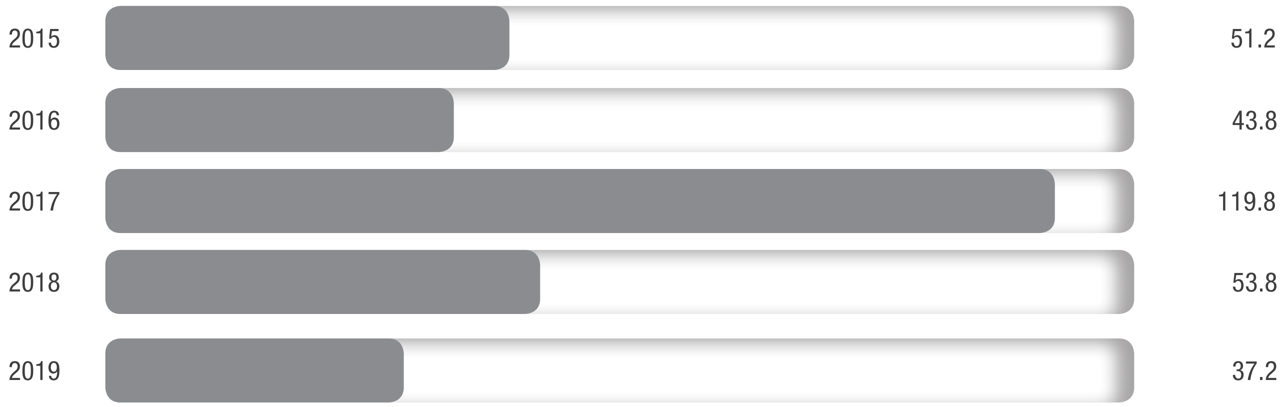
Mr Mak Yen-Chen Andrew is our Independent Non-executive Director. He is a practising lawyer with more than 23 years' experience in legal practice. He is currently a consultant with Fortis Law Corporation. Mr Mak is an independent director of Falcon Energy Group Limited (a company listed on the Main Board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

Liu Kaiyi

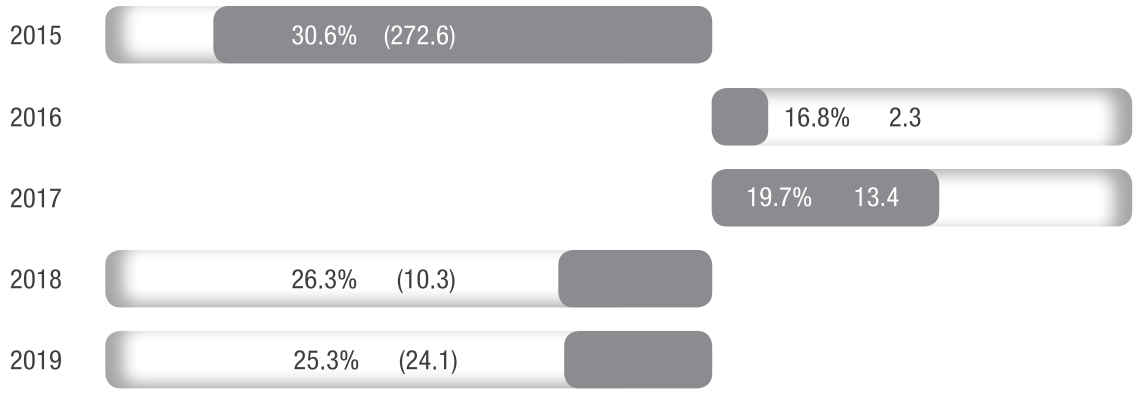
Mr Liu Kaiyi is our Independent Non-Executive Director and was appointed to the Board on 20 February 2020. He is currently the Chairman of Daolin Management Consulting Center (道林（上海）管理咨询中心) based in Shanghai. This is the first private think-tank organisation in China with a partnership system that offers consultancy and advisory services on strategic, legal, compliance, capital market operations, data and competitive intelligence. He is responsible for the overall management and market development of the organization. From 2007 - 2015, he was the industry research and fund manager of CICC Investment (Group) Co., Ltd.（中金投资（集团）有限公司）, and was mainly responsible for the compliance review and risk recommendations of merger and acquisition (M & A) funds, and management of its investments and withdrawals. From 2015 - 2019, he was the deputy General Manager of Qian Hai VC Incubator Shenzhen Co., Ltd（深圳前海创投孵化器有限公司）. He was responsible for the construction of the Entrepreneur Capital Academy and local incubators. He had participated in the construction and operation of incubators based in Beijing and Harbin Cities, PRC and Daqing Entrepreneur Capital College. He also acted as advisers to Chinese companies on funding for public-private partnership projects. He graduated from Beihang Beijing University in 2007 with a Bachelor of Laws (LL.B.) degree.

FINANCIAL HIGHLIGHTS

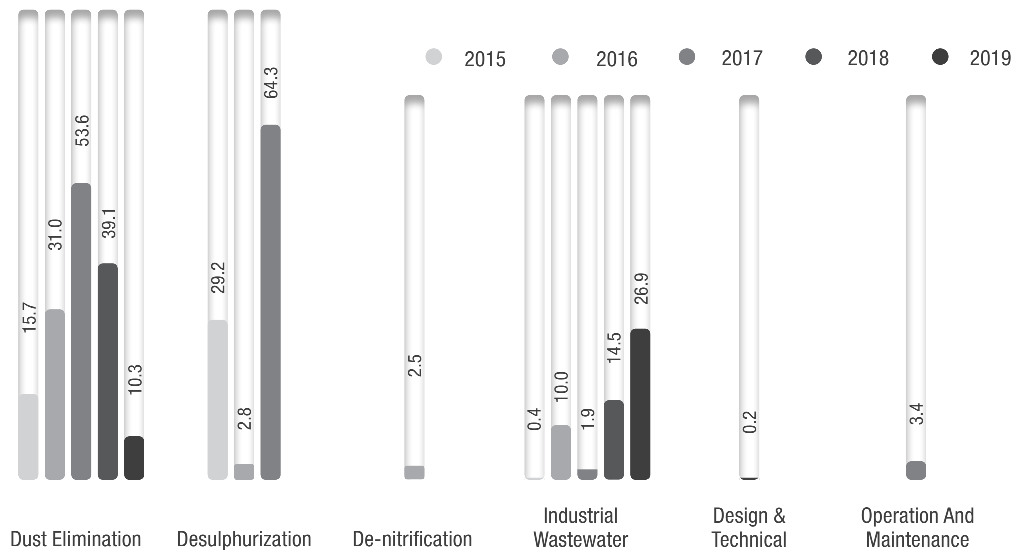
REVENUE (RMB' million)



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



BY BUSINESS SEGMENT (RMB' million)



FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

The Board of Directors ("Board") and management ("Management") of Leader Environmental Technologies Limited ("Company", and together with its subsidiaries, "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. In addition, the Board also believes that maintaining a high standard of corporate governance is essential to the long-term sustainability of the Group's business and performance.

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 2018 ("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 2019 ("FY2019"), 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 which is collectively responsible and works with Management for the long term success of the Company.***

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.

<u>Provision 1.1 - Conflicts of interest</u>

Each Director is required to promptly disclose any conflict or potentially conflict of interest as a result of any proposed transaction with the Group. Where a potential conflict of interest arises, the Director concerned should immediately declare his interest and highlight the conflict-related matter to the Board. He will not participate in the discussion so as to refrain him from exercising any influence over other members of the Board. In addition, he will also abstain from voting on such conflict-related matters.

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

Provision 1.2 - Director's Orientation and Training

It is the Company's policy to provide new directors with induction, including meeting with key management personnel and an overview of their responsibilities.

Upon appointment to the Board, a new director will receive a formal letter of appointment together with relevant information which includes directors' duties and responsibilities, Board and Board committees' meeting schedule, the Company's latest annual report, constitution, respective Board committees' terms of reference, remuneration framework for directors and guidelines for dealing in securities by directors and employees of the Group. Directors are given appropriate briefings by management on the business activities of the Group, its strategic directions, and the Company's corporate governance policies and practices when they are first appointed to the Board.

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 will also make arrangements for Directors to attend seminars and technical updates for them to stay abreast of relevant business developments and outlook.

During FY2019, 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 encouraged to attend relevant training programmes conducted by the relevant institutions and organisations. The cost of such training will be borne by the Company.

Mr Liu Kaiyi has been appointed as the Independent Non-Executive Director, Chairman of the Nominating Committee, member of the Audit Committee and member of the Remuneration Committee on 20 February 2020. He has been briefed on the roles and responsibilities of the director in a listed company. The Company will make arrangement for Mr Liu Kaiyi to attend the relevant seminar and/or course conducted by the Singapore Institute of Directors on the roles and responsibilities of a director of a listed company as soon as practicable after his re-election.

Provision 1.3 - Matters requiring Board's approval

Matters that require the Board's decision and approval which include but are not limited to the followings:

i. material acquisition and disposal of assets/investments;

ii corporate/financial restructuring and corporate exercises;

iii. budgets/forecasts;

iv. material financial/funding arrangements and capital expenditures;

v. delegation of authority matrix, policies and procedures; and

vi. payments or prepayments to suppliers amounting to RMB10.0 million or more.

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 ("CEO"), 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.

Provision 1.4 - Delegation to Board committees
Provision 1.5 - Board and Board Committee meetings and attendance records

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 and general meeting during the financial year under review are as follows:

		Board Committees			**Annual General Meeting**
	Board	**Audit**	**Nominating**	**Remuneration**	
Number of meetings held	**4**	**4**	**1**	**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	1
Mdm Zhai Guihua**	4	4	1	1	1

* By Invitation

** Madam Zhai Guihua resigned as an Independent Non-Executive Director on 21 November 2019 due to health reasons.

Mr Liu Kaiyi is the son of our former Independent Non-Executive Director, Madam Zhai Guihua. He was interviewed by the Executive Chairman and CEO, a nominating member of the Board, and was subsequently recommended to the Board based on his investment background coupled with his extensive experience and expertise in advising Chinese companies on funding for public-private partnership related environmental projects, an area of interest to the Group. The Board has reviewed his curriculum vitae and the write-up of his experiences before accepting the CEO's recommendation of his suitability as an Independent Non-Executive Director of the Company. Accordingly, he was appointed to the Board on 20 February 2020.

Provision 1.6 - Access to information

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 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, if any, in order for the Directors to be adequately prepared for the meetings. If necessary, arrangement will be made for Key Management Personnel ("KMP") to 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.

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 FY2019.

Provision 1.7 - Access to Management and Company Secretary

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.

Principle 2: ***Board Composition and Guidance***

As at the date of this report, 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
Mr Liu Kaiyi	Independent Non-Executive Director*
Mdm Zhai Guihua	Independent Non-Executive Director (Ms Zhai Guihua resigned as an Independent Non-Executive Director on 21 November 2019 due to health reasons.)

* He was appointed as Independent Non-Executive Director on 20 February 2020.

Provision 2.1 - Board Independence

The Group endeavours to maintain a strong and independent element on the Board. Where the Chairman is not independent, the requirement of the Code is that at least the independent directors make up a majority of the Board. The Board now comprises three Independent Non-Executive Directors and one Executive Director which displays strong and independent element on the Board and makes up a majority of the Board. The Board considers an Independent Director as one who has no relationship with the Company, its related corporations, officers, or its substantial shareholders with shareholdings of 5% 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 FY2019, each of Mr Goh Kay Seng Edwin and Mr Mak Yen-Chen Andrew is non-executive and independent. Notwithstanding Mr Goh Kay Seng Edwin's deemed interests in the Company's shares prior to his appointment as a Lead Independent Non-Executive Director of the Company, he is committed to maintain his interests during his tenure as a director and to abstain from discussion or voting on any conflict-related matter due to his vested interest in the Company.

For FY2019, Mr Mak Yen-Chen Andrew, who has served on the Board as Independent Non-Executive Director for more than nine years, had submitted the assessment on his independence status to other directors.

Provision 2.2 - Composition of independent directors on the Board
Provision 2.3 - Proportion of Independent Non-Executive Directors
Provision 2.4 - Board composition and size

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. Non-executive directors also made up a majority of the Board. In compliance with Listing Rule 210(5)(c), the Board has at least two non-executive directors who are independent and free of any material business or financial connection with the Company.

Madam Zhai Guihua had resigned as an Independent Non-Executive Director on 21 November 2019 while Mr Liu Kaiyi was appointed as an Independent Non-Executive Director on 20 February 2020.

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.

Board diversity policy

The Company recognises and embraces the benefits of diversity of experience, age, skill sets, gender and ethnics on the Board ("Board Diversity") and views Board Diversity as an essential element to attainment of its strategic objectives and sustainable development.

Although the Company does not have a written policy on Board Diversity, it has maintained a culture of diversity to benefit from the current talent pool. 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, 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. Details of the Board members' qualifications and experience are presented in this Annual Report under the heading "Board of Directors".

Provision 2.5 - Meeting of Independent Directors without Management

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 Management, and no one individual has unfettered powers of decision-making.***

Provision 3.1 - Separation of the Role of Chairman and the CEO

The Board is of the view that, at this point in time, it is in the best interests of the Group to adopt a single leadership structure, whereby the Chairman of the Board and the CEO is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

The Board will take into consideration the separation of the role of the Chairman and the CEO as stipulated as part of the on-going succession planning and Board renewal process, which should materialise in the near future.

All major proposals and decisions made by the Executive Chairman and CEO are discussed and reviewed by the AC. His performance and appointment to the Board is reviewed periodically by the Nominating Committee ("NC") and his remuneration package is reviewed periodically by the Remuneration Committee ("RC"). As the Audit Committee ("AC"), NC and RC consist of all independent directors or majority non-executive directors, the Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an uneven concentration of power and authority in a single individual.

Provision 3.2 - Role of Executive Chairman and CEO

The Group's Executive Chairman, Mr Lin Baiyin, is also the CEO of the Group. The Board is of the view that it is not necessary to separate the roles of the Executive Chairman and the CEO, 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 CEO 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.

Provision 3.3 - Appointment of Lead Independent Director

Mr Goh Kay Seng Edwin is the Lead Independent Non-Executive Director and also the Chairman of the AC. To uphold the spirit of corporate governance and in accordance with the Code, Mr Goh Kay Seng Edwin will be available to shareholders where they have concerns and for which contact through the normal channels of the Chairman and, CEO 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 executive 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, taking into account the need for progressive renewal of the Board.***

Provisions 4.1 and 4.2 - NC composition and terms of reference

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

-	Mr Liu Kaiyi	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
-	Mdm Zhai Guihua	Former Chairman of NC, Independent Non-Executive Director (Mdm Zhai Guihua resigned as an Independent Non-Executive Director on 21 November 2019 due to health reasons.)

* He was appointed as an Independent Non-Executive Director on 20 February 2020.

The principal roles and functions of the NC 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, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel; and

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

Provision 4.3 - Selection, appointment and re-appointment process for directors

The NC 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 NC is responsible for identifying candidates and reviewing all nominations for the appointments of new directors. When the need for a new director arises, the NC, 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 NC 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.

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. Regulation 114 of the Constitution provides that appointment of new Director to fill a casual vacancy to the Board and this director so appointed shall hold office only until the next annual general meeting of the Company, and shall be eligible for re-election. The NC recommended to the Board that Mr Lin Baiyin and Mr Liu Kaiyi be nominated for re-election at the forthcoming AGM. Mr Liu Kaiyi will, upon re-election, as an Independent Non-Executive Director, remain as the Chairman of the NC and member of AC and RC of the Company. In making the recommendations, the NC has considered the Directors' overall contributions and performances. Neither had participated in reviewing, recommending and approving their own re-election.

The Board of Directors noted that Mr Liu Kaiyi is the son of our ex-Independent Non-Executive Director, Mdm Zhai Guihua. Notwithstanding that the SGX-ST listing rules do not specify such appointment to be disallowed due to their close relationship, but for good corporate governance practice, the Board recommends that the CEO, who is a substantial shareholder, to abstain from voting on Mr Liu Kai Yi's re-election at the forthcoming AGM.

Currently, there is no alternate director on the Board.

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	**Lin Baiyin**	**Liu Kaiyi**
Date of Appointment	16 July 2010	20 February 2020
Date of last re-appointment (if applicable)	30 April 2018	N.A.
Age	53	35
Country of principal residence	China	China
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	After assessing Mr Lin's contribution and performance, the NC has recommended that he be re-elected as Director of the Company.	After assessing Mr Liu's background and experience, the NC has recommended that he be re-elected as Director of the Company.

Name of Director	Lin Baiyin	Liu Kaiyi
Whether appointment is executive, and if so, the area of responsibility	Executive. He is responsible for the formulation of business strategies, overall management and overseeing the daily operations of our Group.	N.A.
Job title (e.g. Lead ID, AC Chairman, AC Member etc)	Executive Chairman and CEO	Independent Non-Executive Director, Chairman of NC, Member of AC and RC
Professional qualification	Diploma in Commercial Economic Enterprise Management from the School of Continuing Education of the Beijing Normal University in 2000. Senior economist qualification from the Jilin Provincial Personnel Department in 2009.	Beihang University, Bachelor of Law, LL.B.
Working experience and occupation(s) during the past 10 years	Executive Chairman and CEO of the Company	From August 2019 until current - Chairman of Daolin (Shanghai) Management Consulting Center From November 2015 to August 2019 - Deputy General Manager of Qian Hai VC Incubator Shenzhen Co., Ltd From September 2007 to November 2015 - Industry research and fund manager of CICC Investment (Group) Co., Ltd.
Shareholding interest in the listed issuer and its subsidiaries	1,000,000 ordinary shares in the listed issuer (Direct Interest) 207,304,000 in the listed issuer (Deemed Interest)	N.A.
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	Mr Liu is the son of Madam Zhai Guihua, the Independent Non-Executive Director who has resigned on 21 November 2019
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

Name of Director	Lin Baiyin	Liu Kaiyi
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
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

Name of Director	Lin Baiyin	Liu Kaiyi
(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
(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

Name of Director	Lin Baiyin	Liu Kaiyi
(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
(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
(i) 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

Name of Director	Lin Baiyin	Liu Kaiyi
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. Yes Executive Chairman and Chief Executive Officer of the Company NA	This relates to re-appointment of Director. No Mr Liu has been briefed on the roles and responsibilities of director in a listed company. The Company will also make arrangement for Mr Liu to attend the relevant seminar(s) and/or course(s) conducted by the Singapore Institute of Directors on the roles and responsibilities of a director of a listed company as soon as practicable.
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).	N.A.	Mr Liu will attend the relevant seminar(s) and/or course(s) conducted by the Singapore Institute of Directors on the roles and responsibilities of a director of a listed company as soon as practicable after his re-election.

Provision 4.4 - Continuous review of directors' independence

For re-appointment of Directors to the Board, the NC 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 NC deliberates annually, and as and when circumstances require, in determining 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. Under the Code, an independent director is one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporation, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company. No member of the NC should participate in the deliberation in respect of his own status as an Independent Director. The NC has confirmed the independence of all the Independent Non-Executive Directors based on the results of the annual assessment.

Based on the confirmation of independence submitted by the independent non-executive Directors, the NC was of the view that each Independent Non-Executive Director is independent in accordance with the Listing Rule 210(5)(d) as the Independent Directors: (i) are not employed by the Company or any of its related corporations for the current or any of the past three financial years; and (ii) do not have an immediate family member who is employed or has been employed by the Company or any of its related corporations for the past three financial years, and whose remuneration on is determined by the Remuneration Committee.

As Mr Mak Yen-Chen Andrew has served the Board as an Independent Non-Executive Director for more than nine years, the NC had performed a rigorous review of their continuing independence. During its review, the NC noted that, notwithstanding that he has served the Board beyond nine years, he continues to demonstrate strong independence in character and judgement in engaging and challenging Management in the interests of the Group at the Board and Board Committee meetings. Neither he nor his immediate family members has any relationship or business dealings with the Group and the Company's substantial shareholders in the current or immediate past financial year. Mr Mak has, over the years, participated in the proceedings and decision-making process of Board meetings. He has constructively challenged and reviewed the performance of Management in achieving agreed goals. The Board also recognises that Mr Mak has developed substantial insight of the Group's business and operations and will continue to value add to the Board. In considering the above factors and taking into account of his contribution in terms of experience, expertise, professionalism and integrity, the NC is of the view that Mr Mak continues to be independent. Accordingly, Mr Mak has duly abstained from the NC/Board's determination of his independence.

Provision 4.5 - Multiple directorships and Directors' Time Commitments

In assessing the performance of each individual Director, the NC 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 NC 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 NC 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 NC 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 NC before accepting any appointments as Directors. Currently, none of the Directors holds more than six (6) directorships in listed companies.

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: 53	Executive Chairman and Chief Executive Officer	18 December 2006	30 April 2018	NIL
Goh Kay Seng Edwin Age: 46	Independent Non-Executive Director	15 July 2015	30 April 2019	**Present Directorship (in the last four preceding year)** China Animal Healthcare Limited
Mak Yen-Chen Andrew Age: 50	Independent Non-Executive Director	21 June 2010	30 April 2019	**Present Directorship** Far East Group Limited Falcon Energy Group Limited China Jishan Holdings Limited **Past Directorships (in the last three preceding years)** NIL
Liu Kaiyi Age: 35	Independent Non-Executive Director	20 February 2020	N.A.	NIL
Zhai Guihua Age: 65 (Madam Zhai Guihua has resigned as Independent Non-Executive Director on 21 November 2019.)	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.***

Provisions 5.1 and 5.2 - Board evaluation process, Board performance criteria and individual director evaluation

The NC 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 NC and approved by the Board. These inputs are collated by the company secretary and reviewed by the Chairman of the NC, who presents a summary of the overall assessment to the NC 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. No external facilitator had been engaged by the Board for this purpose.

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 NC 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.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: ***There should be a formal and transparent procedure for developing policies on director and executive remuneration and for fixing the remuneration packages of individual directors and key management personnel ("KMP"). No director is involved in deciding his or her own remuneration.***

Provisions 6.1 and 6.2 - RC composition and terms of reference

The RC 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
-	Mr Liu Kaiyi	Member, Independent Non-Executive Director*
-	Mdm Zhai Guihua	Independent Non-Executive Director (Mdm Zhai Guihua resigned as an Independent Non-Executive Director on 21 November 2019 due to health reasons.)

* He was appointed as Independent Non-Executive Director on 20 February 2020

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

The responsibilities of the RC 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.

<u>Provision 6.3 - Developing remuneration framework</u>

The RC has reviewed the general framework of remuneration for the Directors and key management personnel. The recommendations of the RC are made in consultation with the CEO and submitted for endorsement by the entire Board. In the course of the review work, the RC will ensure that the existing remuneration frameworks attract, retain and motivate directors and KMP (or executive of equivalent rank) of the Company still remain relevant.

Each member of the RC shall abstain from voting on any resolution in respect of his remuneration package and making any recommendations and/or participating in any deliberations of the RC in respect of his/her remuneration package.

<u>Provision 6.4 - RC's access to advice on remuneration matters</u>

The members of the RC possess general knowledge in the field of executive remuneration and/or compensation and if necessary to seek external professional advice on matters relating to remuneration. The objective is to ensure competitive compensation is in place to build and retain capable and committed Management.

The RC reviews the Company's obligations arising in the event of termination of the Executive Directors and KMP's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC also aims to be fair and avoid rewarding poor performance.

Level and Mix of Remuneration

Principle 7: ***The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.***

Provision 7.1 - Remuneration of directors and key management personnel

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

The remunerations for Executive Directors and KMP take into account the sustained performance of the Group and the individual, taking into account its strategic objectives and long-term interests. 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 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 the light of the economic challenges and uncertainties posed by the COVID-19 pandemic, Mr Lin Baiyin will maintain his pay cut which is approximately 25% of the remuneration as stipulated in his service agreement.

Provision 7.2 - Remuneration of Non-Executive Directors

When reviewing the structure and level of directors' fees for the non-executive directors, the RC takes into consideration the directors' respective roles and responsibilities in the Board and Committees and the frequency of Board and Committee meetings.

Each of the non-executive directors receives a base director's fee. The fees for Independent non-executive directors are based on the effort, time spent and responsibilities of the Independent Directors, and are subject to approval at AGMs. No director is involved in deciding his own remuneration.

Provision 7.3 - Long term incentive plan to provide good stewardship of the company and key management personnel

Considering the size of the current business operations of the Group as well as its existing workforce, the Company does not have any long-term incentive plan for the executive director and key management personnel other than the Leader Environmental Performance Share Scheme.

Disclosure on remuneration

Principle 8: ***The company is transparent on its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, and the relationship, performance and value creation.***

Provision 8.1 - Remuneration of directors and KMP
Provision 8.2 - Employee related to substantial shareholders, directors or
Provision 8.2 - Details of all forms of remuneration and other payments and benefits paid to directors and key management personnel

The RC reviews and recommends to the Board remuneration packages for the Board, the CEO and KMPs to ensure that the remuneration structure is competitive and sufficient to attract, retain and motivate Directors and KMPs to run the Company successfully in order to maximize shareholder value. The recommendations of the RC on the remuneration of Directors and KMP have been submitted for endorsement by the Board. The members of the RC do not participate in any decisions concerning their own remuneration.

The remuneration for the Executive Director is based on the terms as set out in his service contract entered into with the Company. Based on the terms of his service contract which were applicable for FY2019, Mr Lin Baiyin, being the CEO, 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 RC and approved by the Board, and (iv) contributions to defined contribution plans. In FY2019, the CEO's remuneration only comprised basic monthly salary and related contributions to defined contribution plans.

The discretionary bonus of the Executive Director is generally awarded based on a certain number of months of his basic monthly salary, and will only be given if recommended by the RC and approved by the Board. In line with the market practice, it is intended as an additional tool to incentivise the Executive Director for his 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 the Executive Director in FY2019.

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 millio	2.5% of NPBT
RMB120.0 million and above	4.0% of NBPT

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 FY2019.

The Executive Director is 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 RC. 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 Director's 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 CEO and KMP

A breakdown showing the level and mix of each individual Director's remuneration for the financial year ended 31 December 2019 is set out below:

Remuneration band (in S$)/Name of Directors	**Salary**	**Fees***	**Bonus1**	**Other Benefits[1]**
	%	%	%	%
S$100,000 to S$249,999				
Mr Lin Baiyin	88.6	–	–	11.4
Below S$100,000				
Mr Goh Kay Seng Edwin	–	100	–	–
Mr Mak Yen-Chen Andrew	–	100	–	–
Mdm Zhai Guihua**	–	100	–	–

* Fees payable to the Independent Non-Executive Directors during FY2019 have been approved at the last AGM held on 30 April 2019.

[1] Other benefits include contributions to defined contribution plans.

** Mdm Zhai Guihua resigned as an Independent Non-Executive Director on 21 November 2019.

The remunerations of KMPs 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 KMPs 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 RC.

There were four KMPs (who are not Directors or the CEO) 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 Shu lin	75.7	–	24.3
Wang Xiao Yan	98.2	–	1.8
Sun Weili	95.1	–	4.9
Lim Poh Yeow	90.7	–	9.3

1 No variable bonus or performance shares were paid/awarded to any key management personnel in FY2019.

2 Other benefits include contributions to defined contribution plans.

3 Wang Jixing, who was appointed as the sales manager and the director of the Group's subsidiary on 1 January 2019, had resigned on 31 March 2019 and his roles and responsibilities were temporarily taken over by the sales consultant, Wang Xiao Yan. During the three-month period, the sales manager cum director was paid less than S$15,000 (RMB75,000) for his services. With the appointment of Chen Lei as the Vice President of sales on 30 December 2019, Wang Xiao Yan will continue as the sales consultant of the Group.

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 CEO) for FY2019 was approximately S$258,000 (RMB1.3 million).

No employee who is an immediate family member of a Director was paid more than S$100,000 during FY2019. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister, and parent of such person.

Leader Environmental Performance Share Scheme

The Company adopted the Leader Environmental Performance Share Scheme as 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 RC is appointed to administer 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 Performance Share Scheme. No member of the RC shall be involved in any deliberations in respect of any options and award of shares granted to him.

The Independent Non-Executive Directors and the controlling shareholders of the Company or their associates are 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.

As of to date, total ordinary shares of 4,600,000 and 13,950,000 were issued and 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 9: ***Board's governance of risk management system and internal controls***

Provision 9.1 - Significant risks, objectives and value creation

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 Group's material risks can be broadly classified as follows:

Business/Operational Risks

This relates to operations and includes security threats, occupational health and safety of employees, product qualities and efficiencies of the technological systems relating to dust elimination, desulphurisation and industrial wastewater, employee attribution, increased competition. Owners of such risks such as the departmental heads would monitor such risks.

Compliance Risks

Compliance with local laws and regulations in various geographical locations are monitored by the Chief Financial Officer ("CFO") with the assistance of his finance team in China.

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.

Financial Risks

These risks such as credit risks, foreign exchange risks, liquidity risks and interest rate risks are set out in the notes to the financial statements. Generally, the Group is conservative in its financial dealings and does not engaged in speculative instruments or investments that would expose the Group to unnecessary financial risks.

Provision 9.2 - Assurance from Chief Executive Officer, Chief Financial Officer and other responsible KMPs

The AC reviewed and assessed the adequacy and effectiveness of the Group's internal controls that address the Group's financial, operational, compliance and information technology risks, with the assistance of the internal and external auditors and the Management.

For the financial year under review:-

(i) written assurance was received from the CEO and the CFO that the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(ii) written assurance was received from the CEO and the KMPs that the Group's risk management and internal controls systems in place were adequate and effective to address the financial, operational, compliance and information technology risks in the context of the current scope of the Group's business operations.

Board's commentary on adequacy and effectiveness of internal controls and risk management systems

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.

Concurrence of the AC on the adequacy and effectiveness of internal controls and risk management systems

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 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 AC has met with Management and external auditors once during FY2019 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 AC 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 CEO and CFO Officer (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances for the year ended 31 December 2019; and (b) regarding the adequacy and effectiveness of the Group's risk management and internal control systems.

(iv) The AC has appointed MS Risk Management Pte Ltd on 6 January 2020 to review Jilin Anjie Engineering Co., Ltd's internal controls pertaining to the Purchases to Payment Process including Prepayments for FY2019. These business processes have been identified by the AC, upon discussion with management as most critical to the operations of the Group's most significant operating subsidiary. However, due to the COVID-19 outbreak, travel restrictions were imposed by China and many other countries to minimise travelling. This has affected and disrupted the internal audit schedule. Nonetheless, the internal auditors were tasked to perform a desk top review of the supporting and documentations to evidence that the observations raised in last year's internal audit report have been rectified. Based on the audit findings issued by the internal auditors, it was noted that the three significant internal control deficiencies highlighted in the previous audit were rectified. Apart from the addressed weaknesses, there were also other controls improvement recommendations proposed by the internal auditors in their previous year's internal audit report, and most of the recommendations were considered and progressively implemented by Management 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 undertaken by Management and the AC as well as the aforementioned assurance received from the CEO and CFO. Notwithstanding the constraints and limitations, the internal auditors managed to complete the desk top review of the supporting and documentations to establish that the three material deficiencies highlighted last year were resolved, and recommended controls improvements were also considered and progressively implemented by Management. Thus, based on the above said factors, the Board concurs with Management and agreed that the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective for FY2019. The AC 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 AC will continue to engage the internal auditors to perform periodic reviews on the Group's internal controls.

Audit Committee

Principle 10: ***The board has an AC which discharges its duties objectively.***

<u>Provisions 10.1, 10.2 and 10.3 - AC composition and terms of reference</u>

The Audit Committee ("AC") comprises three Independent 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
-	Mr Liu Kaiyi	Member, Independent Non-Executive Director*
-	Mdm Zhai Guihua	Independent Non-Executive Director (Mdm Zhai Guihua resigned as an Independent Non-Executive Director on 21 November 2019 due to health reasons.)

* He was appointed as an Independent Non-Executive Director on 20 February 2020.

No former partner or director of the Company's existing auditing firm or audit corporation is a member of the AC: (a) within a period of two (2) years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as there has been any financial interest in the auditing firm or auditing corporation.

The AC has adopted written terms of reference defining its membership, administration and duties. The principal roles and functions of the AC 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;

- to review the adequacy, effectiveness, independence, scope and results of the Company's external audit and internal audit function;

- 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 AC, 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 AC; 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 AC 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 AC, 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 AC 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 AC have recent and relevant accounting or related financial management expertise or experience to discharge the AC's functions.

Provision 10.4 - Financial Reporting Matters

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 FY2019. These KAM were discussed with the AC, Management and the external auditors and in the review carried out by the Audit Committee:

The AC has discussed and concurred with the basis and conclusions in the auditors' report with respect to the following KAM identified by the external auditors for FY2019:

Matters considered	Action
Revenue recognition for construction contracts and provision for foreseeable losses	During the presentation of FY2019's audit findings, the external auditors communicated to the Board that they have reviewed and evaluated the Group's revenue recognition policy in accordance to the 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. Additional works were also performed by the auditors to assess the reasonableness of the percentage of completion of the contracts; evaluation of the competency, capabilities and objectivity of the in-house engineers; and arithmetic checks on the calculations of the percentage of completion, and verification of the computations of cumulative and current financial year's construction revenue. Confirmations on the basis of contract assets wherein the rights of payments are unconditional, when such project costs become receivables and deemed project completion are based on Management's assessments were requested from six key customers. There were no major exceptions noted from the work performed. With regard to provision for foreseeable losses, the external auditors have communicated to the Board that they have reviewed and performed checks on the budgeted costs of the individual projects against actual costs incurred. They also discussed with Management on any potential delays, cost overruns, liquidated damages, penalty clauses, among others, that are expected of the projects undertaken in FY2019 which may require provision for foreseeable losses. The audit findings indicated that the projects remained profitable and were mainly in line with Management's representation. Taking into account the above procedures, coupled with the quarterly reviews performed on the financial position of the Group as at 31 December 2019, the AC concurred 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.
Impairment of trade receivables, contract assets and retention monies	The AC has performed quarterly reviews of the financial statements and discussed with Management on material contract assets, trade receivables and retention monies. In addition, the AC also reviewed the audit findings to obtain an understanding of the work performed by them in respect of SFRS(I) 9. Discussions were also held with the CFO to understand the basis adopted for the various impairments and the relevance of the assumptions used. Based on the work performed, the AC concurred with Management that the impairments of contract assets and retention monies of RMB3.3 million and RMB0.2 million respectively were necessary in light of the economic challenges posed by COVID-19, and the write-back of impairment for trade receivables amounting to RMB1.6 million was reasonable as the bulk of the trade receivables as at 31 December 2019 was current.

Matters considered	Action
Impairment of advances paid to trade and non-trade suppliers, third party and tender deposits	The AC has performed quarterly reviews of the financial statements and discussed with Management on material advances to trade and non-trade suppliers, third party and tender deposits. The material balances were followed up closely in every quarterly Board meeting. In addition, the AC also reviewed the audit findings to understand the approach taken and the relevance of the assumptions to determine the impairments for advances to trade and non-trade suppliers, third party and tender and security deposits as at 31 December 2019. In addition to the above, the Board also performed the following works: For trade and non-trade suppliers, the Board noted that the bulk of the impairments mainly relate to raw materials and equipment for industrial wastewater contract in Linjiang and other on-going industrial wastewater and dust elimination contracts. Management also represented to the Board that these contracts are likely to commence work in second half of 2020, and the related advances will be utilised and reduced according to the milestones of the projects. With regard to the advances to a third party, the Board noted that due diligence was performed by the Company on the supplier and there is nothing to suggest that the supplier is in any form of financial difficulty. In addition, subsequent receipts of RMB7.7 million were received to further mitigate the credit risk. Based on the payment history so far, the supplier has not defaulted whenever there was a cancellation of contract. As for impairments on tender deposits, the Board has identified material tender deposits which were subjected to impairments, and understands from Management that they are preparing to commence work on one of the contracts in second half of 2020 in order to recover the balance deposit of RMB15.0 million paid for the industrial wastewater project in Linjiang. Approximately 7% of the engineering, procurement and construction works were already completed in 4Q2019 which resulted in the refund of RMB5.0 million deposits. The other key tender deposit pertained to RMB25.0 million placements for a large-scale industrial wastewater. The outcome of the tender was postponed due to COVID-19. Management is working with the parties involved to confirm the expected date of the result and the signing of supplemental agreement in respect of the transaction. In the event that the project is cancelled, Management will request for the full refund of RMB25.0 million. Based on the above work performed, the AC concurred with Management that the impairments to trade and non-trade suppliers and tender deposits of RMB12.6 million, RMB0.5 million and RMB1.1 million respectively were necessary based on the expected credit loss model and in light of the economic challenges posed by COVID-19. As for advances to third party, the Board also agreed that no impairment is necessary based on the work performed, but will continue to monitor its development closely.

Matters considered	Action
Impairment of investment in subsidiaries	To be satisfied that the carrying amount of the investment in subsidiaries was fairly stated as at 31 December 2019, a detailed impairment review was carried out by the auditors. Based on work performed, it was established that the recoverable amount is still higher than the carrying value of its investment. Accordingly, no further impairment was deemed necessary. The recoverable amount of the investment was determined based on the Value in Use of the subsidiary by using 5-year profit forecasts and cash flow projections which were determined using pre-tax discount rate. These are approved by the Management. Several steps were taken by the AC to satisfy themselves that no impairment is required. A discussion was first held with the CFO to obtain a basic understanding of the reasonableness of the profit and cash flow forecasts prepared. Additionally, the AC also reviewed the audit findings to gain an understanding of the reasonableness and relevance of the assumptions used in the impairment assessment, and to ascertain the rationale and justification to not further impair the carrying value of its investment in subsidiaries. Based on the work performed, the AC concurred with Management that no impairment loss was to be recognised for its investment in subsidiaries as at 31 December 2019.
Going concern	The Board has relied on the auditors' review of the 5-year cash flows forecasts and also evaluated the following additional information: (i) Successful repayments and renewals of short-term bank loans from China Merchants Bank for another year to 1 December 2020; (ii) Refunds of RMB7.7 million from certain third party after year end to mitigate the credit risk; (iii) Subsequent receipts of RMB13.4 million from contract assets, trade and other receivables; (iv) Order book of approximately RMB68 million which is scheduled for completion in FY2020; and (v) As at date of this report, subject to shareholders' approval to endorse the placement of 120,000,000 ordinary shares to two individual investors at S$0.015 per ordinary share, one of whom is a strategic investor who hails from the same industry, to raise gross proceeds of approximately RMB9.1 million (S$1.8 million) for its working capital. Taking cognizance of the above, the Board concurred with Management that the going concern assumption is still valid for the Company and Group. The Group will be able to continue its operations for the next twelve months from the reporting date.

External Audit

The AC 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 FY2019, the aggregate amount of audit fees payable to the external auditors was approximately RMB758,000 (FY2018 - RMB735,000). The amount of fees payable to other independent auditors from Singapore and China amounted to approximately RMB152,000 (FY2018 – RMB269,000) during the financial year. The external auditors did not provide any non-audit services to the Company for FY2019.

The Company complies with Rule 712 and Rule 715 of the Listing Rules of the SGX-ST in engaging Foo Kon Tan LLP, a firm registered with the Accounting and Corporate Regulatory Authority ("ACRA"), as the external auditors of the Company. Foo Kon Tan LLP is the external auditors of the Company and audits its PRC subsidiaries for consolidation purposes.

The AC reviews adequacy, effectiveness, independence, scope and results of the external auditors throughout:

i) the audit planning level in respect on qualification and experience of engagement team involved, key audit areas identified and audit scope covered;

ii) overall audit report presented, together with the discussion with the auditors with regards to significant matters in relation to the financial statements, accounting principles applied and judgement involved in the preparation of the financial statements, the audit quality indicator of the engagement team level, and at firm level taking into consideration of the Audit Quality Indicators Disclosure Framework published by the ACRA when involved in carrying out the audit.

iii) assesses the independence of the external auditors annually based on factors such as performance, skills and independence and is satisfied that the non-audit services provided by the external auditors in FY2019 did not affect the independence or objectivity of the external auditors.

On the above basis with the concurrence of the Board, the AC has recommended the appointment of Foo Kon Tan LLP to be nominated for re-election as external auditors at the forthcoming AGM.

Internal Audit

The Company currently does not have a separate internal audit function. The AC 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 Company's internal audit function is independent of the external audit and report primarily to the Audit committee.

For FY2019, the AC has outsourced the internal audit function to MS Risk Management Pte Ltd on 6 January 2020 to review Jilin Anjie Engineering Co., Ltd's internal controls pertaining to the Purchases to Payment Process including Prepayments for FY2019. However, due to the COVID-19 pandemic, travel restrictions were imposed by China and many other countries to minimise travelling. This has affected and disrupted the internal audit schedule. Notwithstanding the constraints and limitations, the internal auditors were tasked to perform a desk top review of the supporting and documentations to evidence that the observations raised in last year's internal audit report have been rectified. While the work performed may not be a full audit scope due to the lack of auditors' physical presence to sight the implementations of certain internal controls, nonetheless, the desk stop review per se still provides documentary evidence that the internal controls proposed were implemented and the audit findings will serve as the basis for the Board to opine on the Group's internal controls for FY2019. If the COVID-19 situation still persists and travel advisory to China is unlikely to be lifted any time soon, the AC may recommend and propose to the Board that the full audit scope be performed for FY2020 instead.

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 AC shall, at least annually, review the adequacy and effectiveness of the internal audit function. The AC 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 AC is satisfied that the internal audit functions are adequate and effective.

Whistle blowing Policy

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 FY2019, there were no complaints, concerns or other matters received from the channel established under the whistle-blowing policy.

Provision 10.5 - Independent meeting with external and internal auditors

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 AC 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.

Principle 11: ***Companies should treat all shareholders fairly and equitably, in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, postion and prospects.***

Provision 11.1 - Providing opportunity for shareholders to participate and vote at general meetings

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.

Shareholders are entitled to attend the general meetings and are given the opportunity to participate effectively in and vote at the general meetings of the Company.

Shareholders are informed of general meetings at least 14 days in advance through notices accompanied by the annual reports to shareholders. These notices are publicly announced via SGXNet and posted on the newspapers.

Resolutions tabled at general meetings are passed through a process of voting by poll whereby the procedures are clearly explained by the scrutineers at the beginning of the voting in such general meetings.

Pursuant to the provisions in the Company's constitution, shareholders who are not relevant intermediaries may appoint up to two proxies, during his/her absence, to attend, speak, vote on his/her behalf at general meetings. Shareholders who are relevant intermediaries such as banks, capital market services licence holders which provide custodial services for securities and the Central Provident Fund Board ("CPF"), are allowed to appoint more than two proxies. This is to facilitate indirect shareholders including CPF investors to participate in general meetings. Such indirect shareholders where so appointed as proxy, will have the same rights as direct shareholders to attend, speak and vote at general meetings.

In order to have a valid registration of proxy, an instrument appointing a proxy must be deposited at such place or places specified in the notice convening the general meetings at least 48 hours before the time appointed for the general meetings.

The Company conducted poll voting for all resolutions passed at its last AGM held on 30 April 2019. An independent firm was appointed as the scrutineer to conduct the polling process at the last AGM. The results of the poll voting on each resolution tabled at the last AGM, including the total number of votes cast for or against each resolution, were also announced after the said meeting via SGXNet.

Provision 11.2 - Separate resolutions at general meetings

The Board ensures that separate resolutions are proposed for approval on each distinct issue at general meetings. There is no bundling of the resolutions as they are not interdependent and linked to each other. Detailed explanatory notes on each item of the agenda are also provided in the Notice of AGM.

Provision 11.3 - Attendees at general meetings

The Chairman of the Board, the Chairman of each of the Board Committee and the directors are present and available at all general meetings to address issues raised by shareholders. The Company's external auditors are also present to address queries relating to conduct of audit and the preparation and content of the auditor's report. The attendance of the directors who attended the general meetings in FY2019 is set out under Provision 1.5 of this report.

Provision 11.4 - Absentia voting at general meetings

Voting in absentia such as voting via mail, electronic mail or facsimile at the general meetings may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders through the web is not compromised.

Provision 11.5 - Minutes of General Meeting

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. The company would also publish the minutes of general meetings of shareholders on its corporate website as soon as practicable.

Provision 11.6 - Dividend policy

The Company does not have a fixed dividend policy and did not pay any dividend in FY2019 as the Group needs to preserve its cash for working capital requirements. Furthermore, pursuant to the Companies Act (Chapter 50), the Company is unable to pay dividends due to its huge accumulated loss position.

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.

Principle 12: ***Regular communication with shareholders and facilitation of shareholders' participation at general meetings***

Provisions 12.1 and 12.2 - Communication with shareholders

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 notes 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 CFO with the responsibility of facilitating communications with shareholders and analysts and attending to their queries or concerns.

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

The Company also ensures that its shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders.

Provision 12.3 - Investor Relations Practices

Although the Company does not have an investor relations policy, shareholders can still provide their enquiries, concerns or feedbacks on the Company's website. Material information on the Group is released to the public on a timely and non-selective basis through the Company's announcements via SGXNet as well as through its corporate website at http://www.anjie.cc.

Principle 13: ***Managing stakeholder relationships, balancing the needs and interests of material stakeholders for the Company's best interests***

Provisions 13.1, 13.2 - Managing stakeholder relationships

The Company has appropriate channels in place to identify and engage with its material stakeholder groups. It recognises the importance of having intimate knowledge of its business and regular interactions with its stakeholders to determine material issues for its business.

The material stakeholders of the Group identified include shareholders, customers, suppliers, employees and regulators. The sustainability report released to the SGX-ST provides more details about the strategy and key areas of focus in relation to the management of stakeholder relationships which include:

- Playing a pivotal role in supporting customers to substantially reduce emissions of harmful and toxic gases into the environment.

- Adoption of safety measures or practices such as ensuring proper drainage and perimeter demarcation, setting up electrical points in compliance to China's regulation and reducing general construction waste.

- Safeguarding the health, safety of employees.

- Providing learning opportunities for employees and invest in human capital and support employee development to meet changing business needs.

The Company's approach to stakeholder engagement and materiality assessment can be found under the Sustainability Report 2019 which will be published separately from the 2019 Annual Report before end of May 2020 and also available in electronic format.

Provision 13.3 - Corporate Website

The Company's corporate website is http://www.anjie.cc. The Company intends to revamp its corporate website so that it can better communicate and engage with all stakeholders.

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 FY2019, 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 FY2019 or still subsisting as at 31 December 2019 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 FY2019 under review in accordance with Rule 907 of the Listing Rules.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2019 and the statement of financial position of the Company as at 31 December 2019.

In the opinion of the directors,

(a) the accompanying financial statements of the Group and of the 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 2019 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 in office at the date of this statement are:

Lin Baiyin (Executive Chairman and Chief Executive Officer)
Goh Kay Seng Edwin (Independent Non-Executive Director)
Mak Yen-Chen Andrew (Independent Non-Executive Director)
Liu Kaiyi (Independent Non-Executive Director) (appointed on 20 February 2020)

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		
	As at 1.1.2019	**As at 31.12.2019**	**As at 21.1.2020**	As at 1.1.2019	**As at 31.12.2019**	**As at 21.1.2020**
<u>Director</u>						
Lin Baiyin	1,000,000	**1,000,000**	**1,000,000**	207,304,000	**207,304,000**	**207,304,000**
Goh Kay Seng Edwin	–	**–**	**–**	9,000,000	**9,000,000**	**9,000,000**

The directors' interests in the ordinary shares of the Company as at 21 January 2020 were the same as those as at 31 December 2019.

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 during the financial year and at the date of this statement comprises the following members, all of whom are independent and non-executive directors of the Company:

Goh Kay Seng Edwin (Chairman)
Mak Yen-Chen Andrew
Liu Kaiyi

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) the overall scope of the external audit 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 2019 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;

(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).

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

Audit committee (Cont'd)

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, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

LIN BAIYIN

LIU KAIYI

Dated: 5 May 2020

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 2019, 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 consolidated 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 Singapore Companies Act, Chapter 50 (the Act) 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 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT

To the members of Leader Environmental Technologies Limited

Key Audit Matters (Cont'd)

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 wastegas 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 require 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) where it is probable that the total contract costs would exceed the total construction revenue and remaining costs. No provision for foreseeable losses has been recognised for the financial year ended 31 December 2019. The Group's disclosures about revenue recognition and contract assets and contract liabilities and the significant accounting estimates and judgements are included in Notes 2(d), 2(e) and 6 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 the actual costs incurred, we: ● confirmed on the total contract balance and salient information of the project; ● assessed the competence of the surveying engineers; ● agreed to 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 to the cost to completion 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 implementation 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 (Cont'd)		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 - Allocate the transaction price to the performance obligation in the contract Step 5 - Recognise 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 the 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 method of determining the percentage of completion. We have performed arithmetic checks on the calculation of the 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 have requested confirmation to customers to ascertain the rationale of the contract assets for the rights of payment to be unconditional and when such project cost can become a receivable given the fact these projects has been deemed completed according to management assessment. 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.

INDEPENDENT AUDITOR'S REPORT

To the members of Leader Environmental Technologies Limited

Key Audit Matters (Cont'd)

Key audit matters	Risk	Our responses and work performed
Impairment of trade receivables, contract assets and retention monies	The Group is subject to credit risk with significant judgement and accounting estimates used in determining the recoverability and expected credit losses (ECL) of trade and other receivables and contract assets as disclosed in Note 2(d) to the financial statements. 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 6 and 8 to the financial statements.	We have circularised significant trade receivables and payables balances and significant advances to suppliers. Alternative work done by checking to subsequent receipts, subsequent invoices and subsequent payments for confirmation not received. 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 the 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 judgements regarding the recoverability of trade receivables made year on year through discussion with management on their rationale and obtaining evidence to support judgement 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. 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 receivables, contract assets and retention monies (Cont'd)		Due to a slow-down in the People's Republic of China (PRC) economy in the construction industry, certain credit default rates have been applied: ● Where there is no credit impair to be expected, a percentage has been applied to the debt on a general basis. ● Where there is a credit impair expected, a percentage has been applied to the specific debt if doubtful on the basis of the extent of the probability of default. ● Where there is a credit-impaired and regarded as in default, a full sum of the specific debt will be written off to profit or loss. We have concurred with management's assessment on the basis to which the ECL has been applied. Please refer to Note 29.2 for further analysis.
Impairment of advances paid to trade and non-trade suppliers and third party, and tender deposits	As disclosed in Note 2(d) to the financial statements, the Group is subject to credit risk with significant judgement and accounting estimates used in determining the recoverability and expected credit losses (ECL) of deposits paid to trade and non-trade suppliers if the underlying project is aborted. The Group's disclosures about advances paid to trade and non-trade suppliers and third party, and tender deposits are in Note 8 to the financial statements.	The deposit to trade suppliers are made without the trade supplier invoices obtained at the point before the expenses were incurred. The deposit to trade suppliers will be reclassified and recognised as project costs upon the receipt of trade supplier invoices. 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. 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 deposit 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. The security in place is monitored by the employee to be accountable to the refund pending on the outcome of the bid.

INDEPENDENT AUDITOR'S REPORT

To the members of Leader Environmental Technologies Limited

Key Audit Matters (Cont'd)

<table>
<tr><th>Key audit matters</th><th>Risk</th><th>Our responses and work performed</th></tr>
<tr><td>Impairment of advances paid to trade and non-trade suppliers and third party, and tender deposits (Cont'd)</td><td></td><td>In FY2019, the balance of deposit to trade suppliers amounted to RMB 37,600,000 for 2 proposed projects belonging to a subsidiary; given the prolonged delay in commencing the project and no indication of commencement, these deposits have been reclassified as advances to a third party.

We considered the potential risks and implications associated with deposit paid to these suppliers and we have identified specific procedures to address these risks:

a) We circularised the deposit paid to these suppliers;

b) We reviewed management's assessment of the commencement of the projects relating to the deposit paid to these suppliers to the underlying documentation;

c) For projects that have not materialised and commenced at all, we have classified the capacity of such supplier as a third party. We traced to the subsequent refund of the deposit being placed. As at the date of this report, the Group had collected a partial refund of RMB 7.7 million from this third party, formerly regarded as a supplier. We did consider the fact and circumstances of the project as to the cause of delay, such 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 have been earmarked for the projects; and

d) We have concurred with management's assessment on the basis to which the ECL has been applied.

We assessed the adequacy of the related disclosures in the notes to the financial statements.</td></tr>
</table>

Key Audit Matters (Cont'd)

Key audit matters	Risk	Our responses and work performed
Going Concern	Under the going concern assumption, the Group and the Company are viewed as continuing in business for the foreseeable future. General purpose financial statements are prepared on a going concern basis, unless the management either intends to liquidate the entity or to cease operations or has no realistic alternative but to do so. We have identified going concern as a key audit matter because of the appropriateness of the going concern assumption would affect the presentation of the financial statements due to the history of continuing losses in previous year and for the current year.	We have obtained the cash flows forecast for the next twelve months approved by the management. We discussed with the CEO of the Company as to the likelihood of the inflows from advances and deposits to be received. We also consider the existing operations and the prospect of the fund raising to which the CEO endeavours. We have assessed the competency and capabilities of the management in preparing the forecasts. We have obtained and have independently challenged management's underlying assumptions used in the cash flow forecast based on our understanding of the Group. We have performed test checks on the underlying assumptions. We have performed procedures regarding subsequent events to identify those that either mitigate or otherwise affect the Group's and the Company's ability to continue as a going concern. The Group's disclosures on the use of the going concern basis in the preparation of the financial statements are provided in Note 2(f).
Impairment of investment in subsidiaries	Investment in subsidiaries are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No impairment loss has been recognised for the current financial year. The asset's carrying amount exceeds its recoverable amount. The recoverable amount is based on certain key assumptions, such as cash flow projections covering five years and the perpetual growth rate and discount rate per cash-generating unit. These assumptions which are determined by management are judgemental. The Company's disclosures of impairment of investment in subsidiaries are in Note 5 to the financial statements.	We have identified the valuation of investment in subsidiaries is significant to our audit. We considered the potential risks and implications associated with the investment in subsidiaries and we have identified specific procedures to address these risks: a) Reviewed for external and internal indications of impairment for the investment in subsidiaries. b) Assessed if the recoverable amount of investment in subsidiaries are 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 assumptions 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.

Key Audit Matters (Cont'd)

Key audit matters	Risk	Our responses and work performed
Impairment of investment in subsidiaries (Cont'd)		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 subsidiaries are included in notes to the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the "Directors' Statement", "Corporate Governance Report", "Operations and Financial Review" and "Financial Highlights" sections 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.

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 Yeo Boon Chye.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 5 May 2020

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

		The Group		The Company	
		2019	2018	**2019**	2018
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	3	**8,630**	9,400	**–**	–
Intangible assets	4	**1,282**	1,543	**–**	–
Investment in subsidiaries	5	**–**	–	**8,000**	8,000
		9,912	10,943	**8,000**	8,000
Current Assets					
Contract assets	6	**20,087**	41,842	**–**	–
Inventories	7	**934**	1,281	**–**	–
Trade and other receivables	8	**126,440**	145,639	**–**	–
Prepayments	9	**43**	57	**14**	15
Bank deposits pledged	10	**1,525**	1,190	**–**	–
Cash and cash equivalents	11	**9,707**	10,516	**58**	56
		158,736	200,525	**72**	71
Total assets		**168,648**	211,468	**8,072**	8,071
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	12	**224,747**	224,747	**224,747**	224,747
PRC statutory common reserve	13	**31,748**	31,748	**–**	–
Merger reserve	14	**(454)**	(454)	**–**	–
Premium paid on acquisition of non-controlling interests	15	**(170)**	(170)	**–**	–
Accumulated losses		**(215,435)**	(191,302)	**(227,465)**	(223,925)
		40,436	64,569	**(2,718)**	822
Non-controlling interests		**–**	4	**–**	–
Total equity		**40,436**	64,573	**(2,718)**	822
Non-Current Liabilities					
Deferred tax liabilities	16	**–**	–	**–**	–
Lease liabilities	17	**459**	–	**–**	–
		459	–	**–**	–
Current Liabilities					
Contract liabilities	6	**5,691**	6,073	**–**	–
Trade and other payables	18	**56,961**	56,250	**7,074**	4,244
Borrowings	19	**50,000**	65,109	**–**	–
Lease liabilities	17	**323**	–	**–**	–
Other liabilities	20	**14,778**	19,463	**3,716**	3,005
		127,753	146,895	**10,790**	7,249
Total liabilities		**128,212**	146,895	**10,790**	7,249
Total equity and liabilities		**168,648**	211,468	**8,072**	8,071

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

The Group	Note	**2019 RMB'000**	2018 RMB'000
Revenue	21	**37,239**	53,818
Cost of sales		**(27,821)**	(39,675)
Gross profit		**9,418**	14,143
Finance income	22(a)	**22**	31
Other income	22(b)	**146**	40
Selling and distribution expenses		**(1,291)**	(2,522)
Administrative expenses	22(c)	**(10,461)**	(16,088)
Finance costs	22(a)	**(5,877)**	(4,435)
Other expenses	22(b)	**(16,088)**	(1,589)
Loss before taxation	22(d)	**(24,131)**	(10,420)
Taxation	23	**(6)**	119
Loss after taxation		**(24,137)**	(10,301)
Other comprehensive income after tax		**–**	–
Total comprehensive loss for the year		**(24,137)**	(10,301)
Loss attributable to:			
Owners of the parent		**(24,133)**	(10,297)
Non-controlling interests		**(4)**	(4)
		(24,137)	(10,301)
Total comprehensive loss attributable to:			
Owners of the parent		**(24,133)**	(10,297)
Non-controlling interests		**(4)**	(4)
		(24,137)	(10,301)
Loss per share			
- Basic and diluted (RMB cents)	24	**(3.91)**	(1.67)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

The Group	Note	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 the parent RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		← Attributable to owners of the Company					→		
At 1 January 2019		**224,747**	**31,748**	**(454)**	**(191,302)**	**(170)**	**64,569**	**4**	**64,573**
Loss for the year		**–**	**–**	**–**	**(24,133)**	**–**	**(24,133)**	**(4)**	**(24,137)**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive loss for the year		**–**	**–**	**–**	**(24,133)**	**–**	**(24,133)**	**(4)**	**(24,137)**
At 31 December 2019		**224,747**	**31,748**	**(454)**	**(215,435)**	**(170)**	**40,436**	**–**	**40,436**
At 1 January 2018		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 a subsidiary	5	–	–	–	–	–	–	8	8
At 31 December 2018		224,747	31,748	(454)	(191,302)	(170)	64,569	4	64,573

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

The Group	Note	**2019 RMB'000**	2018 RMB'000
Cash Flows from Operating Activities			
Loss before taxation		**(24,131)**	(10,420)
Adjustments for:			
Property, plant and equipment written off	22(b)	**–**	1
Depreciation of property, plant and equipment	3	**1,070**	878
Loss on disposal of property, plant and equipment	22(b)	**252**	8
Amortisation of intangible assets	22(c)	**261**	1,282
Allowance for impairments:	22(b)		
- contract assets		**3,287**	–
- trade receivables	B	**3**	–
- trade receivables no longer required	B	**(1,642)**	(297)
- retention monies		**246**	1,301
- advances to trade suppliers		**12,553**	–
- advances to non-trade suppliers		**499**	–
- tender deposits		**1,138**	–
		16,084	1,004
Finance costs	22(a)	**5,877**	4,435
Interest income	22(a)	**(22)**	(31)
Operating loss before working capital changes		**(609)**	(2,843)
Decrease in contract assets		**18,468**	17,323
Decrease in inventories		**347**	–
Decrease/(increase) in trade and other receivables		**6,402**	(3,122)
Decrease/(increase) in prepayments		**14**	(1,660)
Decrease in contract liabilities		**(382)**	(5,014)
Increase in trade and other payables		**376**	1,740
Decrease in other liabilities		**(4,685)**	(13,891)
Cash generated from/(used in) operations		**19,931**	(7,467)
Income tax paid		**(6)**	(28)
Net cash generated from/(used in) operating activities		**19,925**	(7,495)
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	A	**(14)**	(937)
Proceeds from disposal of property, plant and equipment		**451**	15
Interest income received		**22**	31
Net cash generated from/(used in) investing activities		**459**	(891)
Cash Flows from Financing Activities			
Proceeds from third party borrowings	C	**–**	26,619
Repayments of third-party borrowings	C	**(10,249)**	(16,370)
Proceeds from bank borrowings	C	**60,000**	75,860
Repayments of bank borrowings	C	**(64,860)**	(81,000)
Repayments of lease liabilities	C	**(238)**	–
Proceeds from bills payable	C	**335**	370
Interest paid		**(5,846)**	(4,435)
(Increase)/decrease in bank deposits pledged		**(335)**	460
Net cash (used in)/generated from financing activities		**(21,193)**	1,504
Net decrease in cash and cash equivalents		**(809)**	(6,882)
Cash and cash equivalents at beginning of year		**10,516**	17,398
Cash and cash equivalents at end of year	11	**9,707**	10,516

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

NOTE:

A Property, plant and equipment, right-of-use asset and lease liabilities

In 2019, the Group makes cash payments to acquire property, plant and equipment of RMB 14,000 and arising from initial recognition of right-of-use asset and lease liabilities of RMB 989,000. In 2018, the Group made cash payments to acquire property, plant and equipment with an aggregate cost of RMB 937,000.

B Trade and other receivables (Note 8)

Allowance for impairment of trade receivables

During the financial year, the Group has written back impairment of RMB 1,718,000 for trade receivables, net of impairment allowance for trade receivables of RMB 79,000 computed in accordance to the lifetime expected credit loss model under SFRS(I) 9.

In 2018, the Group wrote back impairment of RMB 297,000 for trade receivables, computed in accordance to the lifetime expected credit loss model under SFRS(I) 9.

C Reconciliation of 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:

				Cash flows		
	31 December 2018	**Adoption of SFRS(I) 16 [Note 2 (b)]**	**Interest expense**	**Repayments/ Pledged/ Interest paid**	**Proceeds**	**31 December 2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Bills payables	1,190	–	–	–	335	**1,525**
Bank borrowings	54,860	–	5,194	(70,054)	60,000	**50,000**
Third party borrowings	10,249	–	652	(10,901)	–	**–**
Bank deposits pledged	(1,190)	–	–	(335)	–	**(1,525)**
Lease liabilities	–	989	31	(238)	–	**782**

			Cash flows		
	31 December 2017	**Interest expense**	**Repayments/ Pledged/ Interest paid**	**Proceeds**	**31 December 2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Bills payables	820	–	–	370	1,190
Bank borrowings	60,000	4,435	(85,435)	75,860	54,860
Third party borrowings	–	–	(16,370)	26,619	10,249
Bank deposits pledged	(1,650)	–	–	460	(1,190)

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

1 General information

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 5 to the financial statements.

The consolidated financial statements of the Group and statement of financial position of the Company for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' statement.

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 new and revised SFRS(I) effective for the current financial year

On 1 January 2019, the Group and the Company have adopted all the new and revised SFRS(I), SFRS(I) interpretations ("SFRS(I) INT") and amendments to SFRS(I), effective for the current financial year that are relevant to them.

Reference	**Description**
SFRS(I) 16	Leases
SFRS(I) INT 23	Uncertainty over Income Tax Treatments
Amendments to SFRS(I) 9	Prepayment Features with Negative Compensation
Amendments to SFRS(I) 1-19	Plan Amendment, Curtailment or Settlement
Amendments to SFRS(I) 1-28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to SFRS(I) 2015-2017 Cycle	

The adoption of these new and revised SFRS(I) pronouncements does not result in significant changes to the Group's and the Company's accounting policies and has no material effect on the amounts or the disclosures reported for the current or prior reporting periods, except as discussed below:

2(b) Adoption of new and revised SFRS(I) effective for the current financial year (Cont'd)

Adoption of SFRS(I) 16 Leases

(a) When the Group is the lessee

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the consolidated statement of financial position. These payments were recognised as rental expenses in profit or loss over the lease term on a straight-line basis.

The Group's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2(e).

For short-term leases and leases of low-value assets, the Group has elected for exemption under SFRS(I) 16 from recognising their right-of-use asset (ROU asset) and lease liabilities, and to report their lease expenses in profit or loss on a straight-line basis.

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I)1-17 *Lease* and SFRS(I) INT 4 *Determining whether an Arrangement contains a Leases*, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and

ii) On a lease-by-lease basis, the Group has:

a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;

b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;

c) accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

d) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and

e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.

The date of initial application of SFRS(I) 16 for the Group is 1 January 2019. The Group has elected to transition to SFRS(I) 16 using the cumulative catch-up approach of which for leases previously classified as operating leases on 1 January 2019, the Group has applied the following transition provisions:

i. Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.

ii. measure the ROU asset on a lease by lease basis, at an amount equal to the lease liability, adjusted for previously recognised prepaid or accrued lease payments, if any.

Comparative information is not restated.

2(b) Adoption of new and revised SFRS(I) effective for the current financial year (Cont'd)

Adoption of SFRS(I) 16 Leases (Cont'd)

(a) When the Group is the lessee (Cont'd)

The effects of the adoption of SFRS(I) 16 on the Group's financial statements as of 1 January 2019 are as follows:

	Increase/(decrease) **RMB '000**
Property, plant and equipment	**989**
Lease liabilities	**989**

An explanation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 31 December 2018 and the lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 are as follows:

	RMB '000
Operating lease commitment disclosed as at 31 December 2018	**539**
(Less)/Add:	
Leases with lease term ending within twelve months from the date of initial application	**(161)**
Lease cancelled and voided	**(378)**
Non-cancellable leases committed at 31 December 2018 with lease term commencing after 1 January 2019	**1,071**
Discounting effect using weighted average incremental borrowing rate of 5.24%	**(82)**
Lease liabilities recognised as at 1 January 2019	**989**

(b) When the Group is a lessor

There are no material changes to accounting by the Group as a lessor except when the Group is an intermediate lessor.

2(c) New and revised SFRS(I) issued but not yet effective

At the date of authorisation of these financial statements, the Group and the Company have not adopted the new and revised SFRS(I), SFRS(I) INT and amendments to SFRS(I) that have been issued but are not yet effective to them.

Reference	Description	Effective date (Annual periods beginning on or after)
SFRS(I) 17	Insurance Contracts	1 January 2021
Amendments to SFRS(I)		
SFRS(I) 10, SFRS(I) 1-28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
SFRS(I) 1-1, SFRS(I) 1-8	Definition of Material	1 January 2020
SFRS(I) 3	Definition of a Business	1 January 2020
SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 1-7	Interest Rate Benchmark Reform	1 January 2020
Various SFRS(I)s	Amendments to References to the Conceptual Framework in SFRS(I)	1 January 2020

The directors do not anticipate that the adoption of these new and revised SFRS(I) pronouncements in future periods will have a material impact on the Group's and the Company's financial statements in the period of their initial adoption.

2(d) Significant accounting estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) 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

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that have been made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

<u>Estimation of total contract costs for construction contracts</u>

The Group has significant ongoing construction contracts, for these contracts, revenue is recognised over time by reference to the Group's progress towards completion of the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ("input method").

Management has to estimate the total contract costs to complete, which are used in the input method to determine the Group's recognition of construction revenue. When it is probable that the total contract costs will exceed the total construction revenue, a provision for foreseeable losses are recognised immediately.

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

Significant judgements in applying accounting policies (Cont'd)

Estimation of total contract costs for construction contracts (Cont'd)

Significant assumptions are used to estimate the total contract sum and the total contract costs which affect the accuracy of revenue recognition based on the percentage-of-completion and completeness of provision for foreseeable losses recognised. In making these estimates, management has relied on past experience and the work of specialists.

If the remaining estimated contract costs increase/decrease by 10% from management's estimates, the Group's loss for the year will increase/decrease by approximately RMB 2,009,000 (2018: RMB 4,184,000).

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, judgement 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 determine 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.

Impairment of property, plant and equipment and ROU asset (Note 3)

The Company and the Group assess annually whether property, plant and equipment and ROU asset have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment and ROU asset 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 of the asset. These calculations require the use of judgement and estimates.

Impairment of investment in subsidiaries (Note 5)

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 the 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 of the reporting date, the sensitivity analysis of discount rate of 1% whether increase or decrease, there is no significant impact to the recoverable amount.

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

Critical accounting estimates and assumptions used in applying accounting policies

Expected credit losses (ECL) on contract assets, and trade and other receivables (Notes 6, 8, and 29.2)

As at 31 December 2019, the Group's trade and other receivables (excluding VAT receivables) and contract assets amounted to RMB 126,356,000 (Note 8) and RMB 20,087,000 (Note 6) (2018 – RMB 145,113,000 and RMB 41,842,000) respectively.

Allowance for ECL of contract assets and, trade and other receivables are based on assumptions about the risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the ECL calculation, based on the Group's past collection history, existing market conditions as well as forward-looking estimates at each reporting date. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The Group uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and forecast economic conditions.

The Group and the Company apply the 3-stage general approach to determine ECL for non-trade amounts due from external parties and related parties. ECL is measured as an allowance equal to 12-month ECL for stage-1 assets, or lifetime ECL for stage-2 or stage-3 assets. An asset moves from stage-1 to stage-2 when its credit risk increases significantly and subsequently to stage-3 as it becomes credit-impaired. In assessing whether credit risk has significantly increased, the Group and the Company consider qualitative and quantitative reasonable and supportable forward-looking information. Lifetime ECL represents ECL that will result from all possible default events over the expected life of a financial instrument whereas 12-month ECL represents the portion of lifetime ECL expected to result from default events possible within twelve months after the reporting date.

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

The carrying amount of the Group's and the Company's trade and other receivables and contract assets are disclosed in Note 8 and Note 6 respectively. As at the reporting date, the ECLs for trade and other receivables and contract assets are RMB 19,103,000 (2018 - RMB 3,019,000). The Group's and the Company's credit risk exposure for trade and other receivables and contract assets are set out in Note 29.2.

Allowance for inventory obsolescence (Note 7)

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 loss will decrease/increase by RMB 93,000 (2018 - RMB128,000). The carrying amount of the inventory is disclosed in Note 7 to the financial statements.

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

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

Depreciation of property, plant and equipment and ROU asset (Note 3)

Property, plant and equipment and ROU asset are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment and ROU asset to be within 3 to 30 years. The carrying amounts of the Group's property, plant and equipment and ROU asset as at 31 December 2019 is RMB 8,630,000 (2018 - RMB9,400,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. If depreciation on property, plant and equipment increases/decreases by 10% from management, the Group's loss for the year will increase/decrease by approximately RMB 107,000 (2018 - RMB88,000).

Estimation of the incremental borrowing rate ("IBR") (Note 17)

For the purpose of calculating the ROU asset and the lease liability, an entity applies the interest rate implicit in the lease ("IRIIL") and, if the IRIIL is not readily determinable, the entity shall use its IBR applicable to the leased asset. The IBR is the rate of interest that the entity would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. For most of the leases whereby the Group is the lessee, the IRIIL is not readily determinable. Therefore, the Group estimates the IBR relevant to each leased asset by using observable inputs (such as market interest rate and asset yield) when available and then making certain lessee specific adjustments (such as a Group entity's credit rating). The carrying amount of the Group's ROU assets and lease liabilities are disclosed in Notes 3 and 17 respectively. An increase/decrease of 50 basis points in the estimated IBR will decrease/increase the Group's ROU assets and lease liabilities by approximately RMB 7,000 respectively.

2(e) 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 5 to the financial statements.

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

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

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

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

Consolidation (Cont'd)

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 SFRS(I)s). 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 SFRS(I) 9, 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 result in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

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

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

Consolidation (Cont'd)

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 a straight-line basis over its useful life of 10 years.

Research and development costs

Research costs are expensed as incurred, except for development costs which relate 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;
- intention to complete the intangible assets and use or sell it;
- ability to use or sell it;
- the intangible asset will generate probable economic benefits through sale;

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

Intangible assets (Cont'd)

- sufficient technical, financial and other resources are available for completion; and
- the intangible asset can be reliably measured.

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.

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
ROU asset	3 years

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

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

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 impairment losses on an individual subsidiary basis.

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

Leases

The accounting policy for leases before 1 January 2019 are as follows:

Where the Group is the lessee,

Operating leases

Rentals on operating leases are recognised in 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, 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.

The accounting policy for leases from 1 January 2019 are as follows:

Where the Group is the lessee,

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- *ROU asset*

  The Group recognises a ROU asset and lease liability at the date which the underlying asset is available for use. ROU asset is measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the ROU asset.

  The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. ROU assets are presented within "Property, plant and equipment".

- *Lease liabilities*

  The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

  Lease payments include the following:

  - Fixed payment (including in-substance fixed payments), less any lease incentives receivables;

  - Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;

  - Amount expected to be payable under residual value guarantees;

  - The exercise price of a purchase option if is reasonably certain to exercise the option; and

  - Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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

Leases (Cont'd)

The accounting policy for leases from 1 January 2019 are as follows (Cont'd):

Where the Group is the lessee (Cont'd),

- *Lease liabilities (Cont'd)*

  For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component. Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

  - There is a change in future lease payments arising from changes in an index or rate;

  - There is a change in the Group's assessment of whether it will exercise an extension option; or

  - There is modification in the scope or the consideration of the lease that was not part of the original term.

  Lease liability is remeasured with a corresponding adjustment to the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Financial assets

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.

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

Financial assets (Cont'd)

Classification and measurement (Cont'd)

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 pledged, 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 recognises a loss allowance for expected credit losses ("ECL") on debt instruments that are measured at amortised cost or at FVOCI, finance lease receivables, contract assets, as well as on loan commitments and financial guarantee contracts (if any). The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

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

Financial assets (Cont'd)

Impairment (Cont'd)

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within twelve months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument (e.g. significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost);
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an external (if any) or internal credit rating of "investment grade" as per globally understood definition.

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

Financial assets (Cont'd)

Impairment (Cont'd)

(i) Significant increase in credit risk (Cont'd)

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition, (i) for a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; (ii) for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the receivables which meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

Financial assets (Cont'd)

Impairment (Cont'd)

(iv) *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery (e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings). Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) *Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For undrawn loan commitments, the expected credit loss is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- nature of financial instruments (i.e. the Group's trade and other receivables, contract assets are each assessed as a separate group);
- past-due status;
- nature, size and industry of debtors; and
- external credit ratings where available.

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

Financial assets (Cont'd)

Impairment (Cont'd)

(v) *Measurement and recognition of expected credit losses (Cont'd)*

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

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.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 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. Contract assets are transferred to trade receivables when the consideration for performance obligations are billed. Contract assets are included in current assets as they are expected to be realised in the normal operating cycle. Contract assets are subject to impairment review for credit risk in accordance with the expected credit loss model.

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).

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

(v) Measurement and recognition of expected credit losses (Cont'd)

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs in bringing the inventories to their present location and condition.

Provision is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value.

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

Share capital

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

Financial liabilities

All financial liabilities are initially recognised at fair value plus, in the case of a financial liability not at FVPL, transaction costs that are directly attributable to the issue of the financial liability and are subsequently measured at amortised cost using the effective interest method or at FVPL.

Financial liabilities at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVPL, are subsequently measured at amortised cost using the effective interest method. Financial liabilities at amortised cost mainly include trade and other payables, other liabilities, borrowings and lease liabilities.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

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

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.

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.

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.

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

Employee benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

Pension obligations

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

Employee leave entitlements

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

Key management personnel

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

Income taxes

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

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

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred income tax is measured:

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

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

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

Income taxes (Cont'd)

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")

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

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

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

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

Related parties

A related party is defined as follows:

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

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

(ii) has significant influence over the Company; or

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

(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;

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

Related parties (Cont'd)

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

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

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

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

Individual assets or cash-generating units are tested for impairment at least annually. All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to equity. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

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

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

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.

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.

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.

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

Revenue

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or extending a service to the customer, which is when the customer obtains control of the good or derived benefits from the usage of the service. A performance obligation may be satisfied at a point in time or over time. If a performance obligation is satisfied over time, the revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that performance obligation. The amount of revenue recognised is the amount allocated to the satisfied performance obligation. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

<u>Construction of specialised equipment</u>

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 Group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date in so far as to the construction of the specialised asset is concerned. 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.

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

Revenue (Cont'd)

Design, technical services

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

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 after tax of RMB 24.1 million (2018 - RMB10.3 million) during the financial year ended 31 December 2019. The Company's current liabilities exceeded the current assets by approximately RMB 10.7 million (2018 - RMB 7.2 million) and has capital deficiency of RMB 2.7 million (2018 - RMB Nil) as at 31 December 2019. However, the Group has net current assets of RMB 31.0 million (2018 - RMB 53.6 million) as well as positive operating cash flow of RMB 19.9 million during FY2019.

The Group and the Company manage the liquidity risk by ensuring there are sufficient cash to meet all their normal operating commitments in a timely and cost-effective manner, on the following basis:

(i) the Group's bank borrowing of RMB 5 million has been repaid on 21 February 2020. The next repayment of RMB 5 million is due in July 2020;

(ii) the Group has entered into a placement agreement with two investors (collectively, the "Placees") pursuant to which the Placees have agreed to subscribe for, and the Company has agreed to issue and allot, an aggregate 120,000,000 new ordinary shares in the capital of the Company ("Placement Shares") at a placement price of S$0.015 ("Placement Price") for each Placement Share ("Placement"). The aggregate consideration payable by the Placees for the Placement is S$1,800,000;

(iii) the liability owing to contractors and suppliers for the services rendered and supply of goods to the projects are in a way match to the timing of receipts and the extent of completion of the projects as stipulated in the contracts;

(iv) the Group has obtained an undertaking from its controlling shareholder to enable the Group to meet its debts as and when they fall due;

(v) As at the date of this financial statements, subsequent receipts amounting to RMB 21.1 million have been received from trade and other receivables and contract assets; and

(vi) Based on the management assessment of the cashflow forecast for the next 12 months from the date of this report, there is reasonable certainty that all the liabilities due will be repaid when called upon.

Based on these assessments, the use of going concern assumption 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	Warehouse premise on lease RMB,000	Total RMB'000
Cost						
At 1 January 2018	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**
Additions	**–**	**–**	**–**	**14**	**–**	**14**
Adoption of SFRS(I) 16 - initial recognition	**–**	**–**	**–**	**–**	**989**	**989**
Disposals/written off	**–**	**–**	**(812)**	**(63)**	**–**	**(875)**
At 31 December 2019	**7,749**	**1,163**	**4,159**	**805**	**989**	**14,865**
Accumulated depreciation						
At 1 January 2018	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**
Depreciation	**242**	**103**	**425**	**80**	**220**	**1,070**
Disposals/written off	**–**	**–**	**(115)**	**(57)**	**–**	**(172)**
At 31 December 2019	**1,913**	**784**	**2,751**	**567**	**220**	**6,235**
Net book value						
At 31 December 2019	**5,836**	**379**	**1,408**	**238**	**769**	**8,630**
At 31 December 2018	6,078	482	2,530	310	–	9,400

3 Property, plant and equipment (Cont'd)

The commercial properties which comprise of four units of office block are located at 吉林省长春市经济技术开发区临河街5445号圣豪汇商1301 to 1304号房.

Based on the latest transaction prices of similar unit of office buildings located in the same area, the value is to be RMB 7.9 million which is higher than the carrying amount.

The Company	Office equipment RMB'000
Cost	
At 1 January 2018, 31 December 2018 and 31 December 2019	**11**
Accumulated depreciation	
At 1 January 2018, 31 December 2018 and 31 December 2019	**11**
Net book value	
At 1 January 2018, 31 December 2018 and 31 December 2019	**–**

The Group has pledged its four units of commercial properties to a bank to secure the banking facility of RMB 50 million (2018 – RMB 55 million) for 1 year starting from 1 December 2019.

The Group	**2019 RMB'000**	2018 RMB'000
Depreciation expenses are allocated to:		
Cost of sales	**324**	124
Selling and distribution expenses	**134**	129
Administrative expenses	**612**	625
	1,070	878

Right-of-use assets

Nature of the Group's leasing activities

(i) *Commercial properties*

The Group has made an upfront payment to secure the right-of-use of the 38-year leasehold properties, which is used for the Group's back office operations. These leasehold properties are recognised within "Property, plant and equipment" above. There are no further liabilities in so far as the commercial properties are concerned.

3 Property, plant and equipment (Cont'd)

Right-of-use assets (Cont'd)

Nature of the Group's leasing activities (Cont'd)

(ii) Warehouse premise on lease

The Group leases warehouse space for storage of inventories and fabrication and installation of material for projects.

Saved as disclosed, there is no externally imposed restrictions or covenant on these lease arrangements.

(a) Carrying amount

The Group	31 December 2019 RMB'000	1 January 2019 RMB'000
Commercial properties	**5,836**	6,078
Warehouse premise	**769**	989
	6,605	7,067

(b) Depreciation charge during the year

The Group	2019 RMB'000
Commercial properties	**242**
Warehouse premise	**220**
	462

(c) Interest expense

The Group	2019 RMB'000
Interest expense on lease liabilities (Note 17)	**31**

(d) Lease payment not capitalised in lease liabilities

The Group	2019 RMB'000
Lease expense – short term leases [Note 22(c)]	**304**

(e) Total cash outflows for all the leases in 2019 for the Group was $542,000.

4 Intangible assets

The Group	Patents	Deferred development costs	Total
	RMB'000	RMB'000	RMB'000
Cost			
At 1 January 2018, 31 December 2018 and 31 December 2019	**2,978**	**6,641**	**9,619**
Accumulated amortisation			
At 1 January 2018	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**
Amortisation for the year	**261**	**–**	**261**
At 31 December 2019	**1,696**	**6,641**	**8,337**
Net book value			
At 31 December 2019	**1,282**	**–**	**1,282**
At 31 December 2018	1,543	–	1,543

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

The Group	2019	2018
	RMB'000	RMB'000
Amortisation expense charged to:		
Administrative expenses	**261**	1,282

Patents

The amount of patents cost belonging to a subsidiary incurred of RMB 2,608,000 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 2019, the patent has a remaining tenure of 59 months (2018 - 71 months). To the extent of the revenue generated from the patents from the said subsidiary, the gross profit margin is reported to be 6% for the project undertaken for FY 2020.

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 were fully amortised as at 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

5 Investment in subsidiaries

The Company	2019 RMB'000	2018 RMB'000
Investment in subsidiaries - unquoted equity shares, at cost	**162,606**	162,606
Less: allowance for impairment of investment in subsidiaries		
- At 1 January	**(154,606)**	(99,606)
- Allowance made	**–**	(55,000)
- At 31 December	**(154,606)**	(154,606)
Net investment in subsidiaries - unquoted equity shares	**8,000**	8,000

Allowance for impairment

In 2018, the impairment of RMB55 million has been provided to reduce the carrying value of the investment to the recoverable sum. On the basis that there are no significant changes to the recoverable amount since FY 2018 calculated on value-in-use (VIU) basis, no further impairment is deemed necessary.

The recoverable amounts of the investment in the subsidiaries are determined based on 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 20% (2018 - 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	
	2019 RMB'000	2018 RMB'000
Equity value or recoverable amount	**16,703**	8,000
Less: Cost of investment	**(8,000)**	(63,000)
Excess/(deficit)	**8,703**	(55,000)
Key assumptions		
Perpetual growth rate	**0.00%**	4.73%
Weighted average cost of capital (WACC)	**20%**	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.

In prior year, 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, impairment loss of RMB 55,000,000 was recognised in 2018.

5 Investment in subsidiaries (Cont'd)

The Group has the following subsidiaries as at 31 December 2019 and 2018:

Name	Country of incorporation/ principal place of business	Issued and fully paid share capital	Registered capital	Proportion of ownership interest and voting rights held		Principal activities
		RMB	RMB	**2019**	2018	
				%	%	
Held by the Company:						
Jilin Anjie Environmental Engineering Co., Ltd. ("Anjie Environmental") [1]	The People's Republic of China	160,000,000	160,000,000	**100.0**	100.0	Research and development, design, manufacture and installation of environmental protection systems and provision of technical consulting and support services of environmental protection technologies and systems
Held by Jilin Anjie Environmental Engineering Co., Ltd.						
Jilin Anjie New Energy Group Co., Ltd ("Anjie New Energy") [4, 5]	The People's Republic of China	12,397,798[6]	100,000,000	**99.9**	99.9	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, 4]	The People's Republic of China	100	10,000,000	**100.0**	100.0	Dormant
Linjiang City Anjie Environmental Co., Ltd. ("Linjiang Anjie")[2, 4]	The People's Republic of China	–[3]	50,000,000	**100.0**	100.0	Dormant

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

2 Dormant since the date of incorporation.

3 The Group has not subscribed for the issued share capital as at 31 December 2019.

4 Audited by Foo Kon Tan LLP for consolidation purposes.

5 In previous 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").

6 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

5 Investment in subsidiaries (Cont'd)

Transaction with non-controlling interests

There is no transaction with non-controlling interests during the financial year 2019 and 2018.

There are no subsidiaries with material non-controlling interests.

6 Contract assets and liabilities

The Group	**2019**	2018
	RMB'000	RMB'000
Contract assets		
- Specialised equipment construction contracts	**20,087**	41,842
Specialised equipment construction contracts	**23,374**	41,842
Less: loss allowance [Note 29.2]		
- At 1 January	**–**	–
- Impairment loss [Note 22(d)]	**(3,287)**	–
- At 31 December	**(3,287)**	–
Contract assets - total	**20,087**	41,842

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 waste-gas 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.

As at 1 January 2018, the Group's contract assets amounted to RMB 59,165,000. The decrease in contracts assets of RMB 18.5 million (2018 - RMB17.3 million) is in line with decrease in business activities.

The expected credit loss recognised on contract assets are disclosed in Note 29.2.

The Group	**2019**	2018
	RMB'000	RMB'000
Contract liabilities		
- Specialised equipment construction contracts	**5,691**	6,073

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

As at 1 January 2018, the Group's contract liabilities amounted to RMB 11,087,000. Contract liabilities decreased by RMB 0.4 million (2018 - RMB 5.0 million) is in line with the decrease in business activities.

6 Contract assets and liabilities (Cont'd)

Contract liabilities (Cont'd)

(i) Revenue recognised in relation to contract liabilities

The Group	2019 RMB'000	2018 RMB'000
Revenue recognised that was included in the contract liability balance	**6,594**	10,257

(ii) Unsatisfied performance obligations

The Group	2019 RMB'000	2018 RMB'000
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 31 December	**67,960***	4,357

* Mainly relates to the project undertaken for contract sum of RMB 57.2 million from 临江市幸福基业开发 建设有限公司, where the completion is only about 7%.

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

7 Inventories

The Group	2019 RMB'000	2018 RMB'000
Raw materials, at cost	**934**	1,281
Cost of inventories included in cost of sales	**18,752**	23,667

8 Trade and other receivables

The Group	2019 RMB'000	2018 RMB'000
Trade receivables (Gross) (Note 29.2)	**3,542**	11,315
Allowance for impairment (Note 29.2)	**(79)**	(1,718)
Trade receivables (Net) (Note 29.2)	**3,463**	9,597
Retention receivables (Note 29.2)	**5,845**	805
Other receivables		
- VAT receivables	**84**	526
- Advances to employees (Note 29.2)	**3,150**	6,664
- Advances to trade suppliers (Note 29.2)	**24,544**	26,948
- Advances to non-trade suppliers (Note 29.2)	**1,843**	1,189
- Advances to third party	**37,600**	68,600
- Tender deposits and security deposits	**49,911**	31,310
	117,132	135,237
Total	**126,440**	145,639

8 Trade and other receivables (Cont'd)

As at 1 January 2018, the Group's gross trade receivables from contracts with customers due from non-related parties amounted to RMB 15,497,000.

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.

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. Specific impairment has been provided on retention monies amounting to RMB 1.5 million (2018 - RMB1.3 million) during the financial year given the fact that there remains a probability of default.

The movement in the retention monies is as follow:

The Group	**2019** **RMB'000**	2018 RMB'000
Retention monies	**7,392**	2,106
Allowance for impairment [Note 22(d)]	**(1,547)**	(1,301)
	5,845	805

The movement in the advances to trade suppliers is as follow:

The Group	**2019** **RMB'000**	2018 RMB'000
Advances to trade suppliers	**37,097**	26,948
Allowance for impairment [Note 22(d)]	**(12,553)**	–
	24,544	26,948

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:

- 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.

The movement in the advances to non-trade suppliers is as follow:

The Group	**2019** **RMB'000**	2018 RMB'000
Advances to non-trade suppliers	**2,342**	1,189
Allowance for impairment [Note 22(d)]	**(499)**	–
	1,843	1,189

8 Trade and other receivables (Cont'd)

The advances to a third party of RMB37,600,000 (2018 - RMB68,600,000) comprise of 2 (2018 - 3) proposed projects belonging to a subsidiary. Below summarise the deposits to this third party:

Project	2019 RMB'000	2018 RMB'000
Wastewater treatment – Proposed project 1	**11,500**	11,500
Wastewater treatment – Proposed project 2	**26,100**	28,850
Wastewater treatment – Proposed project 3	**–**	28,250
Total	**37,600**	68,600

There is no indication of commencement since the past three years. The said advances are therefore regarded to be amount owing by third party instead despite some ongoing discussion.

In managing the credit risk exposure, the Group requested and received a sum of RMB 7.7 million (2018 - RMB20 million) by early of April 2020. A further sum of RMB 10 million is expected to be received by the early of 3rd quarter of 2020 as the business operations in North-Eastern region of the PRC just kick-off in March 2020. No allowance for impairment has been considered necessary. 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. There were no significant changes in credit risk and 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.

The movement in the tender deposits is as follow:

The Group	2019 RMB'000	2018 RMB'000
Tender deposits	**51,049**	31,310
Allowance for impairment [Note 22(d)]	**(1,138)**	–
	49,911	31,310
Total impairment made	**15,816**	3,019

The tender deposits comprise mainly for the following:

		2019 RMB'000	2018 RMB'000
(i)	industrial wastewater project A	**15,000**	20,000
(ii)	industrial wastewater project B	**25,000**	–

9 Prepayments

	The Group		The Company	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepaid operating expense	**43**	57	**14**	15
	43	57	**14**	15

10 Bank deposits pledged

The Group

Bank deposits pledged amounting to RMB 1,525,000 (2018 - RMB1,190,000) as at 31 December 2019 for the purpose of obtaining bills payable facilities of RMB 1,525,000 (2018 - RMB1,190,000). There is no issuance of performance guarantees to certain customers during the financial year 2019 and 2018.

11 Cash and cash equivalents

	The Group		The Company	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Fixed deposit	**–**	10,000	**–**	–
Cash on hand	**1**	4	**–**	–
Cash at bank	**9,706**	512	**58**	56
	9,707	10,516	**58**	56

The fixed deposit is placed with a bank for 7 days and bear interest at a rate of Nil% (2018 – 1.10%) per annum.

The Group's and Company's bank balances bear interest at an average interest rate of between 0.07% - 0.38% (2018 - between 0.30% - 0.35%) and Nil% (2018 - Nil%) per annum respectively.

12 Share capital

	No. of ordinary shares		Amount	
The Group and The Company	**2019**	2018	**2019**	2018
			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.

13 PRC statutory common reserve

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

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

The Group	2019 RMB'000	2018 RMB'000
Balance at beginning and end of the year	**31,748**	31,748

14 Merger reserve

The Group

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

15 Premium paid on acquisition of non-controlling interests

The Group	2019 RMB'000	2018 RMB'000
Balance at beginning/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.

16 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.

16 Deferred tax liabilities (Cont'd)

Unrecognised tax loss

At the end of the financial year, the subsidiaries has unrecognised tax losses that are available for offset against future taxable profits of the companies in the Group in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of the tax loss is subject to the agreement of the tax authorities and compliance with the provisions of the tax legislation of the respective countries in which the companies operate. All tax losses will expire after five years from the year of assessment they relate to.

The unrecognised tax losses will expire as follows:

The Group	**2019**	2018
	RMB'000	RMB'000
Year 2021	**698**	698
Year 2022	**2,562**	2,562
Year 2023	**3,147**	3,147
Year 2024	**4,708**	–
Balance at end	**11,115**	6,407

There is no utilisation of losses brought forward from previous year as the subsidiaries, Jilin Anjie Environmental Engineering Co., Ltd and Jilin Anjie New Energy Group Co., Ltd are in loss making position since financial year 2018.

17 Lease liabilities

The Group

Lease liabilities has been recognised for the remaining lease payments for the rental of warehouse premises. The movements of the lease liabilities are as follows:

	2019	2018
	RMB'000	RMB'000
Balance at beginning of year	**–**	–
Adoption of SFRS(I) 16 [Note 2(b)]	**989**	–
Interest expense [Note 22(a)]	**31**	–
Payment of lease liabilities	**(238)**	–
Balance at end of year	**782**	–
Undiscounted lease payment due:		
- Year 1	**357**	–
- Year 2	**357**	–
- Year 3	**119**	–
	833	–
Less: Unearned interest	**(51)**	–
Lease liabilities	**782**	–
Presented as:		
Current – within 1 year	**323**	–
Non-current – more than 1 year but less than 3 years	**459**	–
	782	–

18 Trade and other payables

	The Group		The Company	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**49,903**	50,204	**–**	–
Bills payables (secured – Note 10)	**1,525**	1,190	**–**	–
Other payables	**3,418**	4,579	**510**	237
VAT payables	**1,343**	–	**–**	–
Amount due to subsidiary	**–**	–	**6,320**	3,763
Amount due to director	**772**	277	**244**	244
Net trade and other payables	**56,961**	56,250	**7,074**	4,244

Trade payables are non-interest bearing, which mainly comprise of:

		2019
		RMB'000
Suppliers		
(i)	抚顺恒益科技滤材有限公司	**6,190**
(ii)	鞍钢集团工程技术有限公司	**15,199**
(iii)	吉林丰源电力环保科技有限公司	**4,573**
		25,962

Trade payables are normally settled on 90 days' terms. The profile of the liability owing to contractors and suppliers for the services rendered and supply of goods to the projects are in a way match to the timing of receipts and the extent of completion of the projects as stipulated in the contracts. Such liabilities are only due for payment when the extent of the project completion is accepted and acknowledged by the customer of the Group.

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 when the Company's cash flow permits.

19 Borrowings

The Group	2019 RMB'000	2018 RMB'000
Current		
Bank loans:		
China Merchants Bank Co., Ltd (招商银行长春大经路支行)	**50,000**	54,860
Third party loans	**–**	10,249
	50,000	65,109

As at 31 December 2019, the Group has short-term loan facility of RMB 50 million (2018 - RMB 55 million), repayable on varying dates, with the earliest date being 11 March 2020 and the latest date being 16 December 2020. Subsequent to the reporting date, a sum of RMB 5 million with loan instalment due on 11 March 2020, has been repaid on 21 February 2020.

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).

In 2019, the Group obtained unsecured loans of RMB10 million with an interest rate of 5.22% per annum from a financial institution. These unsecured loans of RMB10 million have been fully repaid in the current financial year.

The effective weighted average interest rate for the secured bank loans is 9.19% (2018 - 8.71%) per annum.

In 2018, the Group obtained unsecured interest-free loan of RMB6.5 million and unsecured loan of RMB3.7 million with an interest rate of 10% per annum from certain third parties. These unsecured loans of RMB10.2 million have been fully repaid in FY2019.

The carrying amounts of current borrowings approximate their fair values.

20 Other liabilities

	The Group		The Company	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Accrued purchases	**5,824**	9,615	**–**	–
Accrued salary and related expenses	**3,197**	2,181	**2,317**	1,634
Deposits from customers	**4,314**	6,252	**–**	–
Accrued operating expenses	**1,399**	1,371	**1,399**	1,371
Accrued welfare expenses	**44**	44	**–**	–
	14,778	19,463	**3,716**	3,005

21 Principal activities and revenue

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

The Group	Over time 2019 RMB'000	 2018 RMB'000
PRC		
Contract revenue	**37,239**	53,603
Rendering of services	**–**	215
	37,239	53,818

22(a) Finance income and costs

The Group	2019 RMB'000	2018 RMB'000
Finance income:		
Interest income from bank balances	**22**	31
Finance costs:		
Interest expense on lease liabilities	**(31)**	–
Interest expense on bank loans and third party loans	**(5,846)**	(4,435)
	(5,877)	(4,435)

22(b) Other income

The Group	2019 RMB'000	2018 RMB'000
Other income:		
Others	**146**	40
	146	40

22(b) Other expenses

The Group	2019 RMB'000	2018 RMB'000
Other expenses:		
Bad debts written off	**82**	861
Allowance for impairments (Note 29.2):		
- contract assets	**3,287**	–
- trade receivables	**3**	–
- trade receivables no longer required	**(1,642)**	(297)
- retention monies	**246**	1,301
- advances to trade suppliers	**12,553**	–
- advances to non-trade suppliers	**499**	–
- tender deposits	**1,138**	–
	16,084	1,004
Exchange loss	**58**	56
Loss on disposal of property, plant and equipment	**252**	8
Property, plant and equipment written off	**–**	1
Bad debts recovered	**(450)**	(420)
Others	**62**	79
	16,088	1,589

22(c) Administrative expenses

The Group	2019 RMB'000	2018 RMB'000
Employees' salaries and related costs	**2,890**	4,956
Directors' fees and remunerations	**1,798**	1,732
Depreciation of property, plant and equipment	**612**	625
Amortisation of intangible assets	**261**	1,282
Short-term lease expenses	**304**	294
Transportation expenses	**350**	655
Professional fees	**720**	790
Travelling and entertainment expenses	**1,848**	3,010
Others	**1,678**	2,744
	10,461	16,088

22(d) Loss before taxation

The Group	Note	**2019 RMB'000**	2018 RMB'000
Loss before taxation has been arrived at after charging/(crediting):			
Audit fee:			
- auditors of the Company		**758**	735
- other auditors		**98**	66
Non audit fee:			
- other auditors		**54**	54
Loss on disposal of property, plant and equipment		**252**	8
Property, plant and equipment written off		**–**	1
Depreciation of property, plant and equipment	3	**1,070**	878
Amortisation of intangible assets	4	**261**	1,282
Bad debts written off		**82**	861
Allowance for impairments:	29.2		
- contract assets	6	**3,287**	–
- trade receivables	8	**3**	–
- trade receivables no longer required	8	**(1,642)**	(297)
- retention monies	8	**246**	1,301
- advances to trade suppliers	8	**12,553**	–
- advances to non-trade suppliers	8	**499**	–
- tender deposits	8	**1,138**	–
		16,084	1,004
Bad debts recovered		**(450)**	(420)
Employees' compensations*	25	**7,612**	10,514

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

23 Taxation

The Group	**2019 RMB'000**	2018 RMB'000
Current taxation	**6**	28
Overprovision in prior years	**–**	(147)
	6	(119)

23 Taxation (Cont'd)

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

The Group	2019 RMB'000	2018 RMB'000
Loss before taxation	**(24,131)**	(10,420)
Tax at the domestic rates applicable to losses in the countries concerned [1]	**(6,033)**	(2,605)
Difference in foreign tax rate	**283**	290
Tax effect on non-deductible expenses	**4,744**	947
Tax effect on non-taxable income	**(523)**	(74)
Effect of loss not available for offset against future profits - the Company	**602**	617
Effect of loss not recognised as deferred tax assets (Note 16) - the subsidiaries	**926**	825
Overprovision of current tax in prior years	**–**	(147)
Others	**7**	28
	6	(119)

[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	2019 RMB'000	2018 RMB'000
Allowance written back - no tax deduction claimed in prior year	**411**	74
Bad debts recovered - no tax deduction claimed in prior year	**112**	–
	523	74

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

The Group	2019 RMB'000	2018 RMB'000
Purchases not supported by value added tax invoices	**16**	25
Entertainment expenses incurred but restricted for tax purposes	**289**	524
Allowance for impairment	**4,432**	398
Others	**7**	–
	4,744	947

24 Loss per share

The loss per share is calculated based on the consolidated losses attributable to ordinary shareholders of the Company divided by the weighted average number of shares in issue of 617,209,000 (2018 - 617,209,000) shares during the financial year. The basic and diluted loss per share of the Group are the same as there were no potential dilutive ordinary shares outstanding as at 31 December 2018 and 2019.

24 Loss per share (Cont'd)

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

The Group	2019	2018
Loss for the year attributable to owners of the Company (RMB'000)	**(24,133)**	(10,297)
Weighted average number of ordinary shares	**617,209,000**	617,209,000
Basic and diluted loss per share (RMB cents)	**(3.91)**	(1.67)

25 Employee benefits

The Group	2019 RMB'000	2018 RMB'000
Employee benefits expenses (including directors)		
Directors' fees	**536**	525
Salaries and bonuses	**5,922**	8,466
Contribution to defined contribution plans	**1,154**	1,523
	7,612	10,514

26 Commitments

Operating lease commitments - as lessee

In 2018, the Group entered into commercial leases on rental of warehouse and office premises. 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 Group were committed to make the following rental payments in respect of non-cancellable operating leases of warehouse and office premises with an original term of more than one year:

The Group	2018 RMB'000
Not later than one year	291
Later than one year but not later than five years	248
	539

The leases on the Group's warehouse on which rentals are payable will expire on 30 April 2022 (2018 - 31 July 2021). In FY 2018, there was additional lease expired on 30 April 2019 for rental of office space. The current rent payable on the leases are between RMB 3,520 and RMB 29,750 (2018 - RMB3,520 and RMB29,750) per month which are subject to revision on renewal.

As disclosed in Note 2(b) to the financial statements, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as ROU assets and lease liabilities.

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	2019 RMB'000	2018 RMB'000
Directors' remuneration		
- Directors' fees	**536**	525
- Salaries, bonuses and other short-term benefits	**1,142**	1,084
- Contribution to defined contribution plans	**194**	123
Key management personnel (other than directors)		
- Salaries, bonuses and other short-term benefits	**1,143**	1,324
- Contribution to defined contribution plans	**161**	145
	3,176	3,201

Other members of Group's key management in FY2019 comprise Deputy General Manager, CFO, Administration and Human Resource Manager and the Sales Consultant who temporarily took over the duties and responsibilities of the Sales Manager who resigned on 31 March 2019. He was appointed on 1 January 2019 and was also the Director of the subsidiary, Anjie Environmental. The remuneration of directors and key executives are reviewed 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	Industrial wastewater RMB'000	Design, technical services & others RMB'000	Total RMB'000
2019				
Revenue				
Sales to external customers	**10,370**	**26,869**	**–**	**37,239**
Results				
Segment gross profit	**3,241**	**6,177**	**–**	**9,418**
2018				
Revenue				
Sales to external customers	39,095	14,508	215	53,818
Results				
Segment gross profit	12,103	1,825	215	14,143

(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 2019, revenue from three (2018: three) major customers amounted to RMB 10.8 million, RMB 9.3 million and RMB 7.8 million (2018 – RMB 14.5 million, RMB 7.8 million and RMB 7.3 million), arising from sales by the dust elimination and industrial wastewater segments.

(d) All non-current assets are located in the PRC other than the Company's office equipment located in Singapore.

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 Financial risk management objectives and policies (Cont'd)

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 (2018 - 50) basis points higher/lower with all other variables held constant, the Group's loss net of tax would have been RMB 201,000 (2018 – RMB273,000) higher/lower, 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 is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group trade and other receivables, contract assets and retention receivables. 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.

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

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

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

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

(c) after the installation and commissioning of equipment and systems, the issue of the project completion report by 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.

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

29.2 Credit risk (Cont'd)

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.

Measures to curtail credit risk

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 50 million (2018 - RMB 54.86 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.

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.

The Group's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognising expected credit losses (ECL)**
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit impaired.	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the group has no realistic prospect of recovery.	Amount is written off

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

29.2 Credit risk (Cont'd)

Expected credit losses

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 rate to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

The Group allocates each exposure to a credit risk category based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk category are defined using qualitative and quantitative factors that are indicative of the risk of default.

12-month ECL loss rates are based on the credit default rate in PRC for construction industry with make reference to the bond default rate in the PRC given the economic uncertainty in so far as the collectability of debt is concerned.

The China Loan default loss rate of 2.23% is close to an analysis using the scalar factors which is 2.36%. The scalar factors are based on the GDP forecast and industry outlook at historical patterns, there is no significant difference noted. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The Group monitors changes in credit risk by tracking published default rates. To determine whether published default rates remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing available press and regulatory information.

Lifetime ECL are measure using the probability of default approach. Lifetime probabilities of default are based on historical data and are recalibrated by evaluating a range of possible outcomes which includes available information about current conditions and forecast of future economic conditions. Loss given default (LGD) parameters generally reflect an assumed recovery rate of 100% except when a security is credit-impaired, in which case the estimate of loss is based on the amount recoverable and effective interest rate by reference to China Prime Lending Rate.

In measuring the expected credit losses, trade receivables, retention monies and contract assets are grouped based on shared credit risk characteristics. 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. Advances to employees, advances to trade and non-trade suppliers and tender deposits are grouped based on shared credit risk characteristics.

Impairment losses on financial assets and contract assets recognised in profit or loss were disclosed in Note 22(b) and 22(d).

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

29.2 Credit risk (Cont'd)

Expected credit losses (Cont'd)

The movement in the allowance for impairment for trade receivables, contract assets and retention monies during the year was as follows:

	Trade receivables, contract assets and retention monies			
The Group	**12-month ECL**	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Total**
2019	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Balance as at 1 January	**1,718**	**–**	**1,301**	**3,019**
Loss allowance recognised in profit or loss during the year on:				
- Originated	**–**	**–**	**1,930**	**1,930**
- Reversal of unutilised amount	**(1,642)**	**–**	**–**	**(1,642)**
- Changes in credit risk	**136**	**1,470**	**–**	**1,606**
Balance as at 31 December	**212**	**1,470**	**3,231**	**4,913**
2018				
Balance as at 1 January	2,015	–	–	2,015
Loss allowance recognised in profit or loss during the year on:				
- Originated	–	–	1,301	1,301
- Reversal of unutilised amount	(297)	–	–	(297)
- Changes in credit risk	–	–	–	–
Balance as at 31 December	1,718	–	1,301	3,019

The movement in the allowance for impairment for advances to trade and non-trade suppliers and tender deposits during the year was as follows:

	Advances to trade and non-trade suppliers and tender deposits			
The Group	**12-month ECL**	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Total**
2019	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Balance as at 1 January	**–**	**–**	**–**	**–**
Loss allowance recognised in profit or loss during the year on:				
- Originated	**–**	**–**	**2,499**	**2,499**
- Changes in credit risk	**1,180**	**10,511**	**–**	**11,691**
Balance as at 31 December	**1,180**	**10,511**	**2,499**	**14,190**

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

29.2 Credit risk (Cont'd)

Expected credit losses (Cont'd)

The Group's and the Company's major classes of financial assets are cash and cash equivalents, bank deposits pledged, trade and other receivables and contract assets. Bank deposits pledged, cash and cash equivalent are subject to immaterial credit loss.

No allowance for impairment for advances to trade and non-trade suppliers and tender deposits in 2018.

The following tables provide information about the exposure to credit risk and ECLs for trade receivables contract assets and retention monies:

	Trade receivables, contract assets and retention monies			
The Group	**Weighted average loss rate**	**Gross carrying amount**	**Impairment loss allowance**	**Credit impaired**
2019	**%**	**RMB'000**	**RMB'000**	
Category: performing	2.23	**9,520**	**212**	No
Category: doubtful	6.81	**21,557**	**1,470**	No
Category: in default	100.00	**3,231**	**3,231**	Yes
		34,308	**4,913**	
2018	**%**	**RMB'000**	**RMB'000**	
Category: performing	3.18	**53,962**	**1,718**	No
Category: doubtful	0.00	**-**	**-**	No
Category: in default	100.00	**1,301**	**1,301**	Yes
		55,263	**3,019**	

The following tables provide information about the exposure to credit risk and ECLs for advances to trade and non-trade suppliers and tender deposits:

	Advances to trade and non-trade suppliers and tender deposits			
The Group	**Weighted average loss rate**	**Gross carrying amount**	**Impairment loss allowance**	**Credit impaired**
2019	**%**	**RMB'000**	**RMB'000**	
Category: performing	2.23	**52,934**	**1,180**	No
Category: doubtful	29.99	**35,055**	**10,511**	No
Category: in default	100.00	**2,499**	**2,499**	Yes
		90,488	**14,190**	

No allowance for impairment for advances to trade and non-trade suppliers and tender deposits in 2018.

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

29.2 Credit risk (Cont'd)

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:

The Group	**31 December 2019**		31 December 2018	
	RMB'000	**% of total**	RMB'000	% of total
By industry sector				
Construction	**37**	**1.1**	320	3.3
Heat supply	**3,061**	**88.4**	7,897	82.3
Investment management	**–**	**–**	19	0.2
Others	**365**	**10.5**	1,361	14.2
	3,463	**100.0**	9,597	100.0

As at 31 December 2019, none (2018 - none) of the trade receivables individually exceed 5% of the Group's total assets.

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.

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

29.3 Liquidity risk

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	**On demand or within 1 year**	**Within 2 to 5 years**	**Total**
		RMB'000	RMB'000	RMB'000
2019				
Non-derivative financial liabilities				
Trade and other payables (excluding VAT payables)	18	55,618	–	55,618
Borrowings		55,877	–	55,877
Lease liabilities	17	357	476	833
Other liabilities	20	14,778	–	14,778
Total undiscounted financial liabilities		126,630	476	127,106
2018				
Non-derivative financial liabilities				
Trade and other payables (excluding VAT payables)	18	56,250	–	56,250
Borrowings		69,544	–	69,544
Other liabilities	20	19,463	–	19,463
Total undiscounted financial liabilities		145,257	–	145,257

The Company		**On demand or within 1 year**	
		2019	2018
		RMB'000	RMB'000
Non-derivative financial liabilities			
Trade and other payables	18	**7,074**	4,244
Other liabilities	20	**3,716**	3,005
		10,790	7,249
Corporate guarantee		**50,000**	54,860
Total undiscounted financial liabilities		**60,790**	62,109

Except for borrowings and lease liabilities, 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.

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

29.3 Liquidity risk (Cont'd)

Management is of the view that the Group and the Company will have sufficient cash resources to repay its liabilities including the bank loans when due through exploring availability of external financing, implementing measures to actively monitor the collections from trade receivables, utilisation of advances paid to suppliers for projects commencing in the coming financial year and/or recovery of amounts from these suppliers for projects that are not likely to commence, tightening its costs and only commencing projects when the management is confident of the customer's ability to finance the projects and make repayments.

In addition, management is also actively looking for potential business undertaking, opportunities in mergers and acquisitions activities that would provide stable income and liquidity to the Group.

29.4 Foreign currency risk

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

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

The Group and the Company holds cash and bank balances denominated in foreign currencies for working capital purposes. At the end of reporting period, such foreign currency balances (mainly SGD) amounted to RMB58,000 (2018 - RMB56,000) for the Group.

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

<u>Sensitivity analysis for foreign currency risk</u>

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 loss after tax and equity:

	2019		2018	
The Group and the Company	**Loss after taxation RMB'000**	**Equity RMB'000**	Loss after taxation RMB'000	Equity RMB'000
SGD against RMB				
- strengthened by 5% (2018 - 5%)	**(2)**	**2**	(2)	2
- weakened by 5% (2018 - 5%)	**2**	**(2)**	2	(2)

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 stability and growth;

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

(d) To provide an adequate return to shareholders

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure, 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.

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 lease liabilities, trade and other payables, borrowings 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 and contract assets. The PRC companies and economy will be hit hard by COVID-19 pandemic, management is hopeful that the various stimulus measures as implemented by the PRC government will help to revive the Chinese economy. More financial assistance will be provided if the pandemic were to persist.

The Group has an order book of approximately RMB68.0 million for FY2020, and hopes its prudent approach coupled by the timely executions and deliveries of these contracts plus new and potentially larger scale industrial wastewater contracts will help to increase its cash and cash equivalents. With the improved cash and cash equivalents, it will help to reduce the overall net debts and improves its gearing ratio.

Total capital is calculated as equity plus net debt.

The Group	Note	**2019** **RMB'000**	2018 RMB'000
Lease liabilities	17	**782**	–
Trade and other payables	18	**56,961**	56,250
Borrowings	19	**50,000**	65,109
Other liabilities	20	**14,778**	19,463
Less: Cash and cash equivalents	11	**(9,707)**	(10,516)
		112,814	130,306
Equity attributable to owners of the parent		**40,436**	64,569
Less: PRC statutory common reserve	13	**(31,748)**	(31,748)
Total capital		**8,688**	32,821
Capital and net debt		**121,502**	163,127
Gearing ratio		**92.8%**	79.9%

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

SFRS(I)s 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. The short term financial assets' and financial liabilities' carrying amounts approximate their fair values.

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 2019 and 2018.

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	
		2019	2018	**2019**	2018
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Financial assets					
Trade and other receivables* (excluding VAT receivables)	8	**64,212**	49,565	**–**	–
Advances to a third party	8	**37,600**	68,600	**–**	–
Bank deposits pledged	10	**1,525**	1,190	**–**	–
Cash and bank balances	11	**9,707**	10,516	**58**	56
		113,044	129,871	**58**	56
Financial liabilities					
Trade and other payables (excluding VAT payables)	18	**55,618**	56,250	**7,074**	4,244
Borrowings	19	**50,000**	65,109	**–**	–
Lease liabilities	17	**782**	–	**–**	–
Other liabilities	20	**14,778**	19,463	**3,716**	3,005
		121,178	140,822	**10,790**	7,249

* Excludes advances to trade suppliers for goods to be received.

33 Subsequent events

The Company has on 3 March 2020, entered into a placement agreement ("Agreement") with two investors (collectively, the "Placees") pursuant to which the Placees have agreed to subscribe for, and the Company has agreed to issue and allot, an aggregate 120,000,000 new ordinary shares in the capital of the Company ("Placement Shares") at a placement price of S$0.015 ("Placement Price") for each Placement Share ("Placement"). The aggregate consideration payable by the Placees for the Placement is S$1,800,000.

Subsequent to the year end, the outstanding bank loan amount of RMB 5.0 million which is due on 11 March 2020 with interest rate of 7.9% per annum is fully repaid on 21 February 2020, and loans of RMB 2.3 million and RMB 2.7 million respectively with interest rate of 10.0% per annum each are drawn down on 20 and 21 February 2020 respectively.

An outbreak of COVID-19 (Coronavirus Disease 2019) had been reported in China on 31 December 2019. While the full impact to the Group cannot be quantified reliably, the Group's performance subsequent to the balance sheet date is likely to be negatively impacted as a result of regional and global travel restrictions, quarantine and/or illness of employees, loss of customers, supply chain disruptions, and other forms of interruptions to business.

SHAREHOLDERS' STATISTICS

As at 6 May 2020

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	:	1,221
Voting Rights	:	1 vote for 1 share

Analysis of Shareholdings

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	–	–	–	–
100 – 1,000	16	1.31	12,400	0.00
1,001 - 10,000	270	22.11	2,065,500	0.34
10,001 - 1,000,000	906	74.20	81,175,200	13.15
1,000,001 and above	29	2.38	533,955,900	86.51
	1,221	100.00	617,209,000	100.00

Based on information available to the Company as at 6 May 2020, 66.25% of the issued ordinary shares of the Company are 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	114,511,000	18.55
3	RAFFLES NOMINEES (PTE) LIMITED	31,927,100	5.17
4	QIU YUHUA	30,767,300	4.99
5	XU HAN	27,122,000	4.39
6	OCBC SECURITIES PRIVATE LTD	20,306,600	3.29
7	PHILLIP SECURITIES PTE LTD	17,947,100	2.91
8	ZHUO JINGMING	17,665,900	2.86
9	HUANG WENJING	8,545,800	1.39
10	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	7,615,000	1.23
11	YANG YUGUANG	6,376,000	1.03
12	CITIBANK NOMINEES SINGAPORE PTE LTD	6,138,100	0.99
13	TAN KUANG HUI	5,500,000	0.89
14	TAN ENG CHUA EDWIN	3,431,000	0.56
15	NEE LUNG-YUAN	3,400,000	0.55
16	MA XIAOYING	2,979,000	0.48
17	KGI SECURITIES (SINGAPORE) PTE. LTD	2,800,000	0.45
18	LIM KENG HOE	2,000,000	0.32
19	SIM BEE NAN SHERRY	2,000,000	0.32
20	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,890,000	0.31
		520,225,900	84.27

SHAREHOLDERS' STATISTICS

As at 6 May 2020

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Registrar of Substantial Shareholders as at 6 May 2020)

	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.

Leader Environmental Technologies Limited

(Company Registration No.: 200611799H)

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