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

FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

CONTENTS

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 statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2018.

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 2018 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 2018 to 18 February 2021 are as follows:

Directors in office at 1 January 2018	Movements during the period from 1 January 2018 to 18 February 2021		Directors in office at 18 February 2021
	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 February 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 object 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 1.1.2018	**At 31.12.2018**	**At 21.1.2019**	**At 1.1.2018**	**At 31.12.2018**	**At 21.1.2019**
Name of director and company in which interest is held						
Ordinary shares of the Company						
Norman Winata	–	–	–	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 2019 in the shares of the Company have not changed from those disclosed as at 31 December 2018. 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. The Scheme has expired on 11 April 2014.

Subsequently, the China Environment Share Option Scheme 2015 was adopted by members on 25 April 2015.

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".

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 involve 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".

Norman Winata	Lee Chia Sin
Director	Director

18 FEB 2021

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CHINA ENVIRONMENT LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Group and the statement of financial position and statement of changes in equity 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 12 May 2020 on the financial statements for the financial year ended 31 December 2017 ("FY 2017") contained a disclaimer of opinion. The basis for disclaimer of opinion on the financial statements for FY 2017 is disclosed in Note 28 to the financial statements.

In view of the matters described on the basis for disclaimer of opinion paragraphs regarding the financial statements for FY 2017, we were unable to determine whether the opening balances as at 1 January 2018 were fairly stated.

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Chartered Accountants
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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 2018 are entered into the determination of the financial position of the Group and of the Company as at 31 December 2018 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 2018, 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 2018 - 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 2018.

(3) Going concern and legal actions against the Group

As at 31 December 2018, the Group had a capital deficiency of RMB 117,554,000, accumulated losses of RMB 625,165,000 and its current liabilities exceeded its current assets by RMB 178,117,000. In addition, the Group incurred net losses of RMB 22,989,000 for the financial year ended 31 December 2018.

As at 31 December 2018, the Group had bank balances amounting to RMB 2,253,000 and these were insufficient to meet the financial obligations for its short-term borrowings which amounted to RMB 121,200,000 as at 31 December 2018.

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

Basis for Disclaimer of Opinion (cont'd)

(3) Going concern and legal actions against the Group (cont'd)

As at 31 December 2018, the Company had accumulated losses of RMB 158,722,000 and its current liabilities exceeded its current assets by RMB 29,503,000.

As at 31 December 2018, the Company had bank balances amounting to RMB 2,253,000 and these were insufficient to meet the financial obligations for its short-term borrowings which amounted to RMB 18,472,000 as at 31 December 2018.

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 22.2 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 27, 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.

(4) Deconsolidation of Xiamen Gongyuan Environmental Protection Technology Co., Ltd. (XMGY)

We were unable to satisfy ourselves as to the appropriateness for the deconsolidation of XMGY and the corresponding disclosures required under Singapore Financial Reporting Standards (International). Consequently, we were unable to determine whether the deconsolidation has been adequately dealt with in these financial statements because there were no supporting documents available.

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

Basis for Disclaimer of Opinion (cont'd)

(5) 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 2018 amounted to RMB 728,906,000. The management did not carry out any review of the recoverable amount of these investments in subsidiaries despite indications of impairment.

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 SFRS(I) 10 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.

(6) Property, plant and equipment and land use rights

We were unable to carry out audit procedures for property, plant and equipment amounting to RMB 38,843,000 (Note 10) and land use rights amounting to RMB 21,720,000 (Note 11) as at 31 December 2018. There were no sufficient and appropriate supporting documents for us to ascertain the validity of RMB 38,843,000 and RMB 21,720,000. Consequently, we were unable to satisfy ourselves in respect of the rights and obligations, completeness, existence, and presentation of these items.

(7) Trade and Other Receivables

We were unable to carry out audit procedures for trade receivables amounting to RMB 337,000 (Note 14) and other receivables amounting to RMB 1,704,000 (Note 15) as at 31 December 2018. There were no supporting documents for us to ascertain the validity of RMB 337,000 and RMB 1,704,000 without any substantiating documents. Consequently, we were unable to satisfy ourselves in respect of the rights and obligations, existence, completeness, valuation and allocation, accuracy, and presentation of these amounts.

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

Basis for Disclaimer of Opinion (cont'd)

(8) Bank confirmations on bank borrowings

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, rights and obligations, valuation and allocation, accuracy, and presentation of the Group's PRC bank borrowings, which amounted to RMB 102,728,000 (see Note 19) as at 31 December 2018.

(9) 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, which collectively amounted to RMB 61,255,000 (Notes 17 and 18). Consequently, we were unable to satisfy ourselves in respect of the rights and obligations, completeness, valuation and allocation, existence, and presentation of these items.

(10) Currency transaction reserves

We were unable to obtain sufficient appropriate information and explanations on the opening and closing balances of the currency transaction reserves of the Group and the Company as stated on the statements of financial positions of the Group and the Company; and of the movements during the financial year as stated in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and the Company's statement of changes in equity. Consequently, we were unable to satisfy ourselves in respect of existence, completeness, valuation and allocation, occurrence, accuracy, and presentation of these items.

(11) Other reserves

We were unable to obtain sufficient appropriate information and explanations on the opening and closing balances of the other reserves of the Group as stated on the Group's statements of financial position and consolidated statement of changes in equity. Consequently, we were unable to satisfy ourselves in respect of the existence, completeness, valuation, allocation, and presentation of these items.

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

We were unable to satisfy ourselves as to the completeness, accuracy, occurrence, cutoff, and presentation of all items in the consolidated statement of profit or loss and other comprehensive income and the related notes to the financial statements because there were no supporting documents available.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CHINA ENVIRONMENT LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

Basis for Disclaimer of Opinion (cont'd)

(13) All items in the consolidated statement of cash flows

We were unable to satisfy ourselves as to the cash inflows and cash outflows of all items in the consolidated statement of cash flows and the related notes to the financial statements because there were no supporting documents available. Consequently, we were unable to satisfy ourselves in respect of the occurrence, completeness, accuracy, valuation, and presentation of these items.

(14) 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.

(15) 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 (International), 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.

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

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.

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.

DocuSigned by:

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RT LLP
Public Accountants and
Chartered Accountants

Singapore, 18 February 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Financial Year Ended 31 December 2018

	Note	**2018 RMB'000**	2017 RMB'000
Revenue	3	**-**	1,538
Cost of sales		**-**	(1,358)
Gross profit		**-**	180
Other income	4	**9,689**	31,118
Selling and distribution expenses		**(1,407)**	(12,998)
Administrative expenses		**(13,837)**	(19,367)
Finance costs	5	**(10,986)**	(15,295)
Other expenses		**(6,448)**	(1,348)
Loss before tax	6	**(22,989)**	(17,710)
Tax expense	8	**-**	-
Loss for the year		**(22,989)**	(17,710)
Other comprehensive loss for the year, net of tax			
Item that are or may be reclassified subsequently to profit or loss:			
Currency translation differences arising on consolidation		**(194)**	6,154
Total comprehensive loss for the year		**(23,183)**	(11,556)
Loss attributable to:			
Equity holders of the Company		**(22,989)**	(16,011)
Non-controlling interests		**-**	(1,699)
Loss for the year		**(22,989)**	(17,710)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(23,183)**	(9,857)
Non-controlling interests		**-**	(1,699)
Total comprehensive loss for the year		**(23,183)**	(11,556)
Loss per share for loss attributable to equity holders of the Company (RMB cents per share)			
- Basic	9	**(2.73)**	(1.90)
- Diluted		**(2.73)**	(1.90)

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

STATEMENTS OF FINANCIAL POSITION
At 31 December 2018

		Group		Company	
		2018	2017	**2018**	2017
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Non-current assets					
Property, plant and equipment	10	**38,843**	56,182	**-**	-
Land use rights	11	**21,720**	26,078	**-**	-
Investments in subsidiaries	12	**-**	-	**728,906**	705,280
Investment in associated company	13	**-**	-	**-**	-
Total non-current assets		**60,563**	82,260	**728,906**	705,280
Current assets					
Trade and bill receivables	14	**337**	3,298	**-**	-
Other receivables, deposits and prepayments	15	**1,748**	2,318	**685**	1,491
Cash and bank balances	16	**2,253**	303	**2,253**	169
Total current assets		**4,338**	5,919	**2,938**	1,660
Total assets		**64,901**	88,179	**731,844**	706,940
Current liabilities					
Trade payables	17	**5,309**	5,311	**-**	-
Other payables and accruals	18	**55,946**	46,601	**8,304**	7,447
Short-term borrowings	19	**121,200**	128,617	**18,472**	16,948
Amounts due to subsidiaries (non- trade)	20	**-**	-	**5,665**	5,435
Total current liabilities		**182,455**	180,529	**32,441**	29,830
Total liabilities		**182,455**	180,529	**32,441**	29,830
Net (liabilities) / assets		**(117,554)**	(92,350)	**699,403**	677,110

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

STATEMENTS OF FINANCIAL POSITION (cont'd)
At 31 December 2018

		Group		Company	
	Note	**2018** **RMB'000**	2017 RMB'000	**2018** **RMB'000**	2017 RMB'000
Capital and reserves					
Share capital	21	**400,608**	400,608	**821,916**	821,916
Other reserves	22	**91,352**	91,352	**-**	-
Currency translation reserve		**15,651**	15,845	**36,209**	13,920
Accumulated losses		**(625,165)**	(602,176)	**(158,722)**	(158,726)
Equity attributable to equity holders of the Company		**(117,554)**	(94,371)	**699,403**	677,110
Non-controlling interests		**-**	2,021	**-**	-
Total equity		**(117,554)**	(92,350)	**699,403**	677,110
Total liabilities and equity		**64,901**	88,179	**731,844**	706,940

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Financial Year Ended 31 December 2018

Group	Share capital RMB'000	Other reserves RMB'000	Currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	← Attributable to equity holders of the Company →						
Balance at 1 January 2017	**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)**
Loss for the year	-	-	-	(22,989)	(22,989)	-	(22,989)
Other comprehensive loss for the year, net of tax							
Currency translation differences arising on consolidation	-	-	(194)	-	(194)	-	(194)
Total comprehensive loss for the year	-	-	(194)	(22,989)	(23,183)	-	(23,183)
Deconsolidation of a subsidiary	-	-	-	-	-	(2,021)	(2,021)
Balance at 31 December 2018	**400,608**	**91,352**	**15,651**	**(625,165)**	**(117,554)**	**-**	**(117,554)**

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

STATEMENT OF CHANGES IN EQUITY
For the Financial Year Ended 31 December 2018

Company	Share capital RMB'000	Currency translation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2017	**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	-	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**
Profit for the year	-	-	4	4
Other comprehensive loss for the year, net of tax				
Currency translation differences arising on consolidation	-	22,289	-	22,289
Total comprehensive loss for the year	-	22,289	4	22,293
Balance at 31 December 2018	**821,916**	**36,209**	**(158,722)**	**699,403**

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

CHINA ENVIRONMENT LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Financial Year Ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Loss before tax		**(22,989)**	(17,710)
Adjustments for:			
Depreciation of property, plant and equipment	10	**6,168**	6,506
Amortisation of land rights	11	**1,088**	1,183
Interest expense	5	**10,986**	15,295
Impairment loss on trade & other receivables	6	**50**	-
Gain on write back of outstanding loan		**-**	(23,000)
Loss on deconsolidation of a subsidiary		**6,448**	-
Loss on plant and equipment written off		**-**	558
Unrealised exchange gain		**(102)**	-
Operating cash flow before changes in working capital		**1,649**	(17,168)
Inventories		**-**	2,024
Trade and other receivables		**3,481**	(1,121)
Trade and other payables		**874**	9,756
Currency translation adjustment		**(194)**	6,154
Net cash generated from / (used in) operating activities		**5,810**	(355)
Cash flows from investing activity			
Disposal of property, plant and equipment and land use rights	10	**14,441**	-
Net cash generated from investing activity		**14,441**	-
Cash flows from financing activity			
Repayments of borrowings		**(18,403)**	-
Net cash used in financing activity		**(18,403)**	-
Net increase / (decrease) in cash and cash equivalents		**1,848**	(355)
Cash and cash equivalents at beginning of financial year		**303**	659
Effect of exchange rate changes on cash and cash equivalents		**102**	(1)
Cash and cash equivalents at end of financial year		**2,253**	303

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

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

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 financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards International ("SFRS(I)s").

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRSs"). These financial statements for financial year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I)s.

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 Renminbi ("RMB"), being the functional and presentation currency of the Company and presentation currency of the Group. All financial information are presented in RMB, rounded to the nearest thousand (RMB'000), unless otherwise stated.

First-time adoption of Singapore Financial Reporting Standards (International) ["SFRS(I)s"]

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I)s. Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I)s applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening statements of financial position were prepared as at 1 January 2017, the Group's and the Company's date of transition to SFRS(I)s.

The principal adjustments made by the Group on adoption of SFRS(I)s and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

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

(a) Basis of preparation (cont'd)

First-time adoption of Singapore Financial Reporting Standards (International) ["SFRS(I)s "] (cont'd)

Exemptions applied on adoption of SFRS(I)

SFRS(I) 1 allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I)s. The Group has applied the following exemptions:

- SFRS (I) 3 *Business Combinations* had not been applied to either acquisitions of subsidiaries that are considered business under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 January 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.

- SFRS (I) 1-21 *The Effects of Changes in Foreign Exchanges Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the funtioncal currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

- The comparative information do not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures related to items within the scope of SFRS(I) 9.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I)s which are effective for annual financial periods beginning on 1 January 2018. The adoption of these standards do not have any material impact to the financial performance or position of the Group and the Company.

SFRS(I) 15 Revenue from Contracts with Customers

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

With respect to SFRS(I) 15, management has assessed and concluded that there is no material impact on its revenue recognition policy.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

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

(a) Basis of preparation (cont'd)

New accounting standards effective on 1 January 2018 (cont'd)

SFRS(I) 9 Financial Instruments

On 1 January 2018, the Group adopted SFRS(I) 9 *Financial Instruments*, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 due to there is no significant impact on the comparative amounts of the financial statements for the financial year ended 31 December 2018. The Group has not restated comparative information in the year of initial application. The comparative information was prepared in accordance with the requirements of FRS 39.

There is no impact arising from SFRS(I) 9 adoption at the date of initial application, 1 January 2018

Classification and measurement

The classification and measurement requirements of SFRS(I) 9 did not have a significant impact to the Group.

The Group has assessed which business model apply to the financial assets held by the Group at 1 January 2018 and has classified its financial instruments into the appropriate categories in accordance with SFRS(I) 9. The effects, before tax impact are as follows:

The Group and the Company has not designed any financial liabilities at FVPL. There are no changes in classification and measurement for the Group's and Company's financial liabilities.

In summary, upon the adoption of SFRS(I) 9, the Group had the following required or elected reclassification as at 1 January 2018.

		SFRS(I) 9 measurement category		
FRS 39 Measurement category		**FVPL**	**FVOCI**	**Amortised cost**
Loan and receivables	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Trade receivables	3,298	-	-	3,298
Other receivables	2,201	-	-	2,201
		-	**-**	**5,499**

Impairment

SFRS(I) 9 requires the Group to record expected credit losses ("ECLs") on its financial assets measured at amortised cost, debt securities at FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group did not recognise any additional impairment on the Group's trade and other receivables as the computed amount is deemed immaterial by the Group.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

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

(a) Basis of preparation (cont'd)

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**
SFRS(I) 16 Leases	1 Jan 2019
SFRS(I) INT 23 Uncertainty Over Income Tax Treatments	1 Jan 2019
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 Jan 2020
Amendments to SFRS(I) 1-1 Presentation of Financial Statements and SFRS(I) 1-8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material	1 Jan 2020
Amendments to SFRS(I) 16 Covid-19 Related Rent Concessions	1 Jun 2020
Annual improvements to SFRS (I) 2018 - 2020	1 Jan 2022
Amendments to SFRS(I) 1-1 Classification of Liabilities as Current or Non-current	1 Jan 2023
Amendments to SFRS(I) 10 and SFRS(I) 1-28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

Currently management is still assessing the impact of the above but does not expect to have any significant impact on the financial statements in the financial year of initial adoption.

<u>Going concern</u>

The financial statements of the Group have been prepared on a going concern basis notwithstanding the Group has a capital deficiency of RMB 117,554,000, accumulated loss of RMB 625,165,000 and its current liabilities exceeded current assets by approximately RMB 178,117,000. In addition, the Group incurred a net loss of approximately RMB 22,989,000 for the financial year ended 31 December 2018.

As at 31 December 2018, the Group has bank balances amounting to RMB 2,253,000 and this is insufficient to meet its financial obligation for its short-term borrowings which amounted to RMB 121,200,000 as at 31 December 2018.

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 as current assets. No such adjustments have been made to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

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 2018

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 SFRS(I).

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 SFRS(I) 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.

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 21) 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 2018

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

(f) Revenue recognition

These accounting policies are applied on and after the initial application date of SFRS(I) 15, 1 January 2018:

Revenue is measured based on the consideration to which the Group and the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group and the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

These accounting policies are applied before the initial application date of SFRS(I) 15, 1 January 2018:

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(o).

Rendering of services

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

(g) 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 2018

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

(h) 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.

(i) 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 2018

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

(i) 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.

(j) 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 2018

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

(j) 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.

(k) 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.

(l) 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 2018

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

(m) Financial assets

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

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 14), "other receivables, deposits and prepayments" (Note 15) (excluding advances to sub-contractor and advance payments to suppliers) and "cash and bank balances" (Note 16) 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.

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

Classification and measurement

Financial assets are classifies into the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

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

(m) Financial assets (cont'd)

The accounting for financial assets after 1 January 2018 are as follows: (cont'd)

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

At initial recognition

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

At subsequent measurement

Debt instruments

Debt instruments mainly comprise of cash and bank balances, trade and other receivables, amounts owing by a subsidiary and amounts owing by affiliated companies.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortised cost, FVOCI and FVPL. The Group only has debt instruments at amortised cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

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

(m) Financial assets (cont'd)

Impairment

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

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.

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.

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

The Group has the following type of financial assets subject to the expected credit loss impairment model under SFRS(I) 9:

- trade and other receivables

The Company has the following types of financial assets subject to the expected credit loss impairment model under SFRS(I) 9:

- trade and other receivables

The Group assesses on a forward-looking basis the expected credit loss associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

(n) **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.

(o) **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 14). 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 18).

Progress billings not yet paid by customers and retentions by customers are included within "trade and bill receivables" (Note 14). Advances received are included within "other payables and accruals" (Note 18).

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

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

(p) 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.

(q) 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.

(r) 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 2018

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

(r) 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.

(s) 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.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

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

(s) 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.

(t) 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.

(u) 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.

(v) 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 2018

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

(w) 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 38,843,000 (2017: RMB 56,182,000).

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

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)

Provision for expected credit losses ("ECLs") of trade receivables

The Group determines the ECL by using debtor by debtor basis, since the trade receivables of the Group solely comprised few third parties.

There is critical judgement used in the measurement of lifetime expected credit losses and forward-looking assumptions. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 14.

The carrying amounts of trade receivables at the end of the reporting period was RMB 337,000 (2018: RMB 3,298,000).

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 (2017: 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 (2017: 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. Despite this, the investment has been classified as an investment in associated company due to the reasons stated in Note 13. The carrying amount of the Group's investment in associated company is RMB Nil (2017: RMB Nil).

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

3. Revenue

The revenue for the prior financial year was derived from construction contracts for industrial waste gas treatment solutions.

4. Other income

	Group	
	2018	2017
	RMB'000	RMB'000
Gain on write back of outstanding loan	**-**	23,000
Rental income	**3,800**	3,663
Gain on waiver of amount due to third parties	**5,883**	3,670
Others	**6**	785
	9,689	31,118

5. Finance costs

	Group	
	2018	2017
	RMB'000	RMB'000
Interest expense	**10,986**	15,295

6. Loss before tax

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

	Group	
	2018	2017
	RMB'000	RMB'000
Amortisation of land use rights (Note 11)	**1,088**	1,183
Audit fees payable/paid to auditors of the Company	**613**	171
Depreciation of property, plant and equipment (Note 10)	**6,168**	6,506
Impairment loss on trade and other receivables	**50**	-
Foreign exchange (gain)/loss	**(237)**	615
Personnel expenses (Note 7)	**2,671**	3,736
Loss on deconsolidation of a subsidiary	**6,448**	**-**
Written off property, plant and equipment	**-**	558
Rental expenses on land and buildings	**-**	294

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

7. Personnel expenses

	Group	
	2018	2017
	RMB'000	RMB'000
Directors of the Company		
- Directors' fees	**441**	441
- Salaries and bonuses	**1,227**	1,133
Key management personnel (non-directors)		
- Salaries and bonuses	**418**	343
- Defined contribution benefits	**73**	68
Other personnel		
- Salaries, wages and bonuses	**459**	1,358
- Defined contribution benefits	**53**	393
	2,671	3,736

8. Tax expense

Tax expense attributable to profits is made up of:

	Group	
	2018	2017
	RMB'000	RMB'000
Current income tax		
Current income tax - PRC	**-**	-

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	
	2018	2017
	RMB'000	RMB'000
Loss before tax	**(22,989)**	(17,710)
Tax calculated at domestic statutory tax rate at 17% (2017: 17%)	**(3,908)**	(3,011)
Expenses not deductible for tax purposes	**4,596**	3,799
Effect of different tax rates of subsidiaries operating in jurisdictions outside Singapore	**(688)**	(788)
	-	-

The domestic statutory tax rates for Singapore and PRC entities are 17% (2017: 17%) and 25% (2017: 25%) respectively for the financial year ended 31 December 2018.

The Group has unutilised tax losses of approximately RMB 4,186,000 (2017: 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 operates.

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.

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 are 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 2017: 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 same as basic loss per shares as there were no potential dilutive ordinary shares for the current financial year ended 31 December 2018 and 31 December 2017.

The following tables reflect the loss and share data used in the computation of basic and diluted loss per share for the years ended 31 December 2018 and 2017:

	Group	
	2018	2017
	RMB'000	RMB'000
Loss for the year attributable to shareholders	**(22,989)**	(16,011)
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)	(2.73)	(1.90)

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

10. Property, plant and equipment

	Leasehold buildings RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Machinery RMB'000	Total RMB'000
Group					
Cost					
At 1 January 2017	**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**
Disposal	(25,093)	-	-	-	(25,093)
At 31 December 2018	**269,008**	**-**	**-**	**-**	**269,008**
Accumulated depreciation					
At 1 January 2017	**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**
Depreciation charges (Note 6)	6,168	-	-	-	6,168
Disposal	(682)	-	-	-	(682)
At 31 December 2018	**29,169**	**-**	**-**	**-**	**29,169**
Accumulated Impairment					
At 1 January 2017	**214,236**	**177**	**417**	**1,823**	**216,653**
Write-off	-	(177)	(417)	(1,823)	(2,417)
At 1 January 2018	**214,236**	**-**	**-**	**-**	**214,236**
Disposal	(13,240)	-	-	-	(13,240)
At 31 December 2018	**200,996**	**-**	**-**	**-**	**200,996**
Net carrying value					
At 31 December 2018	**38,843**	**-**	**-**	**-**	**38,843**
At 31 December 2017	**56,182**	**-**	**-**	**-**	**56,182**

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

These leasehold building with carrying amount of approximately RMB 38,843,000 (2017: RMB 56,182,000) were pledged to 1 (2017: 2) different banks in AHDY (2017: AHDY and FJDY) for the short -term borrowings (Note 19).

Impairment of leasehold buildings

During the financial year 2016, the Group was unable to fulfil its financial obligation to the 2 banks which the leasehold buildings were being pledged. Consequently, the leasehold building in AHDY with carrying amount of approximately RMB 38,843,000 as at 31 December 2018 (2017: RMB 45,011,000) along with its land use rights (for a land area of 193,493 square meters) with carrying amount of approximately RMB 21,720,000 as at 31 December 2018 (2017: RMB 22,807,000) [see Note 11] were valued by the Court for the auction at RMB 135 million but was eventually successfully auctioned off on 22 February 2019 at RMB 60.56 million.

In addition, the leasehold property in FJDY with carrying amount of approximately RMB Nil (2017: RMB 11,171,000) along with its land use rights (for a land area of 16,536 square meters) with carrying amount of approximately RMB Nil (2017: RMB 3,271,000) [see Note 11] were valued by the Court for the auction at RMB 21.5 million but was eventually successfully auctioned off on 25 October 2018 at RMB 14.4 million.

Arising from these auctions, the Group impaired its leasehold buildings to bring down their respective carrying amounts to the auctioned value.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

11. Land use rights

	Group 2018 RMB'000	Group 2017 RMB'000
Cost		
At 1 January	**53,930**	53,930
Disposal	**(4,780)**	-
At 31 December	**49,150**	53,930
Accumulated amortisation		
At 1 January	**4,547**	3,364
Amortisation for the year (Note 6)	**1,088**	1,183
Disposal	**(672)**	-
At 31 December	**4,963**	4,547
Accumulated impairment		
At 1 January	**23,305**	23,305
Disposal	**(838)**	**-**
At 31 December	**22,467**	23,305
Net carrying value	**21,720**	26,078
Amount to be amortised:		
- Not later than one financial year	**-**	1,088

Location	Lease period	Land area
Longyan Economic Development District, Fujian Province, PRC	Auctioned off in 2018	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 approximately RMB 21,720,000 (2017: RMB 26,078,000) were pledged to 1 (2017: 2) different banks in AHDY (2017: AHDY and FJDY) for the short -term borrowings (Note 19).

During the financial year 2016, the Group was unable to fulfil its financial obligation to the 2 banks which the land use rights were being pledged. Consequently, the land use right in AHDY with carrying amount of approximately RMB 21,720,000 as at 31 December 2018 (2017: RMB 22,807,000) along with its leasehold building with carrying amount of approximately RMB 38,843,000 as at 31 December 2018 (2017: RMB 45,011,000) [see Note 10] were valued by the Court for the auction at RMB 135 million but was eventually successfully auctioned off on 22 February 2019 at RMB 60.56 million.

In addition, the land use right in FJDY with carrying amount of approximately RMB Nil (2017: RMB 3,271,000) along with its the leasehold property with carrying amount of approximately RMB Nil (2017: RMB 11,171,000) [see Note 10] were valued by the Court for the auction at RMB 21.5 million but was eventually successfully auctioned off on 25 October 2018 at RMB 14.4 million.

Arising from these auctions, the Group impaired its land use rights to bring down their respective carrying amounts to the auctioned value.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

12. Investments in subsidiaries

	Company	
	2018	2017
	RMB'000	RMB'000
Unquoted equity shares, at cost	**699,460**	699,460
Impairment on investment	**(8,593)**	(8,593)
Currency alignment	**38,039**	14,413
	728,906	705,280

(a) Details of subsidiaries held by the Company:

Name of subsidiary	Principal activities	Country of incorporation	Equity holding 2018 %	2017 %
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)] *Liquidation committee formed	Providing environmental protection products and services	PRC	**-**	80
Held by subsidiaries				
Fujian Dongyuan Environmental Protection Co., Ltd. [(1) (2)]	Waste gas treatment solutions provider - Design and construct waste gas treatment systems	PRC	**100**	100
Anhui Dongyuan Environmental Protection Co., Ltd. [(1) (2)]	Waste gas treatment solutions provider – Design and construct waste gas treatment systems	PRC	**100**	100

<u>FY2018</u>:
(1) Audited by RT LLP for the purpose of expressing an opinion on the consolidated financial statements

<u>FY 2017:</u>
(2) Audited by RT LLP for the purpose of expressing an opinion on the consolidated financial statements

<u>Significant restrictions</u>
Cash and cash equivalents of Nil (2017: RMB 85,000) 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.

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.

<u>Significant event during the year</u>
During the financial year 2018, Xiamen Gongyuan Environmental Protection Technology Co., Ltd has formed a liquidation committee and deconsolidated from the Group.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

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 2018				
Xiamen Gongyuan Environmental Protection Technology Co., Ltd	**PRC**	**-**	**-**	**-**
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 2018 RMB'000	As at 31 December 2017 RMB'000
Current		
Assets	**-**	**240**
Liabilities	**-**	**870**
Net current assets	**-**	**(630)**

Summarised statement of comprehensive income

	Xiamen Gongyuan Environmental Protection Technology Co., Ltd	
	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Loss before tax	**-**	**(8,493)**
Income tax expense	**-**	**-**
Total comprehensive income	**-**	**(8,493)**

Other summarised information

	Xiamen Gongyuan Environmental Protection Technology Co., Ltd	
	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Net cashflow used in operations	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

13. Investment in associated company

	Group 2018 RMB'000	Group 2017 RMB'000
Unquoted equity investment		
Balance at beginning of the financial year	**-**	-
Impairment loss during the financial year	**-**	-
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 2018 %	2017 %
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

FY2018
(1) Audited by RT LLP for the purpose of expressing an opinion on the consolidated financial statements.

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

In the financial year 2015, the Board 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 Board has chosen not to reclassify the investment from associated company to investments in subsidiaries as the Board is unable to determine whether the 83% held equity investment in BGDEPT constitute 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 Board 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 2018 RMB'000	Group 2017 RMB'000
Loss from operations	**-**	**-**

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

On 29 March 2019, the Company has completed of deregistration of BGDEPT on 27 March 2019.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

14. Trade and bill receivables

	Group		Company	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables*				
- Billed & Unbilled	**337**	3,298	**-**	-
	337	3,298	**-**	-

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.

15. Other receivables, deposits and prepayments

	Group		Company	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other receivables	**1,704**	1,958	**641**	1,131
Deposits	**44**	243	**44**	243
Prepayments	**-**	117	**-**	117
	1,748	2,318	**685**	1,491

16. Cash and bank balances

	Group		Company	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash in hand and at banks *	**2,253**	303	**2,253**	169
	2,253	303	**2,253**	169

* 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	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Singapore dollar	**2,253**	200	**2,253**	151
United States dollar	**-**	19	**-**	18

Cash and cash equivalents of Nil (2017: RMB 85,000) 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.

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17. Trade payables

	Group		Company	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables - third parties	**5,309**	5,311	**-**	**-**
	5,309	5,311	**-**	**-**

Trade payables are non-interest bearing and are normally settled within 60 days.

18. Other payables and accruals

	Group		Company	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accruals for staff social welfare contributions	**7,786**	8,007	**-**	-
Salary payables	**5,622**	4,679	**4,808**	3,190
Other tax payables	**7,842**	7,842	**-**	-
Other payables	**25,358**	26,073	**3,496**	4,257
Amount due to Xiamen Gongyuan Environmental Protection Technology Co., Ltd.	**9,338**	-	**-**	-
	55,946	46,601	**8,304**	7,447

Amount due to Xiamen Gongyuan Environmental Protection Technology Co., Ltd. are unsecured, non-interest bearing and repayable on demand.

19. Short-term borrowings

	Group		Company	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank borrowings				
- secured	**77,228**	91,669	**-**	-
- unsecured	**25,500**	20,000	**-**	-
	102,728	111,669	**-**	-
Secured non-bank borrowings	**18,472**	16,948	**18,472**	16,948
	121,200	128,617	**18,472**	16,948

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For the Financial Year Ended 31 December 2018

19. Short-term borrowings (Cont'd)

For financial year ended 31 December 2018

Secured borrowings

1. RMB77.2 million of the short-term borrowings was secured by the Group's land use rights and property title deeds, as detailed below:

   a) RMB55.0 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) RMB22.2 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 a subsidiary and guaranteed by one of the Company's former directors, his spouse and one of the subsidiaries of the Company. The leasehold property in FJDY along with its land use rights valued by the Court for the auction at RMB 21.5 million but was eventually successfully auctioned off at RMB 14.4 million.

Unsecured borrowings

2. RMB25.5 million of the short-term borrowings are as detailed below

   a) 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 was awarded to plaintiff. The judgment provides that FJDY shall be liable for the RMB20 million corporate guarantee that FJDY allegedly entered into for Bengbu Xingyuan Environmental Protection Technology Co., Ltd ("BBXY").

   b) RMB5.5 million of the short term borrowings were owing to Lin Qunbin via working capital loan extended to AHDY announced on 1 October 2018 - Update on Anhui Dongyuan Environmental Protection Co., Ltd ("AHDY")

Secured non-bank borrowings

3. RMB18.4 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 guarantee 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.

19. Short-term borrowings (cont'd)

For financial year ended 31 December 2017

Secured borrowings

4. RMB91.7 million of the short-term borrowings was secured by the Group's land use rights and property title deeds, as detailed below:

   c) RMB55.0 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

   d) RMB36.7 million of the short-term borrowings was secured by the was secured by the Group's land use rights and plant in Fujian, one of the trade receivables of a subsidiary and guaranteed by one of the Company's former directors, his spouse and one of the subsidiaries of the Company.

Unsecured borrowings

5. 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

6. 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 2018

19. 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	
	2018	2017
	RMB'000	RMB'000
Singapore dollar	**18,472**	16,948

These bank borrowings are repayable within the next twelve months and bear fixed interest rates ranging from 5.44% to 6.44% (2017: 5.44% to 6.44%) per annum.

The secured non-bank borrowing is repayable on demand and bear fixed interest rates at 24% (2017: 24%) per annum.

20. 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	
	2018	2017
	RMB'000	RMB'000
Singapore dollar	**5,665**	5,435

21. Share capital

	2018		2017	
	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 2018

22. Other reserves

	Group	
	2018	2017
	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.

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.

23. Financial instruments

(a) Categories of financial instruments

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

	Group		Company	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets:				
At amortised cost: -				
Cash and cash equivalents	**2,253**	303	**2,253**	169
Trade receivables	**337**	3,298	**-**	-
Other receivables	**1,748**	2,201	**685**	1,374
	4,338	5,802	**2,938**	1,543
Financial liabilities				
At amortised cost: -				
Trade payables	**5,309**	5,311	**-**	-
Other payables	**55,946**	46,601	**8,304**	7,447
Other financial liabilities	**121,200**	128,617	**18,472**	16,948
	182,455	180,529	**26,776**	24,395

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

23. 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:

	2018		2017	
Denominated in:	**SGD**	**USD**	SGD	USD
	RMB'000	**RMB'000**	RMB'000	RMB'000
Group				
Cash and cash equivalents	**2,253**	**-**	200	19
Other payables and accruals	**(8,207)**	**-**	(7,472)	-
Short-term borrowings	**(18,472)**	**-**	(16,948)	-
Net financial assets/ (financial liabilities) denominated in foreign currencies	**(24,426)**	**-**	(24,220)	19

	2018		2017	
Denominated in:	**SGD**	**USD**	SGD	USD
RMB'000		**RMB'000**	**RMB'000**	RMB'000
Company				
Cash and cash equivalents	**2,253**	**-**	**151**	18
Other payables and accruals	**(8,304)**	**-**	**(7,447)**	-
Short-term borrowings	**(18,472)**	**-**	**(16,948)**	-
Amount due to subsidiaries	**(5,665)**	**-**	**(5,435)**	-
Net financial assets/ (financial liabilities) denominated in foreign currencies	**(30,188)**	**-**	**(29,679)**	18

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

23. 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 loss after tax:

		Group Increase/(decrease) in loss after tax	
		2018	2017
		RMB'000	RMB'000
SGD/RMB	-strengthened 5% (2017: 5%)	**1,013**	**1,005**
	-weakened 5% (2017: 5%)	**(1,013)**	**(1,005)**
USD/RMB	-strengthened 5% (2017: 5%)	**-**	**-**
	-weakened 5% (2017: 5%)	**-**	**-**

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 that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's exposure to credit risk arises primarily from trade and other receivables. The Group adopts the policy of dealing only with customers of appropriate credit history and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Company and the Group adopt the policy of dealing only with high credit quality counterparties.

The Group's and the Company's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

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

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty is unable to fulfil its contract or payment terms.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

23. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Credit risk (cont'd)

To minimise credit risk, the Group has developed and maintained the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on other financial instruments of the same borrower
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is unable to fulfill its contract or payment terms.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 365 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

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

Category	**Definition of category**	**Basis for recognising expected credit loss (ECL)**
I	Counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
II	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
III	Amount is >60 days past due or there is evidence indicating the asset is credit-impaired (in default).	Lifetime ECL – credit impaired
IV	There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.	Amount is written off

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

23. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Credit risk (cont'd)

The table below details the credit quality of the Group's financial assets, as well as maximum exposure to credit risk by credit risk rating categories:

	Note	Category	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
The Group				**RMB'000**	**RMB'000**	**RMB'000**
31 December 2018						
Trade and bill receivables	14	Note 1	Lifetime ECL (simplified)	387	(50)	337
Other receivables and deposit	15	I	12-Month ECL	1,748	-	1,748
				2,135	(50)	2,085
1 January 2018						
Trade and bill receivables	14	Note 1	Lifetime ECL (simplified)	3,298	-	3,298
Other receivables and deposit	15	I	12-Month ECL	2,201	-	2,201
				5,499	-	5,499

	Note	Category	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
The Company				**RMB'000**	**RMB'000**	**RMB'000**
31 December 2018						
Other receivables and deposit	15	I	12-Month ECL	685	-	685
1 January 2018						
Other receivables and deposit	15	I	12-Month ECL	1,374	-	1,374

Trade receivables (Note 1)

The Group determines the ECL by using debtor by debtor basis, since the trade receivables of the Group solely comprised few third parties.

Other receivables and deposit

The Group assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Group measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

23. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Credit risk (cont'd)

Previous accounting policy for impairment of trade receivables

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

The Group considered that there was evidence if any of the following indicators were present:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganisation; and
- Default or delinquency in payments (more than 90 days overdue).

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 (2017: 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	
	2018	2017
	RMB'000	RMB'000
Past due more than 365 days	**337**	3,298

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

23. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

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 financial assets and financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

Group	2018		
	Carrying amount RMB'000	Contractual cash flows RMB'000	One year or less RMB'000
Trade and bill receivables	337	337	337
Other receivables and deposit	1,748	1,748	1,748
Cash and bank balances	2,253	2,253	2,253
Total undiscounted financial assets	4,338	4,338	4,338
Trade and other payables	61,255	61,255	61,255
Short-term borrowings	121,200	132,186	132,186
Total undiscounted financial liabilities	182,455	193,441	193,441
Total net undiscounted financial liabilities	(178,117)	(189,103)	(189,103)

Group	2017		
	Carrying amount RMB'000	Contractual cash flows RMB'000	One year or less RMB'000
Trade and bill receivables	3,298	3,298	3,298
Other receivables and deposit	2,201	2,201	2,201
Cash and bank balances	303	303	303
Total undiscounted financial assets	5,802	5,802	5,802
Trade and other payables	51,912	51,912	51,912
Short-term borrowings	128,617	143,912	143,912
Total undiscounted financial liabilities	180,529	195,824	195,824
Total net undiscounted financial liabilities	(174,727)	(190,022)	(190,022)

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

23. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Liquidity and cash flow risk (cont'd)

Company

	2018		
	Carrying amount RMB'000	Contractual cash flows RMB'000	One year or less RMB'000
Other receivables and deposit	685	685	685
Cash and bank balances	2,253	2,253	2,253
Total undiscounted financial assets	2,938	2,938	2,938
Other payables	8,304	8,304	8,304
Short-term borrowings	18,472	21,284	21,284
Amounts due to subsidiaries	5,665	5,665	5,665
Total undiscounted financial liabilities	32,441	35,253	35,253
Total net undiscounted financial liabilities	(29,503)	(32,315)	(32,315)

Company

	2017		
	Carrying amount RMB'000	Contractual cash flows RMB'000	One year or less RMB'000
Other receivables and deposit	1,374	1,374	1,374
Cash and bank balances	169	169	169
Total undiscounted financial assets	1,543	1,543	1,543
Other payables	7,447	7,447	7,447
Short-term borrowings	16,948	19,769	19,769
Amounts due to subsidiaries	5,435	5,435	5,435
Total undiscounted financial liabilities	29,830	32,651	32,651
Total net undiscounted financial liabilities	(28,287)	(31,108)	(28,287)

(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 2018

24. 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 the future capital requirements of the Group 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 22, 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 2018 and 31 December 2017.

25. Segment information

The Group is organised into business units based on its products for management purposes. The reportable segment relates to construction contracts which has become dormant during the year. 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	
	2018	2017
	RMB'000	RMB'000
Segment revenue	**-**	1,538
Segment loss	**(12,240)**	(1,800)
Depreciation and amortisation	**7,256**	7,689
Segment assets	**62,650**	87,876
Unallocated assets	**2,251**	303
Total assets	**64,901**	88,179
Segment liabilities	**51,920**	44,070
Unallocated liabilities	**130,535**	136,459
Total liabilities	**182,455**	180,529

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

25. 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	
	2018	2017
	RMB'000	RMB'000
Segment loss	**(12,240)**	(1,800)
Foreign exchange losses	**237**	(615)
Finance costs	**(10,986)**	(15,295)
Loss before tax	**(22,989)**	(17,710)

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	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC	**-**	1,538	**60,563**	82,260

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 Nil (2017: RMB 1,538,000) is derived from Nil (2017: 1) major external customer who contributed Nil (2017: 10) percent or more of the Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

26. Significant events during the current financial year

(i) Letters of Demand and Civil suits

The following Letters of Demand and Civil suits were announced during the current financial year end;

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

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

(ii) 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.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

26. Significant events occurring during reporting period (cont'd)

(iii) 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.

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

(iv) 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.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

26. Significant events occurring during reporting period (cont'd)

(v) **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.

(vi) **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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

27. Events occurring after reporting period

(i) Letters of Demand and Civil suits

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 of 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.

(iii) 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

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

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

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

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:

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.

(iv) **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.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

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

(v) **Update on Results of PRC Court Hearing**

(a) Update its shareholders on the following civil suit by Pingding Shanshi Feichi Huanbao Co. Ltd ("Pingding")

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.

b) Update its shareholders on the following civil suit by Xinjiang Dongfang Xiwang Youshe Jinshu Co. Ltd ("XJDF")

On 29 May 2020, the Company announced that it wished to update its shareholders on the following civil suit by Xinjiang Dongfang Xiwang Youshe Jinshu Co. Ltd (XJDF) against the Company Wholly-owned subsidiary Fujian Dongyuan Environmental Protection Co., Ltd ("FJDY") for a construction contract dispute.

This construction contract dispute arose from an engineering contract signed in 2012. XJDF alleged that the dust collectors sold by FJDY did not meet XJDF quality control standards and this quality control issue was not rectified in 2014.

The PRC Court has awarded judgement to the plaintiff XJDF. FJDY is liable for the RMB1,503,000 damages for breach of contract and shall pay within 10 days of the effective date of judgement specified by the Court. Court costs for this case of RMB76,592 shall be paid by FJDY. The Company will not be exposed to any loss as it will not be providing any liquidity support to FJDY for this amount.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

28. Comparative figures

The independent auditor's report for the financial year ended 31 December 2017 dated 12 May 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 2017

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

28. Comparative figures (cont'd)

Extracted from auditor's report for the financial year ended 31 December 2017 (cont'd)

Basis for Disclaimer of Opinion (cont'd)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

28. Comparative figures (cont'd)

Extracted from auditor's report for the financial year ended 31 December 2017 (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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2018

28. Comparative figures (cont'd)

Extracted from auditor's report for the financial year ended 31 December 2017 (cont'd)

Basis for Disclaimer of Opinion (cont'd)

(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.

29. 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 2018 were authorised for issue in accordance with a resolution of the directors dated 18 February 2021.