CHINA ENVIRONMENT LTD.
AND ITS SUBSIDIARIES
(Co. Reg. No. 200301902W)

FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

CONTENTS

CHINA ENVIRONMENT LTD. AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of China Environment Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2017.

1. Opinion of the directors

In the opinion of the directors,

(a) the consolidation financial statements of the Group and statement of financial position and statement of changes in equity 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 2017 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date, and

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

2. Directors

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

Norman Winata (Executive Chairman)
Lee Chia Sin (Non-executive Independent Director)

The movement of directors for the period from 1 January 2017 to 20 May 2020 are as follows:

Directors in office at 1 January 2017	Movements during the period from 1 January 2017 to 20 May 2020		Directors in office at 20 May 2020
	Appointment	Resignation	
Er Kwong Wah		Er Kwong Wah (Resigned on 28 Dec 2018)	-
Norman Winata		-	Norman Winata
Yang Meng Yang		Yang Meng Yang (Resigned on 25 Jul 2018)	-
James Kho Chung Wah		James Kho Chung Wah (Resigned on 28 Dec 2018)	-
-	Koit Ven Jee (Appointed on 11 Jan 2019)	Koit Ven Jee (Resigned on 2 Feb 2020)	-
-	Lee Chia Sin (Appointed on 2 Apr 2019)	-	Lee Chia Sin

3. Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, 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 body corporate, other than the share options as disclosed under paragraph 5 of this statement.

4. Directors' interest in shares or debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares and debentures of the Company and related companies as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act Cap. 50 except as follows:

	Number of ordinary shares					
	Shareholdings registered in their own names			Shareholdings in which a director is deemed to have an interest		
	At 1.1.2017	At 31.12.2017	At 21.1.2018	At 1.1.2017	At 31.12.2017	At 21.1.2018
Name of director and company in which interest is held						
Ordinary shares of the Company						
Norman Winata (Appointed on 29 March 2016)	–	–	–	72,500,000*	72,500,000*	72,500,000*

* Mr Norman Winata is deemed to have an interest in 72,500,000 China Environment Ltd.'s shares held by virtue of the shareholdings of:

(i) 72,500,000 shares held by GlobalWin International Consultants Limited whose voting rights are under his control

By virtue of Section 7(4) of the Companies Act Cap. 50, Norman Winata is deemed to have interests in all of the wholly-owned subsidiaries of the Company.

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the directors of the Company state that, according to the register of the directors' shareholding, the directors' interest as at 21 January 2018 in the shares of the Company have not changed from those disclosed as at 31 December 2017. Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

5. Options

The Gates Share Option Scheme of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 12 April 2004. The Remuneration Committee had approved and adopted the change of name of Gates Share Option Scheme to "China Environment Share Option Scheme" (the "Scheme") on 25 September 2009. This is a long-term incentive plan to motivate Directors and employees of the Group to greater dedication, loyalty and higher standards of performance. The Scheme is administered by the Company's Remuneration Committee,

Other information regarding the Scheme is set out below:

- The subscription price for each share in respect of which a market price option is exercised shall be a price equal to the average of the last dealt prices for a share for the five consecutive market days immediately preceding the offering date of the option.

- The subscription price for each share in respect of which an incentive option is exercised can be set at a discount to the market price not exceeding 20% of the market price.

- The options can be exercised 1 year after the grant for market price options and 2 years for discounted options.

- The options granted will expire after 5 years for participants not holding a salaried office or employment in the Group and participants holding salaried office or employment in an associated company; and 10 years for the employees of the Company and its subsidiaries.

There were no share options outstanding at the end of the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries whether granted before or during the financial year.

6. Audit Committee

The Audit Committee during the year are:

Er Kwong Wah (Appointed on 27 January 2016 and resigned on 28 December 2018)
(Lead Independent Director)

James Kho Chung Wah (Appointed on 10 October 2016 and resigned on 28 December 2018)
(Non-Executive and Independent Director)

Yang Meng Yang (Appointed on 29 March 2016 and resigned on 25 July 2018)
(Non-Executive and Non-independent Director)

Subsequent to the end of the financial year and as at the end of this statement, the Audit Committee comprises the following:

Koit Ven Jee (Appointed on 11 January 2019 and resigned on 2 February 2020)
(Non-executive and Independent Director)

Lee Chia Sin (Appointed on 2 April 2019)
(Non-executive and Independent Director)

The Audit Committee carries out its functions in accordance with the Singapore Companies Act, Cap. 50, and the Listing Manual. The nature and extent of the functions performed by the Audit Committee are described in the Annual Report under "Corporate Governance Report".

7. Auditors

The independent auditor, RT LLP, has expressed its willingness to accept re-appointment.

8. Other information required by the SGX-ST

Material information

Apart from the Service Agreements entered between the executive director and the Company, there are no material contracts to which the Company or its subsidiaries, is a party which involves directors ' interests subsisted or have been entered into during the financial year.

Interested person transactions

There were no interested person transactions as defined in Chapter 9 of Listing Manual of the Singapore Exchange conducted during the financial year except as disclosed under "Interested Person Transactions " on "Corporate Governance" and on Note 25 to the financial statements.

Norman Winata
Director

Lee Chia Sin
Director

20 MAY 2020

CHINA ENVIRONMENT LTD. AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

7. Auditors

The independent auditor, RT LLP, has expressed its willingness to accept re-appointment.

8. Other information required by the SGX-ST

Material information

Apart from the Service Agreements entered between the executive director and the Company, there are no material contracts to which the Company or its subsidiaries, is a party which involves directors' interests subsisted or have been entered into during the financial year.

Interested person transactions

There were no interested person transactions as defined in Chapter 9 of Listing Manual of the Singapore Exchange conducted during the financial year except as disclosed under "Interested Person Transactions" on "Corporate Governance" and on Note 25 to the financial statements.

Norman Winata
Director

Lee Chia Sin
Director

20 MAY 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHINA ENVIRONMENT LTD. FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of China Environment Ltd. (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

(1) Opening balances

Our independent auditor's report dated 14 February 2020 on the financial statements for the financial year ended 31 December 2016 ("FY 2016") contained a disclaimer of opinion. The basis for disclaimer of opinion on the financial statements for FY 2016 is disclosed in Note 30 to the financial statements.

In view of the matters described on the basis for disclaimer of opinion paragraphs regarding the financial statements for FY 2016, we were unable to determine whether the opening balances as at 1 January 2017 were fairly stated.

RT LLP
Chartered Accountants
UEN : T08LL0811J

RT ASEAN Pte Ltd
Head Office
UEN : 201537050N

RT Advisory Pte Ltd
UEN : 201510979W

RT Links Pte Ltd
UEN : 201542866E

RT Academy Pte Ltd
UEN : 201527798R

RT International Advisory Pte Ltd
UEN : 201726206W

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CHINA ENVIRONMENT LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Report on the Audit of the Financial Statements (cont'd)

Basis for Disclaimer of Opinion (cont'd)

(1) Opening balances (cont'd)

Since the opening balances as at 1 January 2017 are entered into the determination of the financial position of the Group and of the Company as at 31 December 2017 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended 31 December 2017, we were unable to determine whether adjustments, if any, might have been found to be necessary in respect of the Group's and the Company's financial statements for the financial year ended 31 December 2017 - in view of brought forward implications of the prior year balances.

Accordingly, our opinion on the current financial year's financial statements of the Group and the Company is also modified because of the implications and possible effects of these matters that might bear on the comparability and/or lack of comparability of the current year's figures and the corresponding figures.

(2) Partial loss of Accounting Books, Records and Supporting Documents and Reconstruction of Accounts

As stated in Note 12, there were missing accounting records with respect to the Company's subsidiary, Fujian Dongyuan Environmental Protection Co., (FJDY). We understand based on the Company's announcement in the Singapore Exchange dated 18 August 2017, the Company was denied access to the office premises of FJDY. We were not able to determine or provided with the reasons for access being denied. Subsequently, on being allowed access, the Company reported that information and documents were missing and it had sought legal advice. We are not aware of any outcome of this legal advice. The absence of vital source information placed a severe limitation of scope in the conduct of our work, which resulted in we being unable to perform the necessary audit procedures for various transactions and balances as enumerated below. Consequently, we were not able to satisfy ourselves as to the appropriateness, completeness and accuracy of the financial statements of FJDY for the financial year ended 31 December 2017.

(3) Bank confirmations

Due to the coronavirus pandemic, we were unable to travel to the People's Republic of China ("PRC") to carry out our audit procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to the existence, completeness and accuracy of the PRC bank balances, which amounted to RMB 85,000 (see Note 17), as well as the PRC bank borrowings, which amounted to RMB 111,669,000 (see Note 20) as at 31 December 2017.

(4) Investments in Subsidiaries and Associated Company

As stated in Note 12 to the financial statements, the Company's carrying amount of its investments in its four subsidiaries as at 31 December 2017 amounted to approximately RMB 705 million. The management did not carry out any review of the recoverable amount of these investments in subsidiaries despite indications of impairment.

Report on the Audit of the Financial Statements (cont'd)

Basis for Disclaimer of Opinion (cont'd)

(4) Investments in Subsidiaries and Associated Company (cont'd)

Consequently, we were unable to obtain sufficient appropriate audit evidence to determine the appropriateness of the carrying amounts of these investments in the subsidiaries.

For investment in the Group's associated company, Beijing Gongdao Environmental Protection Technology Co., Ltd ("BGDEPT"), in the absence of the management's ability to ascertain whether it had control (as defined in FRS 110 Consolidated Financial Statements) or otherwise over BGDEPT, we were unable to determine whether the classification of BGDEPT as an associated company instead of a subsidiary despite the Group having an 83% equity interest, is appropriate.

Furthermore, we were unable to obtain the necessary accounting records and information from management of BGDEPT for the assessment of the recoverable amount of the associated company. Consequently, we were unable to obtain sufficient appropriate audit evidence or to carry out alternative audit procedures to determine the appropriateness of the carrying amount of the Group's investment in BGDEPT.

(5) Trade Payables, Other Payables and Accruals

We were unable to obtain sufficient and appropriate supporting documents, information and explanations on the "trade payables, other payables and accruals". Consequently, we were unable to satisfy ourselves in respect of the rights and obligations, completeness, existence and valuation of these items.

(6) Trade and Other Receivables

We were not able to carry out audit procedures for trade receivables amounting to RMB 2,098,000 and other receivables amounting to RMB 1,958,000. These amounts are part of the trade receivables of RMB 3,298,000 (Note 15) and other receivables of RMB 1,958,000 (Note 16) as at 31 December 2017. There were no supporting documents for us to ascertain the validity of RMB 2,098,000 and RMB 1,958,000 without any substantiating documents. Consequently, we were unable to satisfy ourselves in respect of the rights, obligations, existence and accuracy of these amounts.

(7) All items in the consolidated statement of profit or loss and other comprehensive income

We were unable to satisfy ourselves as to the appropriateness, completeness and accuracy of all items in the consolidated statement of profit or loss and other comprehensive income because there were no supporting documents available.

Report on the Audit of the Financial Statements (cont'd)

Basis for Disclaimer of Opinion (cont'd)

(8) Going concern and legal actions against the Group

As at 31 December 2017, the Group had a capital deficiency of RMB 92,350,000, accumulated losses of RMB 602,176,000 and its current liabilities exceeded its current assets by RMB 174,610,000. In addition, the Group incurred net losses of RMB 17,710,000 and recorded net operating cash outflows of RMB 355,000 for the financial year ended 31 December 2017.

As at 31 December 2017, the Group had bank balances amounting to RMB 303,000 and these were insufficient to meet the financial obligations for its short-term borrowings which amounted to RMB 128,617,000 as at 31 December 2017.

As at 31 December 2017, the Company had accumulated losses of RMB 158,726,000 and its current liabilities exceeded its current assets by RMB 28,170,000 In addition, the Company incurred net losses of RMB 4,077,000 for the financial year ended 31 December 2017

As at 31 December 2017, the Company had bank balances amounting to RMB 169,000 and these were insufficient to meet the financial obligations for its short-term borrowings which amounted to RMB 16,948,000 as at 31 December 2017.

The following banks took legal action against the PRC subsidiaries during the financial year:
(i) Bank of China Longyan against FJDY for a sum of RMB 55.0 million; and
(ii) Zhongxin bank against FJDY for a sum of approximately RMB 36.7 million
The outcome of these legal actions are disclosed in Notes 10 and 11.

Apart from the above legal suits and those disclosed in Note 29, the management has represented that there are no new or on-going legal suits against the Group. However, we were unable to complete our audit procedures to satisfy ourselves as to whether there are any new or on-going legal suits against the Group. Accordingly, we were unable to determine whether all the legal actions have been dealt with in these financial statements with respect to disclosures, presentation and adjusting significant events.

The above events and conditions have created a material uncertainty with respect to the Group's and the Company's cash flow management that may cast significant doubt on the Group's and the Company's ability to continue as going concerns. As disclosed in Note 2(a) to the financial statements, the directors have prepared the financial statements on a going concern basis. Based on the limited information about the Group made available to us, we were unable to perform alternative procedures to determine the appropriateness of the use of the going concern assumption.

Report on the Audit of the Financial Statements (cont'd)

Basis for Disclaimer of Opinion (cont'd)

(9) Events Occurring After the Reporting Period

We were unable to perform and complete all our audit procedures for events occurring after the reporting period. Consequently, we were unable to determine whether all events occurring after the reporting period have been adequately dealt with in these financial statements with respect to disclosures, presentation and adjusting subsequent events.

(10) Significant Events During the Reporting Period

We were unable to complete all our audit procedures for the significant events, occurring during the financial year. Accordingly, we were unable to determine whether all significant events during the year have been adequately dealt with in these financial statements with respect to disclosures, presentation and adjusting significant events.

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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements 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 responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Singapore Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CHINA ENVIRONMENT LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Report on the Audit of the Financial Statements (cont'd)

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

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.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the *Basis for Disclaimer of Opinion* section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporation incorporated in Singapore of which we are the auditors, 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 Mr Ravinthran Arumugam.

RT LLP
Public Accountants and
Chartered Accountants

Singapore, 12 May 2020

CHINA ENVIRONMENT LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Financial Year Ended 31 December 2017

	Note	**2017 RMB'000**	2016 RMB'000 Revised (Note 28)
Revenue	3	**1,538**	5,851
Cost of sales		**(1,358)**	(5,122)
Gross profit		**180**	729
Other income	4	**31,118**	136,051
Selling and distribution expenses		**(12,998)**	(4,493)
Administrative expenses		**(19,367)**	(22,967)
Finance costs	5	**(15,295)**	(9,563)
Other expenses		**(1,348)**	(190,978)
Loss before tax	6	**(17,710)**	(91,221)
Tax (expense)/ credit	8	**-**	1,661
Loss for the year		**(17,710)**	(89,560)
Other comprehensive loss for the year, net of tax			
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences arising on consolidation		**6,154**	**6,463**
Total comprehensive loss for the year		**(11,556)**	**(83,097)**
Loss attributable to:			
Equity holders of the Company		**(16,011)**	**(83,793)**
Non-controlling interests		**(1,699)**	**(5,767)**
Loss for the year		**(17,710)**	**(89,560)**
Total comprehensive loss attributable to:			
Equity holders of the Company		**(9,857)**	**(77,330)**
Non-controlling interests		**(1,699)**	**(5,767)**
Total comprehensive loss for the year		**(11,556)**	**(83,097)**
Loss per share for loss attributable to equity holders of the Company (RMB cents per share)			
- Basic	9	**(1.90)**	**(9.94)**
- Diluted	9	**(1.90)**	**(9.94)**

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION
At 31 December 2017

		Group			Company	
	Note	**2017 RMB'000**	2016 RMB'000 (Revised) (Note 28)	2015 RMB'000	**2017 RMB'000**	2016 RMB'000
Non-current assets						
Property, plant and equipment	10	**56,182**	63,246	129,485	**-**	-
Land use rights	11	**26,078**	27,261	51,708	**-**	-
Investments in subsidiaries	12	**-**	-	**-**	**705,280**	697,138
Investment in associated company	13	**-**	-	2,450	**-**	-
Total non-current assets		**82,260**	90,507	183,643	**705,280**	697,138
Current assets						
Inventories	14	**-**	2,024	8,135	**-**	-
Trade and bill receivables	15	**3,298**	4,363	12,288	**-**	-
Other receivables, deposits and prepayments	16	**2,318**	132	27,005	**1,491**	112
Cash and bank balances	17	**303**	659	63,517	**169**	147
Total current assets		**5,919**	7,178	110,945	**1,660**	259
Total assets		**88,179**	97,685	294,588	**706,940**	697,397
Current liabilities						
Trade payables	18	**5,311**	2,777	15,646	**-**	-
Other payables and accruals	19	**46,601**	28,749	72,671	**7,447**	5,503
Amount due to director (non-trade)		**-**	-	321	**-**	-
Short-term borrowings	20	**128,617**	146,953	173,611	**16,948**	12,284
Amounts due to subsidiaries (non- trade)	21	**-**	-	**-**	**5,435**	5,366
Amounts due to related parties (non- trade)		**-**	-	27,688	**-**	-
Tax payable		**-**	-	2,348	**-**	-
Total current liabilities		**180,529**	178,479	292,285	**29,830**	23,153
Total liabilities		**180,529**	178,479	292,285	**29,830**	23,153
Net (liabilities) / assets		**(92,350)**	(80,794)	2,303	**677,110**	674,244

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION (CONT'D)
At 31 December 2017

		Group			Company	
	Note	**2017 RMB'000**	2016 RMB'000 (Revised) (Note 28)	2015 RMB'000	**2017 RMB'000**	2016 RMB'000
Capital and reserves						
Share capital	22(a)	**400,608**	400,608	400,608	**821,916**	821,916
Other reserves	23	**91,352**	91,352	91,352	**-**	-
Share option reserve	22(b)	**-**	-	8,128	**-**	-
Currency translation reserve		**15,845**	9,691	3,228	**13,920**	6,977
Accumulated losses		**(602,176)**	(586,165)	(510,500)	**(158,726)**	(154,649)
Equity attributable to equity holders of the Company		**(94,371)**	(84,514)	(7,184)	**677,110**	674,244
Non-controlling interests		**2,021**	3,720	9,487	**-**	-
Total equity		**(92,350)**	(80,794)	2,303	**677,110**	674,244
Total liabilities and equity		**88,179**	97,685	294,588	**706,940**	697,397

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Financial Year Ended 31 December 2017

Group	Share capital RMB'000	Other reserves RMB'000	Share option reserve RMB'000	Currency translation reserve RMB'000	Accumulated losses RMB'000 (Revised) (Note 28)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	← Attributable to equity holders of the Company →							
Balance at 1 January 2016	400,608	91,352	8,128	3,228	(510,500)	(7,184)	9,487	2,303
Loss for the year	-	-	-	-	(83,793)	(83,793)	(5,767)	(89,560)
Other comprehensive loss for the year, net of tax								
Employee share option reserve-reversal for share options lapsed	-	-	(8,128)	-	8,128	-	-	-
Currency translation differences arising on consolidation	-	-	-	6,463	-	6,463	-	6,463
Total comprehensive loss for the year	-	-	(8,128)	6,463	(75,665)	(77,330)	(5,767)	(83,097)
Balance at 31 December 2016	**400,608**	**91,352**	**-**	**9,691**	**(586,165)**	**(84,514)**	**3,720**	**(80,794)**
Loss for the year	-	-	-	-	(16,011)	(16,011)	(1,699)	(17,710)
Other comprehensive loss for the year, net of tax	-	-	-	-	-	-	-	-
Currency translation differences arising on consolidation	-	-	-	6,154	-	6,154	-	6,154
Total comprehensive loss for the year	-	-	-	6,154	(16,011)	(9,857)	(1,699)	(11,556)
Balance at 31 December 2017	**400,608**	**91,352**	**-**	**15,845**	**(602,176)**	**(94,371)**	**2,021**	**(92,350)**

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the Financial Year Ended 31 December 2017

Company	Share capital RMB'000	Share option reserve RMB'000	Currency translation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2016	**821,916**	**8,128**	**(27,790)**	**(141,733)**	**660,521**
Loss for the year	-	-	-	(21,044)	(21,044)
Other comprehensive loss for the year, net of tax					
Currency translation differences	-	-	34,767	-	34,767
Employee share option reserve reversal for share options lapsed	-	(8,128)	-	8,128	-
Total comprehensive loss for the year	-	(8,128)	34,767	(12,916)	13,723
Balance at 31 December 2016	**821,916**	**-**	**6,977**	**(154,649)**	**674,244**
Loss for the year	-	-	-	(4,077)	(4,077)
Other comprehensive loss for the year, net of tax					
Currency translation differences arising on consolidation	-	-	6,943	-	6,943
Total comprehensive loss for the year	-	-	6,943	(4,077)	2,866
Balance at 31 December 2017	**821,916**	**-**	**13,920**	**(158,726)**	**677,110**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Financial Year Ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000 (Revised) (Note 28)
Cash flows from operating activities			
Loss before tax		**(17,710)**	(91,221)
Adjustments for:			
Depreciation of property, plant and equipment	10	**6,506**	7,318
Amortisation of land use rights	11	**1,183**	1,142
Corporate guarantee on loan arising from court judgment	6	**-**	20,000
Interest expense	5	**15,295**	9,122
Interest income	4	**-**	(1,713)
Impairment loss on trade and other receivables	6	**-**	34,777
Impairment loss on property, plant and equipment	10	**-**	58,952
Impairment loss on land use rights	11	**-**	23,305
Impairment of associated company	13	**-**	2,450
Gain on write back of outstanding loan	4	**(23,000)**	-
Loss on plant and equipment written off	6	**558**	-
Realisation of translation reserve		**-**	3,167
Operating cash flow before movements in working capital		**(17,168)**	67,299
Inventories		**2,024**	5,999
Trade and other receivables		**(1,121)**	137
Trade and other payables		**9,756**	(103,260)
Currency translation adjustment		**6,154**	3,373
Cash used in operations		**(355)**	(26,452)
Interest received		**-**	1,713
Income tax paid		**-**	(687)
Net cash used in operating activities		**(355)**	(25,426)
Cash flows from financing activities			
Decrease/ (increase) in deposits restricted-in-use		**-**	52,888
Proceeds from borrowings		**-**	12,283
Repayments of borrowings		**-**	(38,941)
Interest paid		**-**	(5,694)
Advances (to)/ from related parties		**-**	(5,089)
Net cash generated from financing activities		**-**	15,447
Net decrease in cash and cash equivalents		**(355)**	(9,979)
Cash and cash equivalents at beginning of financial year		**659**	10,629
Effect of exchange rate changes on cash and cash equivalents		**(1)**	9
Cash and cash equivalents at end of financial year		**303**	659

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. Corporate information

China Environment Ltd. (the "Company") (Co. Reg. No. 200301902W) was incorporated in Singapore under the Singapore Companies Act, Cap. 50. The registered office of the Company is at 65 Chulia Street, #46-00 OCBC Centre, Singapore 049513 and the principal place of business of the Group is located at Longyan Economic Development Zone, 364028, Fujian Province, the People's Republic of China ("PRC"). The Company is listed on the mainboard of the Singapore Exchange Limited.

The principal activity of the Company is that of an investment holding company. The principal activities of its subsidiaries are described in Note 12.

2. Summary of significant accounting policies

(a) Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company, are presented in Chinese Renminbi ("RMB") (rounded to the nearest thousand except when otherwise stated), and have been prepared in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires the use of 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 revenue and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a high degree of judgment in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustments within the next financial year are disclosed in Note 2(aa) to the financial statements.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, and short-term borrowings approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

(a) Basis of preparation (cont'd)

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards

In December 2017, the Accounting Standards Council ("ASC") issued the Singapore Financial Reporting Standards (International) ("SFRS(I)s"). Companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I)s with effect from annual periods beginning on or after 1 January 2018.

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I)s, and International Financial Reporting Standards issued by the International Accounting Standards Board.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of International Financial Reporting Standards*.

The Group has not adopted the following standards applicable to the Group that have been issued but are not yet effective:

Description	**Effective for annual periods beginning on or after**
FRS 115 (SFRS(I) 15): Revenue from Contracts with Customers	1 January 2018
FRS 109 (SFRS(I) 9): Financial Instruments	1 January 2018
INT FRS 122 (SFRS(I) INT 22): Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to SFRS (I) 1: Deletion of Short-Term Exemptions for First-Time Adopters	1 January 2018
INT FRS 123 (SFRS(I) INT 23): Uncertainty over Income Tax Treatments	1 January 2019
Amendments to References to the Conceptual Framework in FRS/SFRS(I) Standards	1 January 2020
Amendments to illustrative examples, implementation guidance and FRS/SFRS(I) practice statements	1 January 2020
Amendments to FRS 1 (SFRS(I) 1-1) and FRS 8 (SFRS(I) 1-8): Definition of Material	1 January 2020

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

(a) Basis of preparation (cont'd)

Except for FRS 109 and FRS 115, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109 and FRS 115 is described below.

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cashflow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting FRS 109 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS 109 in 2018.

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers and introduces new contract cost guidance. Under FRS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

The new standard will supersede all current revenue recognition requirements under FRS. Full retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

(a) Basis of preparation (cont'd)

Going concern

The financial statements of the Group have been prepared on a going concern basis notwithstanding the Group has a capital deficiency of RMB 92,350,000, accumulated loss of RMB 602,176,000 and its current liabilities exceeded current assets by approximately RMB 174,609,000. In addition, the Group incurred a net loss of approximately RMB 17,710,000 and recorded net operating cash outflows of RMB 355,000 for the financial year ended 31 December 2017.

As at 31 December 2017, the Group has bank balances amounting to RMB 303,000 and this is insufficient to meet its financial obligation for its short-term borrowings which amounted to RMB 128,617,000 as at 31 December 2017.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the end of the reporting period. Subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared with the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events under similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses when incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy for goodwill. In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain from bargain purchase in profit or loss on the date of acquisition.

Non-controlling interests are the part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

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 (ie transactions with owners in their capacity as owners) and therefore, no gain or loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

(b) **Basis of consolidation (cont'd)**

When a change in the Company'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, non-controlling interest and other components of equity related to the subsidiary are derecognised. Amounts 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 FRS.

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

Consolidation of the subsidiary companies in PRC are based on the subsidiary companies' financial statements prepared in accordance with FRS. Profits reflected in the financial statements prepared in accordance with FRS may differ from those reflected in the PRC statutory financial statements of the subsidiary companies, prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the PRC subsidiary companies are based on the amounts stated in the PRC statutory financial statements.

(c) **Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments is recognised in profit or loss.

(d) **Associated companies**

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

The Group accounts for its investments in associates using the equity method from the date on which they became associates.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

(d) Associated companies (cont'd)

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

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

(e) Reverse acquisition

The acquisition of the Acquired Group (Note 22(a)) has been accounted for as a reverse acquisition and the Acquired Group is considered the acquirer for accounting purposes. Accordingly, the Group's statements of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows are those of the Acquired Group's consolidated financial statements.

Since such consolidated financial statements represent a continuation of the Acquired Group:

(i) the assets and liabilities of the Acquired Group are recognized and measured on the consolidated statements of financial position at their pre-acquisition carrying amounts and assets and liabilities of the Company are recognized at their fair values;

(ii) the retained profits and other equity balances (except for share capital) recognized in those consolidated financial statements are those of the Acquired Group immediately before the acquisition;

(iii) the amount recognized as issued equity instruments in those consolidated financial statements is the issued equity of the Acquired Group immediately before the acquisition plus the costs of the acquisition calculated from the perspective of the Company. However, the equity structure appearing on those consolidated financial statements (i.e. the number and type of equity instruments issued) reflect the equity structure of the Company, including the equity instruments issued by the Company to reflect the combination;

(iv) consolidated financial statements prepared following a reverse acquisition shall reflect the fair value of the assets, liabilities and contingent liabilities of the Company. Therefore, the cost of the business combination for the acquisition is allocated to the identifiable assets, liabilities and contingent liabilities of the Company in a way that satisfies the recognition criteria. The excess of the cost of the combination over the Acquired Group's interest in the net fair value is recognized as goodwill.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

(f) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transactions will flow to the entity, and the amount of revenue and related costs can be reliably measured.

Revenue from construction contracts

Revenue from construction contracts is recognised in accordance with Note 2(p).

Rendering of services

Revenue from the rendering of services is recognised when the services are rendered.

Interest income

Interest income is recognised on a time proportionate basis using the effective interest method.

Rental income

Rental income from operating leases are recognised on a straight-line basis over the lease term.

(g) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the asset's fair value is recognised as deferred capital grant on the statements of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match it on a systematic basis to the costs that it is intended to compensate.

(h) Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in the profit or loss using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

(i) Employee benefits

Employee leave entitlements

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

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

Such state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Share-based compensation

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options granted on the date of the grant. This cost is recognised in profit or loss, with a corresponding increase in the share option reserve, over the vesting period. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At the end of each reporting period, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of these estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account if new ordinary shares are issued, or credited to the "other reserves" account if treasury shares are re-issued to the employees. Upon expiry of the options, the balance in the share option reserve is transferred to retained earnings.

(j) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable or recoverable in respect of previous years.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

(j) Income taxes (cont'd)

Deferred income tax is provided using the liability method, on all temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where 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 at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated company, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the end of the reporting period.

Deferred income tax is measured based on the tax consequence that will follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Deferred tax is charged or credited to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

(k) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing an asset to its working condition and location for intended use less any trade discounts and rebates.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the assets when it is probable that future economic benefits will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised in profit or loss during the financial year when it is incurred.

Properties in the course of construction for production and administrative purposes are carried at cost, less any recognised impairment loss until construction or development is complete. Cost includes professional fees for qualifying assets, in accordance with the Group's accounting policies. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. No depreciation is provided for property under construction until the construction is completed.

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

Depreciation is charged so as to write off the cost of all property, plant and equipment, less any estimated residual value over their estimated useful lives, using the straight-line method as follows:

	No. of years
Leasehold buildings	40
Motor vehicles	5
Office equipment	1 - 5
Machinery	10
Renovation	3

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

(k) Property, plant and equipment (cont'd)

Depreciation of asset commences only when the asset is ready for its intended use.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of the reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

(l) Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to profit or loss on a straight-line basis over the lease term.

The amortisation period and amortisation method of land use rights are reviewed at least at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

(m) Impairment of non-financial assets

At the end of each reporting period, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is recognised in other comprehensive income up to the amount of any previous revaluation.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

(n) Financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature of the assets and the purpose for which the assets were acquired. The Company determines the classification of its financial assets at initial recognition at the end of each reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the end of the reporting period which are presented as non-current assets. Loans and receivables are presented as "trade and bill receivables" (Note 15), "other receivables, deposits and prepayments" (Note 16) (excluding advances to sub-contractor and advance payments to suppliers) and "cash and bank balances" (Note 17) on the statements of financial position.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the assets. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is also transferred to profit or loss.

Initial measurement

Loans and receivables are initially recognised at fair value plus transaction costs.

Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method, less impairment.

Impairment

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. .

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

(n) Financial assets (cont'd)

Impairment (Cont'd)

The carrying amount of these assets is reduced through the use of an impairment allowance account and the amount of the loss is recognised in profit or loss. The allowance amount is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the assets become uncollectible, they are written off against the allowance account. Subsequent recovery of amounts previously written off is recognised against the same line item in profit or loss.

If in subsequent periods, the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost at the date of reversal.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

(p) Projects work-in-progress

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period ("percentage-of-completion method"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent contract costs incurred are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The stage of completion is measured by reference to the completion of physical proportion of the contract work. Costs incurred during the financial year in connection with future activity on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as projects work-in-progress on the statements of financial position unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately. Variation in contract work, claims and incentive payments are included to the extent that the amounts can be measured reliably and their receipt is considered probable.

At the end of the reporting period, the cumulative costs incurred plus recognised profits (less recognised losses) on each contract are compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed the progress billings, the balance is presented as due from customers on construction contracts within "trade and bill receivables" (Note 15). Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within "other payables and accruals". (Note 19).

Progress billings not yet paid by customers and retentions by customers are included within "trade and bill receivables" (Note 15). Advances received are included within "other payables and accruals" (Note 19).

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

(q) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and exclude pledged deposits.

(r) Financial liabilities

Financial liabilities include trade and other payables and short-term borrowings. Financial liabilities are recognised on the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

Financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised and or through the amortisation process.

(s) Provisions for other liabilities

Provisions are recognised when the Group has a present legal obligation or constructive obligation as a result of a past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

(t) Foreign currencies

Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which that entity operates (the "functional currency"). The functional currency of the Company is Singapore Dollar. The consolidated financial statements of the Group and the statements of financial position and statement of changes in equity of the Company are presented in RMB, which is the functional currency of the principal entities in the People's Republic of China, and the presentation currency for the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

(t) Foreign currencies (cont'd)

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign operations and borrowings and other currency instruments qualifying as net investment hedges for foreign operations, which are recognised in other comprehensive income and accumulated in the currency translation reserve within equity on the consolidated financial statements. The currency translation reserve is reclassified from equity to the profit or loss of the Group on disposal of the foreign operation.

Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when their fair value is determined.

Translation of Group entities' financial statements

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing rates at the end of the reporting period;
(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates on the dates of the transactions); and
(iii) All resulting exchange differences are recognised in the currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

(u) Operating leases

When a group entity is the lessee:

Leases where a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2. Summary of significant accounting policies (cont'd)

(u) Operating leases (cont'd)

When a group entity is the lessor:

Leases where the Group entity retains substantially all the risks and rewards incidental to ownership of the asset are classified as operating leases. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(v) Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

(w) Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at their fair value plus transaction costs. Financial guarantees are classified as financial liabilities.

Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the expected amount payable to the holder. Financial guarantees contracts are amortised in profit or loss over the period of the guarantee.

(x) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing the performance of the operating segments.

(y) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statements of financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

(z) 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 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 Company or of a parent of the Company.

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

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

aa) Critical accounting judgments and key sources of estimation uncertainty

Estimates and assumptions concerning the future are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are amended on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Property, plant and equipment

Management estimates the useful lives of the Group's property, plant and equipment to be within 1 to 40 years. The estimates for the useful lives and related depreciation charges for its property, plant and equipment are based on commercial and production factors which could change significantly as a result of level of usage, technical innovation and competitor actions in response to severe market conditions. Changes in those commercial and production factors could impact the economic useful lives and the residual values of these assets and therefore future depreciation charges could be revised.

The carrying amount of the Group's property, plant and equipment at the end of the reporting period is RMB 56,182,000 (2016: RMB 63,246,000).

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

(aa) Critical accounting judgments and key sources of estimation uncertainty (cont'd)

Key sources of estimation uncertainty(cont'd)

Trade and other receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's trade and other receivables at the end of the reporting period are disclosed in Note 15 and Note 16 to the financial statements respectively. If the present value of estimated future cash flows differs from management's estimates, the Group's allowance for impairment for trade and other receivables and the trade and other receivables balance at the end of the reporting period will be affected accordingly.

Income taxes

Significant judgment is involved in determining the capital allowance and deductibility of certain expenses during the estimation of the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax liability at the end of the reporting period is RMB Nil (2016: RMB Nil). Information about other assumptions and estimation uncertainties regarding tax expense and liability that have a significant risk of resulting in a material adjustment within the next financial year are included in Note 8.

Critical judgments in applying accounting policies

Deferred tax liability arising from undistributed profits

The Group's determination as to whether to recognise deferred tax for withholding taxes that would be payable on unremitted earnings of the PRC subsidiary according to the relevant tax jurisdiction is subject to judgment on the timing of the payment of the dividend. The Group assessed that no dividend will be declared from the subsidiary's distributable profits in the foreseeable future in view of the fact that the subsidiaries have no distributed profits and are loss making. The carrying amount of the Group's deferred tax liability or asset at the end of the reporting period is RMB Nil (2016: RMB Nil).

Investment in associated company

As disclosed in Note 13, the Company holds 83% of the issued shares in associate during the financial year. However, the management is unable to determine whether the 83% held equity investment in BGDEPT would constitute an element of control. Control is defined as being exposed to, or having the rights to, variable returns from the Group's involvement in BGDEPT and having the ability to affect those returns through its power over BGDEPT.

In the financial year 2015, the management had discovered that the Group's actual equity interest held in BGDEPT should be 83% instead of the 49% - as indicated in the audited financial statements for FY 2013 and FY 2014 by the predecessor auditor. Accordingly, this investment has been classified as an investment in associated company. The carrying amount of the Group's investment in associated company is RMB Nil (2016: RMB Nil).

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

3. Revenue

The revenue is derived from construction contracts for industrial waste gas treatment solutions.

4. Other income

	Group	
	2017	2016
	RMB'000	RMB'000
Gain on write back of outstanding loan	**23,000**	-
Bank interest income	**-**	1,713
Rental income	**3,663**	803
Gain on waiver of amount due to third parties	**3,670**	-
Reversal of trade payables, other payables and accruals	**-**	132,796
Others	**785**	739
	31,118	**136,051**

5. Finance costs

	Group	
	2017	2016
	RMB'000	RMB'000
Bank charges	**-**	441
Interest expense	**15,295**	9,122
	15,295	9,563

6. Loss before tax

Loss before tax is determined after charging/(crediting) the following:

	Group	
	2017	2016
	RMB'000	RMB'000 (Revised)
Amortisation of land use rights (Note 11)	**1,183**	1,142
Audit fees payable/paid to auditors of the Company	**171**	192
Changes in inventories and project work-in-progress	**1,358**	(5,999)
Delivery charges	**-**	1,000
Depreciation of property, plant and equipment (Note 10)	**6,506**	7,318
Impairment loss on property, plant and equipment (Note 10)	**-**	58,952
Impairment loss on land use rights (Note 11)	**-**	23,305
Impairment loss on trade and other receivables	**-**	34,777
Impairment loss on investment in associated company (Note 13)	**-**	2,450
Foreign exchange loss	**615**	1,785
Written off of plant and equipment	**558**	-
Personnel expenses (Note 7)	**3,736**	7,138
Rental expenses on land and buildings	**294**	1,329
Payment of corporate guarantee on loan arising from court judgment (Note 20)	**-**	20,000

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

7. Personnel expenses

	Group	
	2017	2016
	RMB'000	RMB'000
Directors of the Company		
- Directors' fees	**441**	371
- Salaries and bonuses	**1,133**	1,863
- Defined contribution benefits	**-**	49
Key management personnel (non-directors)		
- Salaries and bonuses	**343**	889
- Defined contribution benefits	**68**	110
Other personnel		
- Salaries, wages and bonuses	**1,358**	3,306
- Defined contribution benefits	**393**	550
	3,736	7,138

8. Tax expense/(credit)

Tax expense/(credit) attributable to losses is made up of:

	Group	
	2017	2016
	RMB'000	RMB'000
Current income tax		
Overprovision of tax in prior year	**-**	(1,661)

The income tax expense on the results of the financial year varies from the amount of income tax determined by applying the applicable income tax rate to loss before tax due to the following factors:

	Group	
	2017	2016
	RMB'000	RMB'000 (Revised)
Loss before tax	**(17,710)**	(91,221)
Tax calculated at domestic statutory tax rate	**(3,844)**	(75,926)
Expenses not deductible for tax purposes	**3,844**	75,926
Overprovision of tax in prior year	**-**	(1,661)
	-	(1,661)

The domestic statutory tax rates for Singapore and PRC entities are 17% (2016: 17%) and 25% (2016: 25%) respectively for the financial years ended 31 December 2017 and 2016 respectively.

The Group has unutilised tax losses of approximately RMB 4,186,000 (2016: RMB 4,186,000) available for offsetting against future taxable income of the Group. The utilisation of the tax losses is subject to the agreement of the relevant tax authorities and compliance with required provisions of the tax legislation of the respective countries in which the companies in the Group operate.

No deferred tax asset has been recognised as it is not probable that future taxable profits will be sufficient to allow the related tax benefits to be realised.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

9. Loss per share

Basic loss per share amounts are calculated by dividing loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted loss per share is calculated by dividing loss, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares

The Group also has Nil (31 December 2016: NIL) share options granted to employees under the employee share option plan that have not been included in the calculation of diluted loss per share as they are anti-dilutive.

Diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares for the financial years ended 31 December 2017 and 31 December 2016.

The following table reflects the loss and share data used in the computation of basic and diluted loss per share for the years ended 31 December 2017 and 2016:

	Group	
	2017	2016
	RMB'000	RMB'000 (Revised)
Loss for the year attributable to shareholders	**(16,011)**	(83,793)
Weighted average number of ordinary shares for basic loss per share computation	**843,020,646**	843,020,646
Basic and diluted loss per share (RMB cents/share)	**(1.90)**	(9.94)

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

10. Property, plant and equipment

	Leasehold buildings RMB'000 (Revised)	Motor vehicles RMB'000	Office equipment RMB'000	Machinery RMB'000	Renovation RMB'000	Construction work-in-progress RMB'000	Total RMB'000 (Revised)
Group							
Cost							
At 1 January 2016	263,904	1,079	1,710	6,828	76	30,190	303,787
Additions	-	-	83	-	-	7	90
Reclassification	30,197	-	-	-	-	(30,197)	-
Write off	-	-	(142)	-	(76)	-	(218)
At 31 December 2016	294,101	1,079	1,651	6,828	-	-	303,659
Write off	-	(1,079)	(1,651)	(6,828)	-	-	(9,558)
At 31 December 2017	**294,101**	**-**	**-**	**-**	**-**	**-**	**294,101**
Accumulated depreciation							
At 1 January 2016	10,446	766	1,223	4,104	62	-	16,601
Depreciation charges (Note 6)	6,731	46	108	433	-	-	7,318
Write off	-	-	(97)	-	(62)	-	(159)
At 31 December 2016	17,177	812	1,234	4,537	-	-	23,760
Depreciation charges (Note 6)	6,506	-	-	-	-	-	6,506
Write off	-	(812)	(1,234)	(4,537)	-	-	(6,583)
At 31 December 2017	**23,683**	**-**	**-**	**-**	**-**	**-**	**23,683**
Accumulated impairment							
At 1 January 2016	146,968	–	–	–	–	10,733	157,701
Reclassification	10,733	–	–	–	–	(10,733)	-
Impairment loss (Note 6)	56,535	177	417	1,823	–	–	58,952
At 1 January 2017	214,236	177	417	1,823	–	–	216,653
Write-off	-	(177)	(417)	(1,823)	-	-	(2,417)
At 31 December 2017	**214,236**	**-**	**-**	**-**	**-**	**-**	**214,236**

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

10. Property, plant and equipment (cont'd)

	Leasehold buildings RMB'000 (Revised)	Motor vehicles RMB'000	Office equipment RMB'000	Machinery RMB'000	Renovation RMB'000	Construction work-in-progress RMB'000	Total RMB'000 (Revised)
Group							
Net carrying value							
At 31 December 2017	**56,182**	**-**	**-**	**-**	**-**	**-**	**56,182**
At 31 December 2016	62,688	90	-	468	-	-	63,246

	Office equipment RMB'000	Renovation RMB'000	Total RMB'000
Company			
Cost			
At 1 January 2016	141	76	217
Write off	(141)	(76)	(217)
At 31 December 2016 and 31 December 2017	-	-	-
Accumulated depreciation			
At 1 January 2016	96	63	159
Write off	(96)	(63)	(159)
At 31 December 2016 and 31 December 2017	-	-	-
Net carrying value			
At 31 December 2016 and 31 December 2017	-	-	-

Construction work-in-progress comprises costs incurred for construction of office building, steel fabrication plant, electronic control assembly plant and warehouse on the land of 16,536 square meters in Fujian Province and 193,493 square meters in Anhui Province (Note 11). These are extensions to the existing leasehold buildings. The construction work-in-progress was completed during the previous financial year and reclassified under leasehold buildings.

These leasehold buildings with carrying amount of RMB 56,182,000 were pledged to 2 different banks in AHDY and FJDY for the short -term borrowings (Note 20).

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

10. Property, plant and equipment (cont'd)

Impairment loss and subsequent reversal in relation to leasehold buildings

During the financial year 2016, the Group was unable to fulfil its financial obligation to the 2 banks to which the leasehold buildings were being pledged. Consequently, the leasehold building in AHDY with carrying amount of RMB 45,011,000 along with its land use rights (for a land area of 193,493 square meters) with carrying amount of RMB 22,807,000 [see Note 11] were valued by the Court for the auction at RMB 135 million but were eventually successfully auctioned off on 22 February 2019 at RMB 60.6 million.

In addition, the leasehold building in FJDY with carrying amount of RMB 11,171,000 along with its land use rights (for a land area of 16,536 square meters) with carrying amount of RMB 3,271,000 [see Note 11] were valued by the Court for the auction at RMB 21.5 million but were eventually successfully auctioned off on 25 October 2018 at RMB 14.4 million.

Arising from these auctions, the Group had booked an impairment loss of RMB 69,672,000 under its leasehold buildings in its FY2016 financial statements (before the revisions made as disclosed in Note 28) to bring down their respective carrying amounts to the auctioned value.

11. Land use rights

	Group	
	2017	2016
	RMB'000	RMB'000
		(Revised)
Cost		
At 1 January and 31 December	**53,930**	53,930
Accumulated amortisation		
At 1 January	**3,364**	2,222
Amortisation for the year (Note 6)	**1,183**	1,142
At 31 December	**4,547**	3,364
Accumulated impairment		
At 1 January	**23,305**	-
Impairment (Note 6)	**-**	23,305
At 31 December	**23,305**	23,305
Net carrying value	**26,078**	27,261
Amount to be amortised:		
- Not later than one financial year	**1,088**	1,183
- Later than one year but not later than five financial years	**-**	1,088
- Later than five financial years	**-**	-

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

11. Land use rights (cont'd)

Location	Lease period	Land area
Longyan Economic Development District, Fujian Province, PRC	Commencing from January 2011 to November 2060	16,536 square meters
Bengbu Industrial Park, Huishang District, Bengbu City Anhui Province, PRC	Commencing from April 2014 to February 2061	193,493 square meters

These land use rights of the Group with carrying amount of RMB 26,078,000 were individually pledged to 2 different banks by AHDY and FJDY for the short-term borrowings (Note 20).

During the financial year 2016, the Group was unable to fulfil its financial obligation to the 2 banks to which the land use rights had been pledged. Consequently, the land use rights in AHDY with carrying amount of RMB 22,807,000 along with the leasehold building with carrying amount of RMB 45,011,000 [see Note 10] were valued by the Court for the auction at RMB 135 million but were eventually successfully auctioned off on 22 February 2019 at RMB 60.6 million.

In addition, the land use right in FJDY with carrying amount of RMB 3,271,000 along with the leasehold building with carrying amount of RMB 11,171,000 [see Note 10] were valued by the Court for the auction at RMB 21.5 million but were eventually successfully auctioned off on 25 October 2018 at RMB 14.4 million.

Arising from these auctions, the Group booked an impairment loss of RMB 25,576,000 under its land use rights in its FY2016 financial statements (before the revisions made as disclosed in Note 28) to bring down their respective carrying amounts to their auctioned values.

12. Investments in subsidiaries

	Company	
	2017	2016
	RMB'000	RMB'000
Unquoted equity shares, at cost	**699,460**	699,460
Impairment on investment	**(8,593)**	(8,593)
Currency alignment	**14,413**	6,271
	705,280	697,138

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

12. Investments in subsidiaries (cont'd)

(a) Details of subsidiaries held by the Company (cont'd):

Name of subsidiary	Principal activities	Country of incorporation	Equity holding 2017 %	2016 %
Held by the Company				
China Dongyuan Environment Pte. Ltd. (1) (2)	Investment holding company	Singapore	**100**	100
Xiamen Gongyuan Environmental Protection Technology Co., Ltd. (1) (2)	Providing environmental protection products and services	PRC	**80**	80
Held by subsidiaries				
Fujian Dongyuan Environmental Protection Co., Ltd. (1) (2)	Waste gas treatment solutions provider - Designing and constructing waste gas treatment systems	PRC	**100**	100
Anhui Dongyuan Environmental Protection Co., Ltd. (1) (2)	Waste gas treatment solutions provider – Designing and constructing waste gas treatment systems	PRC	**100**	100

FY2017:
(1) Audited by RT LLP for the purpose of expressing an opinion on the consolidated financial statements

FY 2016:
(2) Audited by RT LLP for the purpose of expressing an opinion on the consolidated financial statements

Significant restrictions

Cash and cash equivalents of RMB 85,000 (2016: RMB 465,000) are held in the People's Republic of China and are subject to PRC foreign exchange control regulations. These regulations place restrictions on the amount of currency being exported from the country, other than through dividends and repayment of overseas loans

Significant events during the year

During the financial year ended 2016, FJDY had been locked out of its office premises by its landlord, Fujian Mintai Environmental Protection Co. Ltd. It was later found that the bulk of its accounting records were missing. Hence, the new management has reconstructed the financial year ended 31 December 2017 management accounts from available bank statements and confirmations, court orders as well as auction results.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

12. Investments in subsidiaries (cont'd)

(b) Interest in subsidiary with material non-controlling interest ("NCI")

The Group has the following subsidiary that has NCI that is material to the Group.

Name of subsidiary	Principal place of business	Proportion of ownership interest held by noncontrolling interest	Profit/(Loss) allocated to NCI during the reporting period RMB'000	Accumulated NCI at the end of reporting period RMB'000
31 December 2017				
Xiamen Gongyuan Environmental Protection Technology Co., Ltd	**PRC**	**20%**	**(1,699)**	**2,021**

Summarised financial information about subsidiary with material NCI

Summarised financial information including consolidation adjustments but before intercompany eliminations of subsidiary with material noncontrolling interest is as follows:

Summarised balance sheet

	Xiamen Gongyuan Environmental Protection Technology Co., Ltd	
	As at 31 December 2017 RMB'000	As at 31 December 2016 RMB'000
Current		
Assets	**240**	8,277
Liabilities	**870**	1,821
Net current assets	**(630)**	6,456
Non-current		
Assets	**-**	-
Liabilities	**-**	-
Net non-current assets	**-**	-
Net assets	**(630)**	6,456

Summarised statement of comprehensive income

	Xiamen Gongyuan Environmental Protection Technology Co., Ltd	
	As at 31 December 2017 RMB'000	As at 31 December 2016 RMB'000
Revenue	**-**	515
Loss before tax	**(8,493)**	(28,833)
Income tax expense	**-**	-
Other comprehensive income	**-**	-
Total comprehensive income	**(8,493)**	(28,833)

Other summarised information

	Xiamen Gongyuan Environmental Protection Technology Co., Ltd	
	As at 31 December 2017 RMB'000	As at 31 December 2016 RMB'000
Net cashflow used in operations	-	(24,055)

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

13. Investment in associated company

	Group	
	2017	2016
	RMB'000	RMB'000
Unquoted equity investment		
Balance at beginning of the financial year	**-**	2,450
Impairment loss during the financial year	**-**	(2,450)
Balance at end of the financial year	**-**	-

Details of the associated company are as follows:

Name and country of incorporation	Principal activities	Percentage of equity held by the Group 2017 %	2016 %
Beijing Gongdao Environmental Protection Technology Co., Ltd (PRC) [(1) (2)]	Research and development, industrialisation and commercialisation of industrial waste gas treatment technology and other environmental protection technologies	**83**	83

FY2017
[(1)] Audited by RT LLP for the purpose of expressing an opinion on the consolidated financial statements.

FY2016
[(2)] Audited by RT LLP for the purpose of expressing an opinion on the consolidated financial statements.

In the financial year 2015, the management had discovered that the Group's actual equity interest held in BGDEPT should be 83% instead of the 49% - as indicated in the audited financial statements for FY 2013 and FY 2014 by the predecessor auditor.

The management had chosen not to reclassify the investment from associated company to investments in subsidiaries as the management had been unable to determine whether the 83% held equity investment in BGDEPT constituted control. Control is defined as being exposed to, or having the rights to, variable returns from the Group's involvement in BGDEPT and having the ability to affect those returns through its power over BGDEPT. To be conservative, the management had decided not to reclassify the investment from associated company to investments in subsidiaries.

Information about the Group's investment in an associate that is not material is as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Loss from operations	**-**	（362）

As the investment in an associate had been fully impaired and hence is immaterial, the management is of the view that no further summarised financial information of the investment in associate is required

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

14. Inventories

	Group	
	2017	2016
	RMB'000	RMB'000
Raw materials, at cost	**-**	2,024

The cost of inventories recognised as an expense and included in cost of sales amounted to RMB 1,358,000 (2016: RMB 3,169,000).

15. Trade and bill receivables

	Group	
	2017	2016
	RMB'000	RMB'000
Trade receivables*		
- Billed & Unbilled	**3,298**	4,343
Bill receivables	**-**	20
	3,298	4,363

Trade receivables are non-interest bearing. Generally, the customers are required to pay immediately once the progress of the projects meets the payment terms stated in the sales contracts. However, customers generally retain 5% to 10% of the project sums as retention monies which are held for a warranty period of up to 12 months.

The bill receivables have an average maturity date of NIL (2016: 6) months.

16. Other receivables, deposits and prepayments

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other receivables	**1,958**	104	**1,131**	84
Deposits	**243**	-	**243**	-
Prepayments	**117**	28	**117**	28
	2,318	132	**1,491**	112

17. Cash and bank balances

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash in hand and at banks *	**303**	659	**169**	147

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

17. Cash and bank balances (cont'd)

* The Group's and the Company's cash and cash equivalents that are not denominated in the functional currencies of the respective entities within the Group are as follows:

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Singapore dollar	**200**	175	**151**	129
United States dollar	**19**	19	**18**	18

Cash and cash equivalents of RMB 85,000 (2016: RMB 466,223) held in People's Republic of China are subject to local exchange control regulation. These regulations places restriction on the amount of currency being exported other than through dividends.

18. Trade payables

	Group	
	2017	2016
	RMB'000	RMB'000
Trade payables - third parties	**5,311**	2,777

Trade payables are non-interest bearing and are normally settled up to 60 days' terms.

19. Other payables and accruals

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accruals for staff social welfare contributions	**8,007**	8,017	**-**	9
Salary payables	**4,679**	3,827	**3,190**	2,598
Other tax payables	**7,842**	5,000	**-**	-
Other payables	**26,073**	11,905	**4,257**	2,896
	46,601	28,749	**7,447**	5,503

20. Short-term borrowings

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank borrowings				
- secured	**91,669**	91,669	-	-
- unsecured	**20,000**	43,000	-	-
	111,669	134,669	-	-
Secured non-bank borrowings	**16,948**	12,284	**16,948**	12,284
	128,617	146,953	**16,948**	12,284

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

20. Short-term borrowings (cont'd)

For financial year ended 31 December 2017

Secured borrowings

1. RMB 91.7 million of the short-term borrowings was secured by the Group's land use rights and property title deeds, as detailed below:

    a) RMB 55.0 million of the short-term borrowings was secured by the Group's land use rights and plant in Anhui and guaranteed by one of the Company's former directors, his spouse and one of the subsidiaries of the Company; and

    b) RMB 36.7 million of the short-term borrowings was secured by the Group's land use rights and plant in Fujian, one of the trade receivables of one of the subsidiaries of the Company and guaranteed by one of the Company's former directors, his spouse and one of the subsidiaries of the Company.

Unsecured borrowings

2. On 25 November 2016, the Company had announced that pursuant to the receipt of repayment notification from Bank of China ("Lender") announced on 24 August 2016, the Lender had filed a civil suit against the Company's wholly-owned subsidiary, Fujian Dongyuan Environmental Protection Co., Ltd (" FJDY") for the corporate guarantee FJDY allegedly entered into for Bengbu Xingyuan Environmental Protection Technology Co., Ltd. ("BBXY")

    Judgement had been awarded to the plaintiff. The judgment had provided that FJDY shall be liable for the RMB 20 million corporate guarantee that FJDY allegedly entered into for BBXY

Secured non-bank borrowings

3. RMB 16.9 million of the non-bank short-term borrowings was secured by the Group's shares in the PRC subsidiaries in Anhui and Fujian. The Company has unconditionally and irrevocably guaranteed the repayment for the borrowings. Corporate guarantees by the PRC subsidiaries in Anhui and Fujian have also been given to the lender.

    Subject to the approval by the shareholders of the Company or relevant authorities, the lender has the option either to:

    (a) Purchase up to S$ 3 million worth of convertible warrants to be issued by the Company and should the lender exercise this option, the said borrowing will form partial payment of the convertible warrants which are convertible into ordinary shares of the Company. The conversion price of the warrants shall be the average of the last dealt prices of the Company's shares as shown in the daily financial news published by the SGX-ST for the five (5) consecutive market days immediately preceding the date of the conversion; or

    (b) Purchase the Company's land use rights and property assets in Anhui for an amount of RMB 100 million.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

20. Short-term borrowings (cont'd)

For financial year ended 31 December 2016

Secured borrowings

4. RMB 91.7 million of the short-term borrowings was secured by the Group's land use rights and property title deeds, as detailed below:

   (a) RMB 55.0 million of the short-term borrowings was secured by the Group's land use rights and plant in Anhui and guaranteed by one of the Company's former directors, his spouse and one of the subsidiaries of the Company; and

   (b) RMB 36.7 million of the short-term borrowings was secured by the Group's land use rights and plant in Fujian, one of the trade receivables of one of the subsidiaries of the Company and guaranteed by one of the Company's former directors, his spouse and one of the subsidiaries of the Company.

Unsecured borrowings

5. RMB 23 million of the short-term borrowings were not secured by the Company's assets. These short-term borrowings were guaranteed by one of the Company's former directors and secured by the land use rights and leasehold buildings of a former related party, Fujian Mintai Environmental Protection Co., Ltd.

6. On 25 November 2016, the Company announced that pursuant to the receipt of repayment notification from Bank of China ("Lender") announced on 24 August 2016, the Lender has filed a civil suit against the Company's wholly-owned subsidiary, Fujian Dongyuan Environmental Protection Co., Ltd (" FJDY") for the corporate guarantee FJDY allegedly entered into for Bengbu Xingyuan Environmental Protection Technology Co., Ltd ("BBXY").

   Judgement was awarded to plaintiff. The judgment provided that FJDY shall be liable for the RMB 20 million corporate guarantee that FJDY allegedly entered into for BBXY.

Secured non-bank borrowings

7. RMB 12.2 million of the non-bank short-term borrowings was secured by the Group's shares in the PRC subsidiaries in Anhui and Fujian. The Company has unconditionally and irrevocably guaranteed the repayment for the borrowings. Corporate guarantees by the PRC subsidiaries in Anhui and Fujian have also been given to the lender.

   Subject to the approval by the shareholders of the Company or relevant authorities, the lender has the option either to:

   (a) Purchase up to S$ 3 million worth of convertible warrants to be issued by the Company and should the lender exercise this option, the said borrowing will form partial payment of the convertible warrants which are convertible into ordinary shares of the Company. The conversion price of the warrants shall be the average of the last dealt prices of the Company's shares as shown in the daily financial news published by the SGX-ST for the five (5) consecutive market days immediately preceding the date of the conversion; or

   (b) Purchase the Company's land use rights and property assets in Anhui for an amount of RMB 100 million.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

20. Short-term borrowings (cont'd)

The Group's short-term borrowings that are not denominated in the functional currencies of the respective entities within the Group are as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Singapore dollar	**16,948**	12,284

These bank borrowings are repayable within the next twelve months and bear fixed interest rates ranging from 5.44% to 6.44% (2016: 5.44% to 6.44%) per annum. The secured non-bank borrowing is repayable on demand and bear fixed interest rate of 24% (2016: 24%) per annum.

21. Amounts due to subsidiaries (non-trade)

The amounts are unsecured, non-interest bearing and repayable on demand.

The amounts that are not denominated in the functional currency of the Company are as follows:

	Company	
	2017	2016
	RMB'000	RMB'000
Singapore dollar	**5,435**	5,366

22. Share capital

(a) Share capital

	2017		2016	
	Number of issued shares	**Issued share capital RMB'000**	Number of issued shares	Issued share capital RMB'000
Group				
At 1 January and 31 December	**843,020,646**	**400,608**	843,020,646	400,608
Company				
At 1 January and 31 December	**843,020,646**	**821,916**	843,020,646	821,916

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

Reverse acquisition

At Group level

As informed by the management, the acquisition of Gates Electronics Limited in 2009 has been accounted for as a reverse acquisition in the consolidated financial statements of the Group. Gates Electronics which is the legal subsidiary (the "Acquired Group") is considered the acquirer for accounting purposes. Accordingly, the statements of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group have been prepared as a continuation of Gates Electronics Limited's financial statements, in accordance with the Group's accounting policies as described in Note 2(e).

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

22. Share capital

(b) Share options

	Group and Company	
	2017	2016
	RMB'000	RMB'000
At 1 January	**-**	8,128
Reversal for share options lapsed	**-**	(8,128)
At 31 December	**-**	-

The Gates Share Option Scheme of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 12 April 2004. The Remuneration Committee had approved and adopted the change in name of Gates Share Option Scheme to "China Environment Share Option Scheme" (the "Scheme") on 25 September 2009. This is a long-term incentive plan to motivate Directors and employees of the Group to greater dedication, loyalty and higher standards of performance. The Scheme is administered by the Company's Remuneration Committee, comprising one director, Lee Chia Sin (Chairman of Remuneration Committee).

Other information regarding the Scheme is set out below:

- The subscription price for each share in respect of which a market price option is exercised shall be a price equal to the average of the last dealt prices for a share for the five consecutive market days immediately preceding the offering date of the option.

- The subscription price for each share in respect of which an incentive option is exercised can be set at a discount to the market price not exceeding 20% of the market price.

- The options can be exercised 1 year after the grant for market price options and 2 years for discounted options.

- The options granted will expire after 5 years for participants not holding a salaried office or employment in the Group and participants holding salaried office or employment in an associated company; and 10 years for the employees of the Company and its subsidiaries.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

23. Other reserves

	Group	
	2017	2016
	RMB'000	RMB'000
General reserve fund	**60,901**	60,901
Enterprise expansion reserve fund	**30,451**	30,451
	91,352	91,352

Pursuant to the relevant laws and regulations in the PRC, the PRC subsidiaries which are wholly owned foreign enterprises are required to provide the following other reserves which are appropriated from distributable profits:

General reserve fund (statutory)

The PRC subsidiaries are required to transfer no less than 10% of their net profit to the general reserve fund each year until the reserve reaches 50% of its registered capital. The transfer to this fund must be made before the payment of dividends to shareholders. In the event that the PRC subsidiaries incur accumulated losses, the transfer of this fund can only be made after the PRC subsidiaries' accumulated losses are fully set off against current year net profit.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

23. Other reserves (cont'd)

General reserve fund (statutory) (cont'd)

The general reserve fund can only be used to set off against accumulated losses or to increase the registered capital of the PRC subsidiaries, subject to approval from the PRC authorities.

Enterprise expansion reserve fund (non-statutory)

The enterprise expansion reserve fund can be used either to offset accumulated losses or be capitalised as equity. The enterprise expansion reserve fund can be used to increase capital upon approval of the relevant authorities.

All the above reserves mentioned above are not available for dividend appropriation by the shareholders.

24. Related parties transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties, who are not members of the Group during the financial year on terms agreed by the parties concerned:

	Group	
	2017	2016
	RMB'000	RMB'000
Advances from related parties	**-**	(5,089)
Rental expenses charged by related party	**-**	1,329

Related parties mainly comprise companies which are controlled by certain former directors of the Company and their close family members.

As at 28 March 2016, the director controlling these related parties had resigned from the Company.

25. Financial instruments

(a) Categories of financial instruments

Financial instruments at their carrying amounts at the reporting date are as follows:

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Loans and receivables	**303**	679	**169**	147
Financial liabilities				
Financial liabilities at amortised cost	**172,687**	173,479	**29,830**	23,153

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

25. Financial instruments (cont'd)

(b) Financial risk management

The Group's overall risk management policy is to ensure adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign currency, liquidity and credit risks. The Group's overall risk management is determined and carried out by the Board of Directors. The policies for managing each of these risks are summarised as follows:

Foreign currency risk

The Group has currency exposures arising from transactions, assets and liabilities that are denominated in currencies other than the respective functional currencies of entities in the Group. The foreign currencies in which the Group's currency risk arises are mainly United States dollar ("USD") and Singapore dollar ("SGD").

At the end of the reporting period, the Group and Company have the following financial assets and financial liabilities denominated in foreign currencies based on information provided by key management:

	2017		2016	
Denominated in:	**SGD**	**USD**	SGD	USD
	RMB'000	**RMB'000**	RMB'000	RMB'000
Group				
Cash and cash equivalents	**200**	**19**	175	19
Other payables and accruals	**(7,472)**	**-**	(5,504)	-
Short-term borrowings	**(16,948)**	**-**	(12,284)	-
Net financial assets/ (financial liabilities) denominated in foreign currencies	**(24,220)**	**19**	(17,613)	19

	2017		2016	
Denominated in:	**SGD**	**USD**	SGD	USD
	RMB'000	**RMB'000**	RMB'000	RMB'000
Company				
Cash and cash equivalents	**151**	**18**	129	18
Other payables and accruals	**(7,447)**	**-**	(5,503)	-
Short-term borrowings	**(16,948)**	**-**	(12,284)	-
Amount due to subsidiaries	**(5,435)**	**-**	(5,366)	-
Net financial assets/ (financial liabilities) denominated in foreign currencies	**(29,679)**	**18**	(23,024)	18

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

25. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Foreign currency risk (cont'd)

The following table demonstrates the sensitivity to a reasonably possible change in the SGD, and USD exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant, of the Group's profit after tax:

		Group Increase/(decrease) in profit after tax	
		2017 RMB'000	2016 RMB'000
SGD/RMB	-strengthened 5% (2016: 5%)	**(1,005)**	(731)
	-weakened 5% (2016: 5%)	**1,005**	731
USD/RMB	-strengthened 5% (2016: 5%)	**-**	1
	-weakened 5% (2016: 5%)	**-**	(1)

Company

A 5% fluctuation in the RMB and USD exchange rates against the SGD, with all other variables held constant, will not have a significant impact on the Company's profit for the current and previous financial years.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from the Group's financial instruments will fluctuate because of changes in market interest rate. Apart from bank balances, the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's borrowings are fixed-rate instruments. Other financial liabilities are non-interest-bearing. As the Group has no variable-rate borrowings, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets, including cash and cash equivalents, the Group minimises credit risk by dealing exclusively with high credit rating counterparties.
The Group's objective is to seek continual revenue and profit growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties, including state-owned enterprises and subsidiaries of the public listed companies in PRC. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, debtors' balances are monitored on an ongoing basis. As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position for respective years. Trade receivables due from third parties in the PRC amounted to RMB 3,298,000 (2016: RMB 4,363,000) of the Group's trade receivables. The Group's trade receivables comprise 3 debtors (2016: 2 debtors) that represented approximately 100% (2016: 99%) of its trade receivables.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

25. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Credit risk (cont'd)

Financial assets that are neither past due nor impaired

Cash and bank balances that are neither past due nor impaired are mainly deposits with banks with high credit-ratings. Trade receivables that are neither past due nor impaired are substantially companies with good collection track records with the Group. Trade receivables that are not past due amounted to Nil (2016: Nil).

Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables. The aging analysis of trade receivables past due but not impaired is as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Past due more than 365 days	**3,298**	4,363

Liquidity and cash flow risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The table below summarises the maturity profile of the Group's and the Company's non-derivative financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2017	2016
	RMB'000	RMB'000
	1 year or less	1 year or less
Group		
Trade and other payables	**51,912**	31,526
Short-term borrowings	**128,617**	146,953

	2017	2016
	RMB'000	RMB'000
	1 year or less	1 year or less
Company		
Other payables and accruals	**7,447**	5,503
Short-term borrowings	**16,948**	12,284
Amounts due to subsidiaries	**5,435**	5,366

(c) Fair values of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value

The carrying amounts of the financial assets and financial liabilities recorded in the financial statements of the Group and the Company approximate their respective fair values due to the relatively short-term maturities of these financial instruments. The Group and Company have no other financial instruments.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

26. Capital management

The Group's objectives when managing capital are:

(i) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

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

(iii) To provide capital for the purpose of strengthening the Group's risk management capability.

Capital comprises share capital, revenue reserve and other reserves included in equity.

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

As disclosed in Note 23, the Group's subsidiaries in the PRC are required to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the subsidiaries for the financial years ended 31 December 2017 and 31 December 2016.

27. Segment information

The Group is organised into business units based on its products for management purposes. The reportable segment is construction contracts. The construction contracts segment includes the designing, assembling, installing, testing and commissioning of various equipment relating to industrial waste gas treatment and management systems. Management monitors the operating results of its business units separately for making decisions about allocation of resources and assessment of performance of such segments. The segment information provided to management for the reportable segments is as follows:

	Construction contracts	
	2017	2016
	RMB'000	RMB'000 (Revised)
Segment revenue	**1,538**	5,851
Segment loss	**(1,800)**	(81,586)
Depreciation and amortisation	**7,689**	8,460
Segment assets	**87,876**	97,026
Unallocated assets	**303**	659
Total assets	**88,179**	97,685
Segment liabilities	**44,070**	26,526
Unallocated liabilities	**136,459**	151,953
Total liabilities	**180,529**	178,479

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

27. Segment information (cont'd)

Segment results

Performance of each segment is evaluated based on segment loss which is measured differently from the loss before tax in the consolidated financial statements. Interest income, foreign exchange gains and finance costs are not allocated to segments as Group financing is managed on a group basis. A reconciliation of segment loss with the consolidated profit before tax is as follows:

	Group	
	2017	2016
	RMB'000	RMB'000 (Revised)
Segment loss	**(1,800)**	(81,586)
Interest income	**-**	1,713
Foreign exchange losses	**(615)**	(1,785)
Finance costs	**(15,295)**	(9,563)
Loss before tax	**(17,710)**	(91,221)

Segment assets

The amounts provided by the management with respect to total assets are measured in a manner consistent with that of the financial statements. Management monitors the assets attributable to each segment for the purposes of monitoring segment performance and for allocating resources between segments. All assets are allocated to reportable segments other than cash and cash equivalents which are classified as unallocated assets.

Segment liabilities

The amounts provided by management with respect to total liabilities are measured in a manner consistent with that of the financial statements. All liabilities are allocated to the reportable segments based on the operations of the segments other than deferred tax liability, tax payable, other tax payables, short-term borrowings, amount due to a director and amount due to related parties. These liabilities are classified as unallocated liabilities.

Geographical information

Revenue and non-current asset information based on the geographical location of customers and assets respectively are as follows:

	Sales to external customers		**Non-current assets**	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000 (Revised)
PRC	**1,538**	5,851	**82,260**	90,507

Non-current asset information of the Group presented above is non-current assets as presented on the statements of financial position.

Information about major customer

Revenue of approximately RMB 1,538,000 (2016: RMB 3,600,000) is derived from 1 (2016: 1) major external customer who contributed 10 percent or more of the Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

28. Basis for revision

Revision of financial statements for FY 2016

The Management noted that the Group had not made consideration for the subsequent depreciation of its subsidiaries' leasehold buildings till their dates of derecognition on 25 October 2018 and 22 February 2019 when providing impairment loss in FY2016. This is not in compliance with paragraph 55 of FRS 16/ SFRS (I) 1-16 *Property, Plant and Equipment*, which states that depreciation of an asset ceases at the date that the asset is derecognised. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. Consequently, there is an overstatement of the impairment loss by RMB 13,137,000.

Similarly, the Management also noted the Group had not made consideration for the subsequent amortisation of its subsidiaries' land use rights till their dates of derecognition on 25 October 2018 and 22 February 2019 when booking impairment loss in FY2016, This is not in compliance with paragraph 97 of FRS 38/SFRS (I) 1-38 *Intangible Assets,* which states that amortisation of an asset ceases at the date that the asset is derecognised. Hence there was an overstatement of the impairment loss by RMB 2,271,000.

Effects of revision

The effects of the revision on the statements of financial position of the Group as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of the Group for the financial year ended 31 December 2016 are summarised below:

For the Financial Year ended 31 December 2016:	**As previously stated RMB'000**	**Adjustments RMB'000**	**Revised RMB'000**
Consolidated Statement of Profit or Loss and Other Comprehensive Income			
Group			
Administrative expenses	(22,503)	(464)	(22,967)
Other expenses	(206,386)	15,408	(190,978)
Loss before tax	(106,165)	14,944	(91,221)
Loss for the year	(104,504)	14,944	(89,560)
Total comprehensive loss for the year	(98,041)	14,944	(83,097)
Loss attributable to equity holders of the Company	(98,737)	14,944	(83,793)
Total comprehensive loss attributable to equity holders of the Company	(92,274)	14,944	(77,330)
Loss per share for loss attributable to equity holders of the Company			
- Basic and Diluted	(11.71)	1.77	(9.94)

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

28. Basis for revision (Cont'd)

Effects of revision (cont'd)

For the Financial Year ended 31 December 2016:	**As previously stated RMB'000**	**Adjustments RMB'000**	**Revised RMB'000**
Statements of Financial Position			
Group			
Property, plant and equipment	50,573	12,673	63,246
Land use rights	24,990	2,271	27,261
Accumulated losses	(601,109)	14,944	(586,165)
Equity attributable to equity holders of the Company	(99,458)	14,944	(84,514)
Consolidated Statement of Cash Flows			
Group			
Loss before tax	(106,165)	14,944	(91,221)
Adjustments for:			
- Depreciation of property, plant and equipment	6,854	464	7,318
- Impairment loss on property, plant and equipment	72,089	(13,137)	58,952
- Impairment loss on land use rights	25,576	(2,271)	23,305

29. Events occurring after reporting period

(i) **Letters of Demand and Civil suits**

The following Letters of Demand and Civil suits were announced after financial year end;

(a) Status Update

On 20 April 2018, the Company had announced the following enforcement orders taken out against the PRC subsidiaries in the People's Republic of China

Fujian Dongyuan Environmental Protection Co., Ltd. Case No.	**RMB**
2017闽8执330	40,781,888
2017闽802执4864号	53,000
2017闽802执4654号	300,885
2017闽8执225号	61,264,128
2017闽981执1068号	88,352
2017闽802执2999号	23,104,220
2017闽802执1780号	5,000,000
2017闽3执20号	20,547,128

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

29. Events occurring after reporting period (Cont'd)

(i) Letters of Demand and Civil suits (cont'd)

(a) Status Update (cont'd)

Anhui Dongyuan Environmental Protection Co., Ltd. Case No.	RMB
2017闽8执225号	61,264,128
2017闽802执2999号	23,104,220

Xiamen Gongyuan Environmental Protection Technology Co., Ltd. Case No.	RMB
2017闽802执2999号	23,104,220

(b) Letter of Demand by Soh Yong Soon against China Environment Ltd. for unpaid salary and expenses announced on 12 March 2020

On 12 March 2020, the Board of Directors of China Environment Ltd. (the "Company" and together with its subsidiaries, the "Group") wished to make an announcement regarding a claim by its former Chief Financial Officer Soh Yong Soon ("Mr Soh") against the Company. The Company received a letter of demand dated 9 March 2020 from Mr Soh for payment of the sum of approximately S$ 67,748 in respect of unpaid salary and expenses. The letter stated that it is a statutory demand and that unless the total sum is paid or secured or compounded within 3 weeks after the date of service of statutory demand, the Company would be deemed to be unable to pay the debts and Mr Soh's lawyer is entitled to commence compulsory winding-up proceedings against the Company. The Company is liaising with Mr Soh to seek clarification in relation to this letter and outstanding sum payable. It will keep the shareholders updated when it has established the matters accordingly.

(ii) Voluntary liquidation at Beijing Gongdao Environmental Protection Technology Co., Ltd.

On 3 July 2018, the Board of Directors of China Environment Ltd. (the "Company") had announced that Beijing Gongdao Environmental Protection Technology Co., Ltd. ("BGDEPT") incorporated in the People's Republic of China, a dormant company in the Group had formed a liquidation committee on 29 June 2018 to look into the liquidation of BGDEPT.

The voluntary liquidation of BGDEPT is not expected to have any material impact on the Group's earnings per share or net tangible assets per share for the financial year ending 31 December 2018. On 29 March 2019, the Company announced that it has been notified of the official completion of deregistration of BGDEPT on 27 March 2019.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

29. Events occurring after reporting period (cont'd)

(iii) **Use of settlement sums from settlement agreement**

On 20 September 2018, the Company had provided the following update on the use of the settlement sums:

	Amount allocated $'000
Payment of S$ 275,000 to Dentons Rodyk as partial payment of outstanding legal fees to date	275
Partial Repayment of loan from Firstlink Investments Corporation Ltd and/or its Associates ("Firstlink")	400
Audit, staff cost, directors' fees as well as other professional and administrative expenses	525

Firstlink had agreed to the amount of S$ 400,000 as partial repayment for the outstanding loan amount due to date subject to a corporate guarantee by the PRC subsidiaries Anhui Dongyuan Environmental Protection Co., Ltd. ("AHDY") and Fujian Dongyuan Environmental Protection Co., Ltd. ("FJDY") being approved by the Company. The Board believes that it is to the best interests of the Shareholders given it needs more time to repay the loans as it needs to focus on meeting outstanding regulatory obligations and find new business for the Company.

(iv) **Update on Anhui Dongyuan Environmental Protection Co., Ltd**

On 1 October 2018, the Board of Directors (the "Board") of China Environment Ltd. (the "Company") had referred to the Company's announcement dated 21 June 2018. The Company had wished to provide an update on the situation in Anhui Dongyuan Environmental Protection Co., Ltd. ("AHDY"). The Company's management had spoken with Lin Qun Bin ("Lin") on the alleged working capital loan of RMB 6,468,000 due to Lin, which the AHDY management had shared supporting documents on. Lin had claimed he had yet to be paid any monies by the AHDY management. The Company's Legal Representative for AHDY had given Lin; who is based in Anhui, an authorisation letter to act on behalf of the Legal Representative in removing current AHDY management and taking over management of AHDY.

The preliminary scope of deliverables that Lin had to undertake was:

a. Ascertain rental income for AHDY property in calendar year 2018
b. Collection of rental income at AHDY Property. As the Company did not have anyone to undertake the above work in Anhui and was unable to access the rental proceeds, the Management had authorised Lin to undertake the above tasks.

As the AHDY ex-management had not been forthcoming on how much of the rental had been collected, the rental monies collected had been investigated by Lin. Lin had ascertained that the rental agreements then in duration amounted to RMB 265,000 per month, of which RMB 115,000 per month was to be paid as operating related expenditure. The AHDY Legal representative and Lin had agreed that the net rental income sharing was to be apportioned in RMB 50,000 per month to the Company and RMB 100,000 per month to Lin.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

29. Events occurring after reporting period (cont'd)

(iv) **Update on Anhui Dongyuan Environmental Protection Co., Ltd. (cont'd)**

The Company will update the shareholders as and when there are further material developments.

(v) **Update on Report filed with PRC Authorities**

The Board of Directors of China Environment Ltd. (the "Company") had referred to the announcement of the Company on 6 February 2017 for Legal Action in response to Civil Cases.

The Company had wished to provide an update on the report filed with PRC authorities. The Company had on 29 June 2018 provided evidence from a PRC legal firm to the authorities, in which the PRC lawyer in the due diligence investigation report had issued an opinion that transactions which had been made between the Company's subsidiaries and Bengbu Xingyuan Environmental Protection Technology Co., Ltd. ("BBXY") were not genuine.

The Company is still awaiting update from the PRC authorities on the legal firm's findings and will update the shareholders as and when the Company receives further updates from the PRC authorities.

(vi) **Loan Facilities Agreement of up to RMB 10 million and S$ 0.5 million from Firstlink Corporation Limited**

On 20 June 2016, the Company had entered into a Loan Facilities Agreement (the "Loan Agreement") with Firstlink Investments Corporation Limited ("Firstlink").

The Company together with its wholly owned subsidiaries, Fujian Dongyuan Environmental Protection Co., Ltd. ("FJDY") and Anhui Dongyuan Environmental Protection Co., Ltd. ("AHDY") had collectively required some working capital for its operational use as well as for repayment of bank loan.

At the request of the Company, Firstlink had agreed to provide a short-term secured and interest-bearing loan of up to RMB 10 million and up to S$ 0.5 million (collectively the "Loan") to the Company for the following purposes:
(i) FJDY – RMB 4 million for repayment of outstanding loan owing to China Construction Bank, Long Yan First Branch
(ii) AHDY – RMB 6 million for working capital purposes
(iii) The Company – S$ 0.5 million for working capital purposes

Firstlink has, as at to date, disbursed RMB 4 million to FJDY, RMB 4 million to AHDY and S$ 0.32 million to the Company. The Company had further requested Firstlink to disburse the remaining balance of the loan amount. Pursuant to the above, Firstlink had requested for the Company to enter into this Loan Agreement, to provide as security against any loss suffered by Firstlink in relation to the Loan Agreement and the Company had agreed to the request so as to formalise the loan facilities granted to the Group.

On 20 September 2016, the Company had announced that it had on 16 September 2016, entered into a supplementary agreement with Firstlink ("Supplementary Agreement") pursuant to the Loan Agreement which the Company and Firstlink had entered into on 20 June 2016. The following are the salient terms of the Supplementary Agreement:

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

29. Events occurring after reporting period (cont'd)

(vi) **Loan Facilities Agreement of up to RMB 10 million and S$ 0.5 million from Firstlink Corporation Limited (cont'd)**

1) The term of the loan is extended by 2 months, i.e. up to 20 November 2016 ("Extended Term") with an option to further extend upon the expiry of the Extended Term subject to mutual agreement between the Company and Firstlink; and

2) In view of the Extended Term, the Company would procure the execution and delivery of a registration/deed of charge in respect of 100% of the issued shares of its wholly-owned subsidiary, FJDY., which in turn is the holding company of AHDY, as an added security for the payment of all amounts owing under the Agreement.

On 20 September 2018, the Company had announced that the Company had used the settlement sum from its settlement agreement. Firstlink had agreed to the amount of S$ 400,000 as partial repayment for the outstanding loan amount due to date subject to a corporate guarantee by the PRC subsidiaries AHDY and FJDY being approved by the Company.

On 15 November 2019, the Company entered into a supplementary agreement with Firstlink ('Supplementary Agreement") pursuant to the Loan Agreement which the Company and Firstlink had entered into on 20 June 2016. The following are the salient terms of the Supplementary Agreement: (1) The term of the loan is extended up to 20 January 2021 ("Extended Term") with an option to further extend upon the expiry of the Extended Term subject to mutual agreement between the Company and Firstlink. As of the date of this report, the loan amount is still outstanding.

(vii) **Update on Xiamen Gongyuan Environmental Protection Technology Co., Ltd.**

On 1 November 2018, the Company announced that its Board of Directors had previously on 11 May 2018 announced that Xiamen Gongyuan Environmental Protection Technology Co., Ltd. ("XMGY") had been uncooperative in providing accounting records and the XMGY company seals. Since then, the management in Singapore had tried contacting the management of XMGY to persuade them to cooperate with the Company's instructions. However, the attempts had remained unsuccessful.

Recently, the Company had been informed by a business partner that XMGY had formed a liquidation committee. The Company had not been informed by XMGY Legal Representative Wu Jida on this and hence had sought clarification on this matter. The legal representative of XMGY hence had represented to Singapore management that to date only a liquidation committee had been formed, XMGY had not commenced liquidation due to outstanding tax liabilities and its financial inability to engage a liquidator. The XMGY management had represented to Singapore management that they will hand over accounting records once their unpaid salaries, compensation and claims amounting to RMB 649,000 had been paid.

(viii) **Announcement in relation to Regulatory Actions by SGX and/or Other Authorities**

On 13 December 2018, The Board of Directors of China Environment Ltd. (the "Company") had announced that the Company's Directors ("Directors"), had received a letter dated 30 November 2018 from the Accounting and Corporate Regulatory Authority ("ACRA") on investigation into possible offence(s) under the Companies Act, Cap 50 with regard to the Company. Pursuant to section 32(1) of the ACRA Act, Cap 2A, ACRA had required the attendance of the Directors for an interview to provide them with information on the case.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

29. Events occurring after reporting period (cont'd)

(viii) Announcement in relation to Regulatory Actions by SGX and/or Other Authorities (cont'd)

ACRA had conducted investigations against the Company and all persons who had been directors after it had defaulted in complying with the requirements of Section 175(1) – Annual General Meeting, Section 197(1) – Annual Return by Companies and Section 201(1) – Financial Statements and Consolidated Financial Statements.

ACRA had sent a letter of advisory to the former Non-Executive Directors Mr Er Kwong Wah ("Mr Er") and Mr James Kho Chung Wah ("Mr James"). The former Non-Executive Directors Mr Er and Mr James had informed the Company that ACRA's investigation had found that although the breaches had been committed by the Company during their directorships, there had been strong mitigating factors in their favour.

In view of their strong mitigating factors, ACRA had advised that both Mr Er and Mr James hereon exercise due diligence when carrying out their duties as directors.

(ix) Update on CAD report against former Executive Chairman

On 26 February 2020, the Board of Directors of China Environment Ltd (the "Company" and together with its subsidiaries, the "Group") announced that it referred to the announcement on 21 December 2016 for the CAD report against its former Executive Chairman. The Company wished to update that the Commercial Affairs Department, Singapore Police Force ("CAD") had completed its review. Having considered all the facts and circumstances, CAD will not be taking further action as there is insufficient evidence of a criminal offence committed in Singapore. CAD has forwarded the information to its China counterparts for their necessary action and will review its decision if there is additional evidence to substantiate the allegations. The Company will keep the shareholders informed on material developments.

(x) Update on Results of PRC Court Hearing

On 11 Mar 2020, the Board of Directors (the "Board") of China Environment Ltd. (the "Company") announced that it wished to update its shareholders on the following civil suit by Pingding Shanshi Feichi Huanbao Co. Ltd ("Pingding") against the Company's wholly-owned subsidiary Anhui Dongyuan Environmental Protection Co., Ltd. ("AHDY") for a construction contract dispute. This construction contract dispute had arisen from an engineering work amount owing of RMB 992,752 in 2014. Pingding has alleged that despite their repeated requests for payment, AHDY did not pay the outstanding amount.

The PRC Court has awarded judgment to the plaintiff Pingding, AHDY is liable for the RMB 992,752 and shall pay within 10 days of the effective date of judgment specified by the Court. Half of the court costs for this case of RMB 13,728 shall be paid by AHDY. The amount awarded in the Court differs from the amount written back in the Company's audited report for FY 2016. For FY 2016, the amount written back under Other Income in relation to Pingding amounted to RMB 1,306,760. The Company will not be exposed to any loss as it will not be providing any liquidity support to AHDY for this amount. The Company will update the shareholders as and when there are material developments.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

30. Comparative figures

The independent auditor's report dated 14 February 2020 contained a disclaimer of opinion. Below is the extract of the basis for disclaimer of opinion.

Extracted from auditor's report for the financial year ended 31 December 2016

Basis for Disclaimer of Opinion

(1) Opening balances

Our independent auditor's report dated 9 May 2019 on the financial statements for the financial year ended 31 December 2015 ("FY 2015") contained a disclaimer of opinion. The basis for disclaimer of opinion on the financial statements for the FY 2015 is disclosed in Note 33 to the financial statements.

In view of the matters described in the basis for disclaimer of opinion paragraphs on the financial statements for FY 2015, we were unable to determine whether the opening balances as at 1 January 2016 were fairly stated.

Since the opening balances as at 1 January 2016 are entered into the determination of the financial position of the Group and of the Company as at 31 December 2016 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended 31 December 2016, we were unable to determine whether adjustments, if any, might have been found to be necessary in respect of the Group's and the Company's financial statements for the financial year ended 31 December 2016 in view of brought forward implications of the prior year balances.

Accordingly, our opinion on the current financial year's financial statements of the Group and the Company is also modified because of the implications and possible effects of these matters that might bear on the comparability and/or lack of comparability of the current year's figures and the corresponding figures.

(2) Partial loss of Accounting Books, Records and Supporting Documents and Reconstruction of Accounts

As disclosed in Note 32(ii), the management announced on 18 August 2017 that pursuant to the judgment obtained by China Construction Bank ("CCB") against the Company's wholly owned subsidiary Fujian Dongyuan Environmental Protection Co., Ltd. ("FJDY"), CCB is entitled to sell off the land use rights and leasehold buildings of a related company, Fujian Mintai Environmental Protection Co. Ltd ("FJMT") (owned by former executive Chairman, Mr Huang Min), which was previously pledged as security for the Group's unsecured bank borrowings. These leasehold buildings have been rented out to FJDY to be used for its office premises. As part of the handover requirements, the Longyan People Court in China had granted the Company's personnel access to FJDY's office premises on 26 July 2017, primarily to retrieve and recover FJDY's documents from the said office premises.

Upon entry into the FJDY office premises, it was discovered that the office was in a state of disarray, with evidence of being ransacked. The Company had recovered and retrieved documents from the premises. The Company made an announcement, based on its preliminary assessment, that a number of documents seem to be missing, and therefore, the records of the FJDY's various departments are unlikely to be found and/or incomplete.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

30. Comparative figures (cont'd)

Extracted from auditor's report for the financial year ended 31 December 2016 (cont'd)

Basis for Disclaimer of Opinion (cont'd)

(2) Partial loss of Accounting Books, Records and Supporting Documents and Reconstruction of Accounts (cont'd)

Prior to the partial loss of the above mentioned accounting books, records and supporting documents, the management accounts for the financial year ended 31 December 2016 has been last prepared by the former PRC management (i.e. Finance Department of Mr Huang Min) up to 31 July 2016. The new management thereafter attempted to reconstruct the management accounts from 31 July 2016 to 31 December 2016 based on available bank statements, bank confirmation and courts documents using the movements of bank balances as the source for the reconstruction of the management accounts. In addition, management had also incorporated adjustments based on evidence obtained from events after the reporting period such as verdicts of civil suits of Court orders, auction results etc to finalise the reconstructed financial statements for the financial year ended 31 December 2016 based on their best of knowledge and ability.

However, management could not provide us with a reconciliation for the reconstructed accounts from 31 July 2016 to 31 December 2016 for our independent verification, citing impracticability given that the departure of PRC staff, partial loss of accounting books, records and supporting documents form the bulk of the accounting records required for reconstruction of accounts, and costs as reasons.

While the Company is seeking to recover these missing records, the chance of recovering the aforesaid records within a reasonable amount of time may be remote. Moreover, even if the aforesaid missing records could be recovered, there is no assurance that those financial records would be complete or that all material supporting documents and information required for reconstructing the Group's financial statements as at and for the financial year ended 31 December 2016 would be available.

Management is also unable to ascertain the impact, if any, on the statements of financial position as at 31 December 2016 for the Group and the Company as well as the consolidated statement of profit or loss and other comprehensive income statement for the financial year ended 31 December 2016 as there is no assurance that there are no material facts not known to the current management that may require the financial statements to be further adjusted.

In view of the matters described in the preceding paragraphs, we were unable to perform the necessary audit procedures to satisfy ourselves as to the appropriateness, completeness and accuracy of the financial statements of the Group and the Company as at and for the financial year ended 31 December 2016.

(3) Investments in Subsidiaries and Associated Company

As stated in Note 12 to the financial statements, the Company's carrying amount of its investments in its four subsidiaries as at 31 December 2016 amounted to approximately RMB 697 million.

In view that all the Company's subsidiaries are currently not in operation, the management is unable to carry out a review of the recoverable amount of the investments in subsidiaries companies despite indications of impairment. This coupled with the limitations discussed in point 2 of the *Basis for Disclaimer of Opinion* section of our report, accordingly, we were unable to obtain sufficient appropriate audit evidence to determine the appropriateness of the carrying amounts of the investment in the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

30. Comparative figures (cont'd)

Extracted from auditor's report for the financial year ended 31 December 2016 (cont'd)

Basis for Disclaimer of Opinion (cont'd)

(3) Investments in Subsidiaries and Associated Company (cont'd)

For investment in the Group's associated company, Beijing Gongdao Environmental Protection Technology Co., Ltd ("BGDEPT"), management is unable to obtain the necessary accounting records and information necessary from management of BGDEPT for the assessment of the recoverable amount of the associate company. Accordingly, we were unable to obtain sufficient appropriate audit evidence to determine the appropriateness of the carrying amounts of the investment in the associated company, BGDEPT.

As disclosed in our Auditor's Report for FY2015, in the process of performing our audit verification of the equity interest in BGDEPT, management upon our inquiry, discovered that the Group's actual equity interest held in BGDEPT should be 83% instead of the 49% - as indicated in the audited financial statements for FY 2013 and FY 2014 by the predecessor auditor.

However, the management is unable to determine whether the 83% held equity investment in BGDEPT would constitute an element of control. Control is defined as being exposed to, or has the rights to, variable returns from the Group's involvement in BGDEPT and has the ability to affect those returns through its power over BGDEPT. To be conservative, the management has decided not to reclassify the investment from associated company to investments in subsidiaries.

Consequently, we were unable to carry out alternative audit procedures to determine the appropriateness of the classification of the investment in BGDEPT by the management.

As stated in Note 32 (vi), on 3 July 2018, the Company announced that BGDEPT is under voluntary liquidation. On 29 March 2019, the Company announced that BGDEPT has completed its deregistration process. Consequently, management has fully impaired BGDEPT as at 31 December 2016.

(4) Trade Payables, Other Payables and Accruals

We refer to point 2 of the *Basis for Disclaimer of Opinion* section of our report on the partial loss of accounting books, records and supporting documents and the lack of reconciliation for the reconstructed accounts prepared by management for our independent verification. Consequently, we were unable to obtain any sufficient appropriate supporting documents, information and explanations that we considered necessary to ascertain the rights and obligation, completeness, existence and valuation of "trade payables, other payables and accruals".

Management had decided to reverse the liabilities under the following conditions:

a. Liabilities recorded as at the end of the reporting period for which the creditors has filed a legal suit against the Group and the Court have ruled in favour of the Group that no payment to the creditors is required;
b. The Group has liabilities recorded as trade and other payables, of which the creditors neither have demanded for payment since the invoice date nor have filed with the Courts after the maximum period of three years (this is according to the PRC law); or
c. The Group has accruals for outstanding amounts that neither has been invoiced nor filed with the Courts for more than three years.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

30. Comparative figures (cont'd)

Extracted from auditor's report for the financial year ended 31 December 2016 (cont'd)

Basis for Disclaimer of Opinion (cont'd)

(4) Trade Payables, Other Payables and Accruals (cont'd)

We had communicated with management that points (b) and (c) above are not adjusting events under FRS 10 *Events after the Reporting Period*, paragraph 9. However, management would like to reverse these liabilities given that these liabilities had not been filed with the Courts and had exceeded the maximum time period of three years.

(5) All items in the consolidated statement of profit or loss and other comprehensive income

We refer to point 2 of the *Basis for Disclaimer of Opinion* section of our report on the partial loss of accounting books, records and supporting documents and the lack of reconciliation for the reconstructed accounts prepared by management for our independent verification. Consequently, we were unable to obtain any sufficient appropriate evidence for us to perform the necessary audit procedures to satisfy ourselves as to the appropriateness, completeness and accuracy of all items in the consolidated statement of profit or loss and other comprehensive income.

(6) Going concern and legal actions against the Group

As at 31 December 2016, the Group has a capital deficiency of RMB 95,738,000, accumulated loss of RMB 601,109,000 and its current liabilities exceeded current assets by approximately RMB 171,301,000. In addition, the Group incurred a net loss of approximately RMB 104,504,000 and recorded net operating cash outflows of RMB25,426,000 for the financial year ended 31 December 2016. As at 31 December 2016, the Group has bank balances amounting to RMB 659,000 and this is insufficient to meet its financial obligation for its short-term borrowings which amounted to RMB 146,953,000 as at 31 December 2016. As disclosed in Note 32 (i), the following banks have also taken legal actions against the PRC subsidiaries subsequent to the end of the financial year:

(i) China Construction Bank against FJDY for a sum of RMB 23 million; and
(ii) Zhongxin bank against FJDY for a sum of approximately RMB 36.67 million

The outcome of these legal actions are disclosed in Note 32 (i). These legal actions coupled with the above points in the *Basis for Disclaimer of Opinion* section of our report, has created a material uncertainty with respect to the Group's cash flow management that may cast significant doubt over the Group's and the Company's ability to continue as going concerns. As disclosed in Note 2(a) to the financial statements, the directors have prepared the financial statements on a going concern basis. Based on the limited information about the Group and of the Company made available to us, we were unable to perform alternative procedures to determine the appropriateness of the use of the going concern assumption.

Apart from the above legal suits and as disclosed in Note 32(i), the management has represented that there are no new or on-going legal suits against the Group. We have checked to the PRC legal website: 人民法院网页 and noted that there are 8 lawsuits against the Group which were disclosed in Note 32 (i) as at the date of this Report. However, we were unable to perform further required procedures to satisfy ourselves as to whether there are any new or on-going legal suits against the Group in view of the limitations discussed in point 2 of the *Basis for Disclaimer of Opinion* section of our report.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2017

30. Comparative figures (cont'd)

Extracted from auditor's report for the financial year ended 31 December 2016 (cont'd)

Basis for Disclaimer of Opinion (cont'd)

(7) Events Occurring After the Reporting Period

We refer to point 2 of the *Basis for Disclaimer of Opinion* section of our report on the partial loss of accounting books, records and supporting documents and the lack of reconciliation for the reconstructed accounts prepared by management for our independent verification. Consequently, we were unable to perform and complete all our audit procedures for events occurring after the reporting period, which we considered necessary to satisfy ourselves on the significant matters occurring after the reporting period with respect to items recorded or unrecorded as at 31 December 2016. Accordingly, in view of the limitation of scope (i.e. lost of accounting records and documents as detailed in point 2 of the *Basis for Disclaimer of Opinion* section of our report), we were unable to determine whether all significant events occurring after the reporting period have been adequately dealt with in these financial statements with respect to disclosures, presentation and adjusting subsequent events.

31. Authorisation of financial statements

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors dated 20 May 2020.