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

FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

CONTENTS

CHINA ENVIRONMENT LTD. AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of China Environment Ltd. (the Company) and its subsidiaries (collectively, the Group) and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2016.

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 2016 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 statement are:

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

The movement of directors for the period from 1 January 2016 to 14 February 2020 are as follows:

Directors in office at 1 January 2016	Movements during the period from 1 January 2016 to 14 February 2020		Directors in office at 14 February 2020
	Appointment	Resignation	
Huang Min	-	Huang Min (Resigned on 28 Mar 2016)	-
Wu Jida	-	Wu Jida (Resigned on 23 Jun 2016)	-
Andrew Bek	-	Andrew Bek (Resigned on 23 Jun 2016)	-
Lin Song	-	Lin Song (Resigned on 27 Jan 2016)	-
Loh Wei Ping	-	Loh Wei Ping (Resigned on 3 Feb 2016)	-
-	Er Kwong Wah (Appointed on 27 Jan 2016)	Er Kwong Wah (Resigned on 28 Dec 2018)	-
-	Norman Winata (Appointed on 29 Mar 2016)	-	Norman Winata
-	Yang Meng Yang (Appointed on 29 Mar 2016)	Yang Meng Yang (Resigned on 25 Jul 2018)	-
-	James Kho Chung Wah (Appointed on 10 Oct 2016)	James Kho Chung Wah (Resigned on 28 Dec 2018)	-
-	Koit Ven Jee (Appointed on 11 Jan 2019)	Koit Ven Jee (Resigned on 2 Feb 2020)	
-	Lee Chia Sin (Appointed on 2 Apr 2019)	-	Lee Chia Sin

3. Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose 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 1.1.2016	At 31.12.2016	At 21.1.2017	At 1.1.2016	At 31.12.2016	At 21.1.2017
Name of director and company in which interest is held						
Ordinary shares of the Company						
Norman Winata (Appointed on 29 March 2016)	–	–	–	–	72,500,000*	72,500,000*

* 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 2017 in the shares of the Company have not changed from those disclosed as at 31 December 2016. Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

5. Options

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

Other information regarding the Scheme is set out below:

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

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

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

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

On 11 November 2013, the Company granted 3,500,000 options to subscribe for total of 3,500,000 ordinary shares of the Company at an exercise price of S$0.59 per share. Of these 3,500,000 options, 3,000,000 were granted to a former director of the Company, Mr Wu Jida whilst the remaining 500,000 options were granted to a former Chief Financial Officer of the Company, Mr Chiar Choon Teck who has resigned on 30 April 2015 and hence his 500,000 options have expired on 30 April 2015.

However, the Scheme had expired as it was not approved by shareholders at an Extraordinary General Meeting held on 23 April 2014.

On 28 April 2015, the Scheme was approved and adopted by shareholders at an Extraordinary General Meeting held on 28 April 2015.

Share options outstanding at the end of the financial year and details of the options granted under the Scheme on the unissued shares of the Company are as follows:

Date of grant option	Exercise price per share S$	Aggregate options outstanding at 1.1.2016	Options granted/ (expired)	Aggregate options outstanding at 31.12.2016	Exercise period
11 November 2013	0.59	3,000,000	(3,000,000)	-	12 November 2014 to 11 November 2024

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.

As at the date of this statement, Mr Wu Jida had resigned on 23 June 2016.

6. Warrants

The Company entered into a warrant deed with the subscriber dated 12 December 2014, pursuant to which the Company agreed to allot and issue 72,500,000 unlisted warrants to the subscriber at no consideration (the "Warrants"), granting the right to the subscriber to subscribe for one new share for each Warrant (i.e. total of 72,500,000 Shares, the "Warrant Shares"), at the issue price of S$0.104 per Warrant Share. The Warrants may only be exercised in whole by the subscriber at any time, but in any event no later than the date falling 18 months from the issue date of the Warrants. The 72,500,000 Warrants have been allotted to the subscriber on 7 January 2015.

As at the date of this statement, these warrants were not exercised and had expired on 6 July 2016.

7. 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".

8. Auditors

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

9. 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" and on Note 27 to the financial statements.

On behalf of the Board of Directors

Norman Winata
Director

Lee Chia Sin
Director

14 February 2020

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHINA ENVIRONMENT LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

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 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies.

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

Basis for Disclaimer of Opinion

(1) Opening balances

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

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

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

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

RT LLP
Chartered Accountants
UEN : T08LL0811J

RT ASEAN Pte Ltd
Head Office
UEN : 201537050N

RT Advisory Pte Ltd
UEN : 201510979W

RT Links Pte Ltd
UEN : 201542866E

RT Academy Pte Ltd
UEN : 201527798R

RT International Advisory Pte Ltd
UEN : 201726206W

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

Basis for Disclaimer of Opinion (cont'd)

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

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

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

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

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

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

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

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

Basis for Disclaimer of Opinion (cont'd)

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

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

(3) Investments in Subsidiaries and Associated Company

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

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

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

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

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

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

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

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

Basis for Disclaimer of Opinion (cont'd)

(4) Trade Payables, Other Payables and Accruals

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

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

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

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

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

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

(6) Going concern and legal actions against the Group

As at 31 December 2016, the Group has a capital deficiency of RMB 95,738,000, accumulated loss of RMB 601,109,000 and its current liabilities exceeded current assets by approximately RMB171,301,000. In addition, the Group incurred a net loss of approximately RMB 104,504,000 and recorded net operating cash outflows of RMB25,426,000 for the financial year ended 31 December 2016.

As at 31 December 2016, the Group has bank balances amounting to RMB 659,000 and this is insufficient to meet its financial obligation for its short-term borrowings which amounted to RMB146,953,000 as at 31 December 2016.

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

Basis for Disclaimer of Opinion (cont'd)

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

As disclosed in Note 32 (i), the following banks have also taken legal actions against the PRC subsidiaries subsequent to the end of the financial year:

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

The outcome of these legal actions are disclosed in Note 32 (i).

These legal actions coupled with the above points in the *Basis for Disclaimer of Opinion* section of our report, has created a material uncertainty with respect to the Group's cash flow management that may cast significant doubt over the Group's and the Company's ability to continue as going concerns.

As disclosed in Note 2(a) to the financial statements, the directors have prepared the financial statements on a going concern basis. Based on the limited information about the Group and of the Company made available to us, we were unable to perform alternative procedures to determine the appropriateness of the use of the going concern assumption.

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

(7) Events Occurring After the Reporting Period

We refer to point 2 of the *Basis for Disclaimer of Opinion* section of our report on the partial loss of accounting books, records and supporting documents and the lack of reconciliation for the reconstructed accounts prepared by management for our independent verification.

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Singapore Standards on Auditing. Because of the matters described in the *Basis for Disclaimer of Opinion* paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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.

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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 a 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 Ong Kian Meng.

RT LLP
Public Accountants and
Chartered Accountants

Singapore, 14 February 2020

CHINA ENVIRONMENT LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Financial Year Ended 31 December 2016

	Note	**2016 RMB'000**	**2015** RMB'000
Revenue	3	**5,851**	36,655
Cost of sales		**(5,122)**	(23,317)
Gross profit		**729**	13,338
Other income	4	**136,051**	2,596
Selling and distribution expenses		**(4,493)**	(13,130)
Administrative expenses		**(22,503)**	(31,156)
Finance costs	5	**(9,563)**	(11,716)
Other expenses		**(206,386)**	(408,559)
Loss before tax	6	**(106,165)**	(448,627)
Tax credit/ (expense)	8	**1,661**	(2,157)
Loss for the year		**(104,504)**	(450,784)
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		**6,463**	1,285
Total comprehensive loss for the year		**(98,041)**	(449,499)
Loss attributable to:			
Equity holders of the Company		**(98,737)**	(450,407)
Non-controlling interests		**(5,767)**	(377)
Loss for the year		**(104,504)**	(450,784)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(92,274)**	(449,122)
Non-controlling interests		**(5,767)**	(377)
Total comprehensive loss for the year		**(98,041)**	(449,499)
Loss per share for loss attributable to equity holders of the Company (RMB cents per share)			
- Basic	9	**(11.71)**	(55.52)
- Diluted		**(11.71)**	(55.52)

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

STATEMENTS OF FINANCIAL POSITION
At 31 December 2016

	Note	Group 2016 RMB'000	Group 2015 RMB'000	Company 2016 RMB'000	Company 2015 RMB'000
Non-current assets					
Property, plant and equipment	10	**50,573**	129,485	–	58
Land use rights	11	**24,990**	51,708	–	–
Investments in subsidiaries	12	–	–	**697,138**	665,006
Investment in associated company	13	–	2,450	-	–
Total non-current assets		**75,563**	183,643	**697,138**	665,064
Current assets					
Inventories	14	**2,024**	8,135	–	–
Trade and bill receivables	15	**4,363**	12,288	–	52
Other receivables, deposits and prepayments	16	**132**	27,005	**112**	159
Amounts due from subsidiaries	17	–	–	–	–
Cash and bank balances	18	**659**	63,517	**147**	640
Total current assets		**7,178**	110,945	**259**	851
Total assets		**82,741**	294,588	**697,397**	665,915
Current liabilities					
Trade payables	19	**2,777**	15,646	–	–
Other payables and accruals	20	**28,749**	72,671	**5,503**	2,008
Amount due to a director (non-trade)	21	–	321	–	321
Short-term borrowings	22	**146,953**	173,611	**12,284**	–
Amounts due to subsidiaries (non- trade)	23	–	–	**5,366**	3,065
Amounts due to related parties (non- trade)	24	–	27,688	–	–
Tax payable		–	2,348	–	–
Total current liabilities		**178,479**	292,285	**23,153**	5,394
Total liabilities		**178,479**	292,285	**23,153**	5,394
Net (liabilities) / assets		**(95,738)**	2,303	**674,244**	660,521

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

STATEMENTS OF FINANCIAL POSITION (cont'd)
At 31 December 2016

		Group		Company	
		2016	2015	**2016**	2015
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Capital and reserves					
Share capital	25(a)	**400,608**	400,608	**821,916**	821,916
Other reserves	26	**91,352**	91,352	**–**	–
Share option reserve	25(b)	**–**	8,128	**–**	8,128
Currency translation reserve		**9,691**	3,228	**6,977**	(27,790)
Accumulated losses		**(601,109)**	(510,500)	**(154,649)**	(141,733)
Equity attributable to equity holders of the Company		**(99,458)**	(7,184)	**674,244**	660,521
Non-controlling interests		**3,720**	9,487	**–**	–
Total equity		**(95,738)**	2,303	**674,244**	660,521
Total liabilities and equity		**82,741**	294,588	**697,397**	665,915

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Financial Year Ended 31 December 2016

Group	Note	Share capital RMB'000	Other reserves RMB'000	Share option reserve 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 2015		352,241	91,352	8,128	1,943	(60,093)	393,571	9,864	403,435
Loss for the year		–	–	–	–	(450,407)	(450,407)	(377)	(450,784)
Other comprehensive loss for the year, net of tax									
Currency translation differences arising on consolidation		–	–	–	1,285	–	1,285	–	1,285
Total comprehensive (loss)/income for the year		–	–	–	1,285	(450,407)	(449,122)	(377)	(449,499)
Transaction with equity holders of the Group recognised directly in equity									
Issue of share capital	25(a)	48,367	–	–	–	–	48,367	–	48,367
Balance at 31 December 2015		**400,608**	**91,352**	**8,128**	**3,228**	**(510,500)**	**(7,184)**	**9,487**	**2,303**
Loss for the year		–	–	–	–	(98,737)	(98,737)	(5,767)	(104,504)
Other comprehensive loss for the year, net of tax									
Employee share option reserve-reversal for share options lapsed		–	–	(8,128)	–	8,128	–	–	–
Currency translation differences arising on consolidation		–	–	–	6,463	–	6,463	–	6,463
Total comprehensive loss for the year		–	–	(8,128)	6,463	(90,609)	(92,274)	(5,767)	(98,041)
Balance at 31 December 2016		**400,608**	**91,352**	–	**9,691**	**(601,109)**	**(99,458)**	**3,720**	**(95,738)**

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

STATEMENT OF CHANGES IN EQUITY
For the Financial Year Ended 31 December 2016

Company	Note	Share capital RMB'000	Share option reserve RMB'000	Currency translation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2015		773,549	8,128	(19,142)	(32,075)	730,460
Loss for the year		–	–	–	(109,658)	(109,658)
Other comprehensive loss for the year, net of tax						
- Currency translation differences		–	–	(8,648)	–	(8,648)
Total comprehensive loss for the year		–	–	(8,648)	(109,658)	(118,306)
Transaction with equity holders of the Company recognised directly in equity						
Issue of share capital	25(b)	48,367	–	–	–	48,367
Balance at 31 December 2015		**821,916**	**8,128**	**(27,790)**	**(141,733)**	**660,521**
Loss for the year		–	–	–	(21,044)	(21,044)
Other comprehensive loss for the year, net of tax						
Currency translation differences arising on consolidation		–	–	34,767	–	34,767
Employee share option reserve-reversal for share options lapsed		–	(8,128)	–	8,128	–
Total comprehensive loss for the year		–	(8,128)	34,767	(12,916)	13,723
Balance at 31 December 2016		**821,916**	–	**6,977**	**(154,649)**	**674,244**

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 2016

	Note	2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Loss before tax		**(106,165)**	(448,627)
Adjustments for:			
Depreciation of property, plant and equipment	10	**6,854**	7,197
Amortisation of land use rights	11	**1,142**	1,141
Corporate guarantee on loan	6	**20,000**	-
Interest expense	5	**9,122**	11,418
Interest income	4	**(1,713)**	(549)
Impairment loss on trade & other receivables	6	**34,777**	155,028
Impairment loss on property, plant and equipment	10	**72,089**	157,701
Impairment loss on land use rights	11	**25,576**	-
Impairment of associate	13	**2,450**	-
Realisation of translation reserve		**3,167**	
Operating cash flow before movements in working capital		**67,299**	(116,691)
Inventories		**5,999**	4,314
Project work-in-progress		**-**	106
Trade and other receivables		**137**	158,823
Trade and other payables		**(103,260)**	(10,037)
Currency translation adjustment		**3,373**	1,291
Cash (used in)/ generated from operations		**(26,452)**	37,806
Interest received		**1,713**	549
Income tax paid		**(687)**	(6,112)
Income tax refund		**-**	588
Net cash (used in)/ generated from operating activities		**(25,426)**	32,831
Cash flows from investing activities			
Purchases of property, plant and equipment	10	**-**	(77)
Increase in construction work-in-progress	10	**-**	(279)
Net cash generated from/ (used in) investing activities		**-**	(356)
Cash flows from financing activities			
Decrease/ (increase) in deposits restricted-in-use		**52,888**	(13,388)
Proceeds from borrowings		**12,283**	188,611
Repayments of borrowings		**(38,941)**	(184,904)
Interest paid		**(5,694)**	(10,420)
Net proceeds from new shares placement		**-**	48,367
Advances (to)/ from related parties		**(5,089)**	12,220
Repayment to related parties		**-**	(71,129)
Net cash generated from/ (used in) financing activities		**15,447**	(30,643)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Financial Year Ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Net (decrease)/ increase in cash and cash equivalents	(9,979)	1,832
Cash and cash equivalents at beginning of financial year	10,629	8,806
Effect of exchange rate changes on cash and cash equivalents	9	(9)
Cash and cash equivalents at end of financial year	659	10,629

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

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2016

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 1 Philip Street, #08-01 Royal One Philip, Singapore 048692 and the principal place of business of the Group is located at Longyan Economic Development Zone, 364028, Fujian Province, the People's Republic of China ("PRC"). The Company is listed on the mainboard of the Singapore Exchange Limited.

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

2. Summary of significant accounting policies

(a) Basis of preparation

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

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

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

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

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

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

(a) Basis of preparation (cont'd)

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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

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

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

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

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

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to FRS 7: Disclosure Initiative	1 January 2017
FRS 115 (SFRS(I) 15): Revenue from Contracts with Customers	1 January 2018
FRS 109 (SFRS(I) 9): Financial instruments	1 January 2018
INT FRS 122 (SFRS(I) INT 22): Foreign Currency Transactions and Advance Consideration	1 January 2018
FRS 116 (SFRS(I) 16): Leases	1 January 2019
INT FRS 123 (SFRS(I) INT 23): Uncertainty over Income Tax Treatments	1 January 2019
Amendments to References to the Conceptual Framework in FRS/ SFRS(I) Standards	1 January 2020
Amendments to illustrative examples, implementation guidance and FRS/SFRS(I) practice statements	1 January 2020
Amendments to FRS 1 (SFRS(I) 1-1) and FRS 8 (SFRS(I) 1-8): Definition of Material	1 January 2020

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

(a) Basis of preparation (cont'd)

Except for SFRS(I) 9 and SFRS(I) 15, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16 are described below.

SFRS(I) 9 Financial Instruments

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cashflow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace the SFRS(I) 39 incurred loss model.

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

The Group has performed a preliminary impact assessment of adopting SFRS(I) 9 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts SFRS(I) 9 in 2018.

SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 establishes a five-step model that will apply to revenue arising from contracts with customers and introduces new contract cost guidance. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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

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

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognize most leases on statement of financial position to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of "low value" assets and short-term leases. The new leases standards is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of SFRS(I) 16 and expects that the adoption of SFRS(I) 16 will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

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 report 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 for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in 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 as 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 that 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.

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 results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill, non-controlling interest and other components of equity related to the subsidiary are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific FRS.

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

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

(c) Subsidiaries

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

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are 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 account for its investments in associates using the equity method from the date on which it becomes an associate.

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 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 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 investment in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. 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 associate are eliminated to the extent of the interest in the 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 the 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 as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

(e) Reverse acquisition

The acquisition of the Acquired Group (Note 25(a)) has been accounted for as a reverse acquisition and the Acquired Group is considered the acquirer for accounting purposes. Accordingly, the Group's balance sheets, 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 in the consolidated balance sheet at their pre-acquisition carrying amount 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 that satisfy 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.

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

(f) Revenue recognition

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

Revenue from construction contracts

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

Rendering of services

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

Interest income

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

Rental income

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

(g) Government grants

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

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

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

(h) Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures 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.

(i) Employee benefits

Employee leave entitlements

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

Defined contribution plans

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

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

Share-based compensation

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

(j) Income taxes

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

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

(j) Income taxes (cont'd)

Deferred income tax is provided using the liability method, on all temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

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

Deferred tax assets are recognised to the extent that it is probable that future taxable profit 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 are charged or credited to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

(k) Property, plant and equipment

Property, plant and equipment are 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 purpose are carried at cost, less any recognised impairment loss until construction or development is complete. Cost includes professional fees and, 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 a 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

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

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

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

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

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

(l) Land use rights

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

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

(m) Impairment of non-financial assets

At the end of each reporting period, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset 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.

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

(n) Financial assets

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the end of the reporting period which are presented as non-current assets. Loans and receivables are presented as "trade and bill receivables" (Note 15), "other receivables, deposits and prepayments" (Note 16) (excluding advances to sub-contractor, advance payments to supplies and prepayments) and "cash at bank balances" (Note 18) on the statement 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 asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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

Initial measurement

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

Subsequent measurement

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

Impairment

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

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

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 asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are 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 reversed date.

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

(o) Inventories

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

(p) Projects work-in-progress

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period ("percentage-of-completion method"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that 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 amount can be measured reliably and its receipt is considered probable.

At the end of the reporting period, the cumulative costs incurred plus recognised profits (less recognised losses) on each contract is 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". 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 "trade and bill payables".

Progress billings not yet paid by customers and retentions by customers are included within "trade and bill receivables". Advances received are included within "trade and bill payables".

(q) Cash and cash equivalents

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

(r) Financial liabilities

Financial liabilities include trade and other payables and short-term borrowings. Financial liabilities are recognised on the statement 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 through the amortisation process.

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

(s) 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 statement of financial position and statement of changes in equity of the Company are presented in RMB, which is the functional currency of the principal entity in the People's Republic of China, and the presentation currency for the consolidated financial statements.

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 in the consolidated financial statements. The currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

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

Translation of Group entities' financial statements

The results and financial position 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 at the date 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.

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

(t) 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.

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.

(u) 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.

(v) Financial guarantees

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

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

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

(w) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues 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 performance of the operating segments.

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

(x) 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.

(y) Related parties

A related 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.

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

(z) Critical accounting judgment and key source 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 is 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 are RMB50,573,000 (2015: RMB129,485,000).

Trade and other receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's trade and other receivables at the end of the reporting period are disclosed in Note 15 and Note 16 respectively to the financial statements. If the present value of estimated future cash flows differ from management's estimates, the Group's allowance for impairment for trade and other receivables and the trade and other receivables balance at the end of the reporting period will be affected accordingly.

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

(z) Critical accounting judgment and key source of estimation uncertainty (cont'd)

Key sources of estimation uncertainty (cont'd)

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 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 are approximately RMB Nil (2015: RMB2,348,000).

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 PRC subsidiary that are subject to withholding taxes according to the relevant tax jurisdictions 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 that the subsidiaries have no distributed profits and are loss making.

The carrying amount of the Group's deferred tax liability asset at the end of the reporting period is Nil (2015: Nil).

Adjusting events after the reporting period

As disclosed in Note 10 and 11, management had impaired the carrying value of property, plant and equipment and land use rights to its auctioned value due to these assets had been auctioned off as a result of Group not being able to fulfil its financial obligation to the 2 banks which the leasehold buildings and land use rights were being pledged. The details of these court judgement had been disclosed in Note 32(i)(d) and 32(i)(e). The Group has assessed that this auction arising from a court case after the reporting period is an adjusting event as the Group had a present obligation at the end of the reporting period.

The carrying amount of the Group's property, plant and equipment and land use rights at the end of the reporting period is RMB50,573,000 (2015: RMB129,485,000) and RMB24,990,000 (2015: RMB51,708,000) respectively.

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 Board is unable to determine whether the 83% held equity investment in BGDEPT would constitute an element of control. Control is defined as being exposed to, or has the rights to, variable returns from the Group's involvement in BGDEPT and has the ability to affect those returns through its power over BGDEPT.

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

(z) Critical accounting judgment and key source of estimation uncertainty (cont'd)

Critical judgments in applying accounting policies (cont'd)

Investment in associate (cont'd)

In the last financial year, 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.

Accordingly, this investment is classified as an investment in associated company.

The carrying amount of the Group's investment in associate is Nil (2015: RMB2, 450,000).

3. Revenue

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

4. Other income

	Group	
	2016	2015
	RMB'000	RMB'000
Repairing service income	-	7
Disposal of scrap materials	-	68
Government grants received	-	1,086
Bank interest income	**1,713**	549
Rental income	**803**	535
Reversal of accrual in prior year	-	300
Reversal of trade payables, other payables and accruals	**132,796**	-
Others	**739**	51
	136,051	2,596

5. Finance costs

	Group	
	2016	2015
	RMB'000	RMB'000
Bank charges	**441**	298
Interest expense	**9,122**	11,418
	9,563	11,716

6. Loss before tax

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

	Group	
	2016	2015
	RMB'000	RMB'000
Amortisation of land use rights (Note 11)	**1,142**	1,141
Audit fees payable/paid to auditors of the Company	**192**	612
Changes in inventories and projects work-in-progress	**(5,999)**	(4,413)
Commission	**-**	7,331
Delivery charges	**1,000**	2,799
Depreciation of property, plant and equipment (Note 10)	**6,854**	7,197
Impairment loss on property, plant and equipment (Note 10)	**72,089**	157,701
Impairment loss on land use rights (Note 11)	**25,576**	-
Impairment loss on trade and other receivables	**34,777**	155,028
Impairment loss on investment in associated company (Note 13)	**2,450**	-
Fees for non-audit services payable/paid to auditors of the Company	**-**	6
Foreign exchange loss/ (gain)	**1,785**	(4,569)
Employee benefits expense (Note 7)	**7,138**	28,327
Purchases of inventories and construction materials	**-**	192,540
Rental expenses on land and buildings	**1,329**	1,008
Research expenses	**-**	3,085
Output value added tax ("VAT") written off	**-**	47,602
Payment of corporate guarantee on loan arising from court judgment (Note 22,32(i)(b))	**20,000**	-

7. Employee benefits expense

	Group	
	2016	2015
	RMB'000	RMB'000
Directors of the Company		
- Directors' fees	**371**	725
- Salaries and bonuses	**1,863**	3,804
- Defined contribution benefits	**49**	120
Other director of subsidiaries		
- Salaries and bonuses	**-**	248
- Defined contribution benefits	**-**	106
Key management personnel (non-directors)		
- Salaries and bonuses	**889**	970
- Defined contribution benefits	**110**	183
Other personnel		
- Salaries, wages and bonuses	**3,306**	19,540
- Defined contribution benefits	**550**	2,486
Other personnel related expenses	**-**	145
	7,138	28,327

8. Tax (credit) / expense

Tax expense attributable to profits is made up of:

	Group 2016 RMB'000	Group 2015 RMB'000
Current income tax		
Current income tax - PRC	-	7,483
Tax credit received for prior years' taxation - PRC	-	-
Overprovision of tax in prior year	**(1,661)**	(296)
	(1,661)	7,187
Deferred tax expense		
Reversal of deferred tax expense arising from distributable profits of foreign subsidiary	-	(5,030)
	(1,661)	2,157

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)/profit before tax due to the following factors:

	Group 2016 RMB'000	Group 2015 RMB'000
Loss before tax	**(106,165)**	(448,627)
Tax calculated at domestic statutory tax rate	**(26,541)**	(111,423)
Expenses not deductible for tax purposes	**26,541**	119,269
Non-taxable items	-	(363)
Overprovision of tax in prior year	**(1,661)**	(296)
	(1,661)	7,187
Reversal of deferred tax expense arising from distributable profits of foreign subsidiary	-	(5,030)
	(1,661)	2,157

The domestic statutory tax rates for Singapore and PRC entities are 17% (2015: 17%) and from 25% (2015: 25%) respectively for the financial year ended 31 December 2016.

The Group has unutilised tax losses of approximately RMB4,186,000 (2015: RMB4,186,000) 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 number of 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 (i.e. 72.5 million unlisted warrants which have been allotted to the subscriber on 7 January 2015).

These 72.5 million unlisted warrants grant the subscriber the rights to subscribe for one new share for each warrant (i.e. total 72,500,000 shares) (the "Warrant Shares") at the issue price of S$0.104 per Warrant Share, for an aggregate amount of S$7,540,000 [Note 25(a)]. The warrants may only be exercised in whole by the subscriber at any time, but in any event no later than the date falling 18 months from the issue date of the warrants. These warrants were not exercised and expired on 6 July 2016.

The Group also has Nil (31 December 2015: 3.0 million) 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 2016 and 31 December 2015.

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:

	Group	
	2016	2015
	RMB'000	RMB'000
Loss for the year attributable to shareholders	**(98,737)**	(450,407)
Weighted average number of ordinary shares for basic loss per share computation	**843,020,646**	811,239,824
Basic and diluted loss per share (RMB cents/share)	**(11.71)**	(55.52)

10. Property, plant and equipment

	Leasehold buildings RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Machinery RMB'000	Renovation RMB'000	Construction work-in-progress RMB'000	Total RMB'000
Group							
Cost							
At 1 January 2015	263,904	1,079	1,649	6,828	77	29,911	303,448
Additions	-	-	77	-	-	279	356
Write off	-	-	(15)	-	-	-	(15)
Currency alignment	-	-	(1)	-	(1)	-	(2)
At 31 December 2015	263,904	1,079	1,710	6,828	76	30,190	303,787
Additions	-	-	83	-	-	7	90
Reclassification	30,197	-	-	-	-	(30,197)	-
Write off	-	-	(142)	-	(76)	-	(218)
At 31 December 2016	**294,101**	**1,079**	**1,651**	**6,828**	-	-	**303,659**
Accumulated depreciation							
At 1 January 2015	4,178	693	1,038	3,456	55	-	9,420
Depreciation charges (Note 6)	6,268	73	200	648	8	-	7,197
Write off	-	-	(15)	-	-	-	(15)
Currency alignment	-	-	-	-	(1)	-	(1)
At 31 December 2015	10,446	766	1,223	4,104	62	-	16,601
Depreciation charges (Note 6)	6,267	46	108	433	-	-	6,854
Write off	-	-	(97)	-	(62)	-	(159)
At 31 December 2016	**16,713**	**812**	**1,234**	**4,537**	-	-	**23,296**
Group Accumulated Impairment							
At 1 January 2015							
Impairment loss (Note 6)	146,968	-	-	-	-	10,733	157,701
At 1 January 2016	146,968	-	-	-	-	10,733	157,701
Reclassification	10,733	-	-	-	-	(10,733)	-
Impairment loss (Note 6)	69,672	177	417	1,823	-	-	72,089
At 31 December 2016	**227,373**	**177**	**417**	**1,823**	-	-	**229,790**

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

	Leasehold buildings RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Machinery RMB'000	Renovation RMB'000	Construction work-in-progress RMB'000	Total RMB'000
Group							
Net carrying value							
At 31 December 2016	50,015	90	-	468	-	-	50,573
At 31 December 2015	106,490	313	487	2,724	14	19,457	129,485

	Office equipment RMB'000	Renovation RMB'000	Total RMB'000
Company			
Cost			
At 1 January 2015	124	77	201
Additions	18	-	18
Write off			
Currency alignment	(1)	(1)	(2)
At 31 December 2015	**141**	**76**	**217**
Write off	(141)	(76)	(217)
At 31 December 2016	-	-	-
Accumulated depreciation			
At 1 January 2015	60	55	115
Depreciation charges	36	8	44
Write off	-	-	-
Currency alignment	-	-	-
At 31 December 2015	96	63	159
Depreciation charges	-	-	-
Write off	(96)	(63)	(159)
At 31 December 2016	-	-	-
Net carrying value			
At 31 December 2016	-	-	-
At 31 December 2015	45	13	58

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

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

These leasehold buildings with carrying amount of RMB 50, 015, 000 were pledged to 2 different banks in AHDY and FJDY for the short -term borrowings (Note 22).

Impairment of leasehold buildings

During the current financial year, 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 RMB 38,843,900 along with its land use rights (for a land area of 193,493 square meters) with carrying amount of RMB 21,719,100 [see Note 11] were valued by the Court for the auction at RMB 135 million but was eventually successfully auctioned off at RMB 60.56 million [see Note 32(i)(d)].

In addition, the leasehold property in FJDY with carrying amount of RMB 11,170,817 along with its land use rights (for a land area of 16,536 square meters) with carrying amount of RMB 3,270,607 [see Note 11] were valued by the Court for the auction at RMB 21.5 million but was eventually successfully auctioned off at RMB 14.4 million [see Note 32(i)(e)].

Arising from these auctions, the Group made an impairment loss of RMB 69,672,000 to its leasehold buildings to bring down their respective carrying amounts to the auctioned value.

Impairment of motor vehicles, office equipment and machinery

The motor vehicles, office equipment and machinery has been disposed off to its creditors for approximately RMB558,000 as partial settlement of debts as the Group being unable to fulfil its financial obligation to its creditors. Accordingly, the carrying amount of these assets have been written down to their respective disposal value to its creditors.

As these are adjusting events according to Para 9(a) of FRS 10 – Events after the Reporting Period, these property, plant and equipment have been impaired to their respective auctioned values to the auctioneer and disposed value to the creditors.

11. Land use rights

	Group 2016 RMB'000	Group 2015 RMB'000
Cost		
At 1 January and 31 December	**53,930**	53,930
Accumulated amortisation		
At 1 January	**2,222**	1,081
Amortisation for the year (Note 6)	**1,142**	1,141
At 31 December	**3,364**	2,222
Accumulated impairment		
At 1 January	-	-
Impairment (Note 6)	**25,576**	-
At 31 December	**25,576**	-
Net carrying value	**24,990**	51,708
Amount to be amortised:		
- Not later than one financial year	**1,142**	1,142
- Later than one year but not later than five financial years	**4,567**	4,567
- Later than five financial years	**19,281**	45,999

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

These land use rights of the Group with carrying amount of RMB 24,990,000 were individually pledged to 2 different banks in AHDY and FJDY for the short -term borrowings (Note 22).

During the current financial year, 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 RMB 21,719,100 along with its leasehold building with carrying amount of RMB 38,843,900 [see Note 10] were valued by the Court for the auction at RMB 135 million but was eventually successfully auctioned off at RMB 60.56 million [see Note 32(i)(d)].

In addition, the land use right in FJDY with carrying amount of RMB 3,270,607 along with its the leasehold buildings with carrying amount of RMB 11,170,817 [see Note 10] were valued by the Court for the auction at RMB 21.5 million but was eventually successfully auctioned off at RMB 14.4 million [see Note 32(i)(e)].

Arising from these auctions, the Group made an impairment loss of RMB 25,576,000 to its land use rights to bring down their respective carrying amounts to the auctioned value.

As this is an adjusting event according to Para 9(a) of FRS 10 – Events after the Reporting Period, the land use rights has been impaired to its auctioned value to the auctioneer.

12. Investments in subsidiaries

	Company	
	2016	2015
	RMB'000	RMB'000
Unquoted equity shares, at cost	**699,460**	699,460
Impairment on investment	**(8,593)**	(8,593)
Currency alignment	**6,271**	(25,861)
	697,138	665,006

(a) Details of subsidiaries held by the Company:

Name of subsidiary	Principal activities	Country of incorporation	Equity holding 2016 %	2015 %
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)(3)]	Providing environmental protection products and services	PRC	**80**	80
Held by subsidiaries				
Fujian Dongyuan Environmental Protection Co., Ltd. [(1)(3)]	Waste gas treatment solutions provider - Design and construct waste gas treatment systems	PRC	**100**	100
Anhui Dongyuan Environmental Protection Co., Ltd. [(1)(3)]	Waste gas treatment solutions provider – Design and construct waste gas treatment systems	PRC	**100**	100

FY2016:

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

FY 2015:

(2) Audited by RT LLP

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

Significant restrictions

Cash and cash equivalents of RMB 465,000 (2015: RMB62,789,000) 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.

12. Investments in subsidiaries (Cont'd)

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

The Group has the following subsidiaries that have NCI that are 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 2016				
Xiamen Gongyuan Environmental Protection Technology Co., Ltd	PRC	20%	(5,767)	3,720

Summarised financial information about subsidiaries with material NCI

Summarised financial information including consolidation adjustments but before intercompany eliminations of subsidiaries with material noncontrolling interests are as follows:

Summarised balance sheets

	Xiamen Gongyuan Environmental Protection Technology Co., Ltd	
	As at 31 December 2016 RMB'000	**As at 31 December 2015 RMB'000**
Current		
Assets	**8,277**	41,952
Liabilities	**1,821**	6,053
Net current assets	**6,456**	35,899
Non-current		
Assets	-	121
Liabilities	-	-
Net non-current assets	-	121
Net assets	**6,456**	36,020

Summarised financial information about subsidiary with material NCI

Summarised statement of comprehensive income

	Xiamen Gongyuan Environmental Protection Technology Co., Ltd	
	As at 31 December 2016 RMB'000	**As at 31 December 2015 RMB'000**
Revenue	**515**	21,111
Loss before tax	**(28,833)**	(1,160)
Income tax expense	-	4
Other comprehensive income	-	-
Total comprehensive income	**(28,833)**	(1,156)

Other summarised information

	Xiamen Gongyuan Environmental Protection Technology Co., Ltd	
	As at 31 December 2016 RMB'000	**As at 31 December 2015 RMB'000**
Net cashflow used in operations	(24,055)	(24,974)
Shares issued	-	27,858

13. Investment in associated company

	Group	
	2016	2015
	RMB'000	RMB'000
Unquoted equity investment		
Balance at beginning of the financial year	**2,450**	2,450
Impairment loss during the financial year	**(2,450)**	–
Balance at end of the financial year	**-**	2,450

Details of the associated company are as follows:

Name and country of incorporation	**Principal activities**	**Percentage of equity held by the Group**	
		2016	2015
		%	%
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

FY2016

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

FY2015

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

In the last financial year, 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 as 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	
	2016	2015
	RMB'000	RMB'000
Loss from operations	**(362)**	(542)

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

14. Inventories

	Group	
	2016	2015
	RMB'000	RMB'000
Raw materials, at cost	**2,024**	8,135

The cost of inventories recognised as an expense and included in cost of sales amounted to RMB 3,169,000 (2015: RMB192,540,000).

15. Trade and bill receivables

	Group		Company	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables*				
- Billed & Unbilled	**4,343**	9,522	-	52
- Due from customers on construction contracts	-	2,716	-	–
	4,343	12,238	-	52
Bill receivables	**20**	50	-	–
	4,363	12,288	-	52
*Retention monies included in trade receivables	-	1,200	–	–

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 contract. However, customers generally retain 5% to 10% of the project sum as retention monies which are held for a warranty period of up to 12 months.

The bill receivables have an average maturity date of 6 (2015: 6) months.

16. Other receivables, deposits and prepayments

	Group		Company	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advance payments to suppliers	-	12,452		-
Other receivables	**104**	14,394	**84**	-
Deposits	-	123	-	122
Prepayments	**28**	36	**28**	37
	132	27,005	**112**	159

17. Amount due from subsidiaries

The Company	2016 RMB'000	2015 RMB'000
Loan receivable	-	79,149
Dividends receivable	-	20,674
	-	99,823
Less : Impairment	-	(99,823)
	-	-

Loans receivable from subsidiaries – Company

Included in loan receivable is an amount of RMB27,858,000 arising from the proceeds for the placement of 72,500,000 new ordinary shares [Note 25(a)].

The loans receivable are unsecured, non-interest bearing and repayable on demand. Management of Current Board has fully impaired the entire balance of loans receivable from subsidiaries during the year as they are of the view that these amount would not be recoverable.

Dividends receivable from a subsidiary – Company

Dividend receivable relates to dividends amounting to S$ 4,505,637 (equivalent RMB 20,674,116) from its Singapore's subsidiary, Chinza Dongyuan Environment Pte. Ltd., which was a bought forward balances since FY 2012.

China Dongyuan Environment Pte. Ltd. similarly has a dividend receivable from its subsidiary namely Fujian Dongyuan Environmental Protection Co., Ltd. for an amount of RMB 22,000,000. However, there was no payment from this subsidiary since FY 2012. Accordingly, management of the Current Board has decided to impair these dividends receivable.

18. Cash and bank balances

	Group		Company	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash in hand and at banks *	**659**	63,517	**147**	640
Less: bank balances pledged	**-**	(52,888)	**-**	-
	659	10,629	**147**	640

*At the end of the reporting period, this amount included bank balances pledged to financial institutions for the following purposes:

	Group	
	2016	2015
	RMB'000	RMB'000
Short-term bank borrowings	**-**	52,888

The bank balances pledged earned interest at effective rate of Nil% (2015: 3.0% - 3.3%) per annum.

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	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Singapore dollar	175	711	**129**	-
United States dollar	19	18	**18**	17

19. Trade payables

	Group		Company	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables - third parties	**2,777**	13,451	-	-
Value-added tax payables	-	2,195	-	-
	2,777	15,646	-	-

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

20. Other payables and accruals

	Group		Company	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accruals for construction costs	-	5,104	-	-
Advance receipts from customers	-	3,458	-	-
Accruals for staff social welfare contributions	**8,017**	9,530	**9**	135
Salary payables	**3,827**	874	**2,598**	409
Other tax payables	**5,000**	2,417	-	15
Other payables	**11,905**	51,288	**2,896**	1,449
	28,749	72,671	**5,503**	2,008

21. Amount due to a director (non-trade) - Group and Company

The amount is unsecured, non-interest bearing and repayable on demand.

22. Short-term borrowings

	Group		Company	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank borrowings				
- secured	**91,669**	146,611	-	-
- unsecured	**43,000**	27,000	-	-
Secured non-bank borrowings	**12,284**	-	**12,284**	-
	146,953	173,611	**12,284**	-

22. Short-term borrowings (Cont'd)

For financial year ended 31 December 2016

Secured borrowings

1. RMB91.7 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) 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

2. RMB23 million of the short-term borrowings were not secured by the Company's assets. These short-term borrowings were guaranteed by one of the Company's former directors and secured by the land use rights and leasehold buildings of a former related party, Fujian Mintai Environmental Protection Co., Ltd.

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

   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").

Secured non-bank borrowings

4. RMB12.2 million of the non-bank short-term borrowings was secured by the Group's shares in the PRC subsidiaries in Anhui and Fujian. The Company has unconditionally and irrevocably 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 exercises this option, the said borrowing will form partial payment of the convertible warrants which is 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 purchase the land use rights and property assets in Anhui for an amount of RMB100 million.

22. Short-term borrowings (cont'd)

For financial year ended 31 December 2015

Secured borrowings

1. USD8.0 million (approximately RMB50.0 million) of the short-term borrowings was secured by bank deposits of RMB52.8 million.

2. RMB96.7 million of the short-term borrowings was secured by the Group's land use rights and property title deeds, as detailed below:

   a) RMB60.0 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 directors, his spouse and one of the subsidiaries of the Company; and

   b) 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 directors, his spouse and one of the subsidiaries of the Company.

Unsecured borrowings

3. RMB27 million of the short-term borrowings were not secured by the Company's assets. These short-term borrowings were guaranteed by one of the Company's directors and secured by the land use rights and leasehold buildings of a related party, Fujian Mintai Environmental Protection Co., Ltd.

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	
	2016	2015
	RMB'000	RMB'000
United States dollar		49,941
Singapore dollar	**13,492**	-

These bank borrowings are repayable within the next twelve months and bear fixed interest rates ranging from 5.44% to 6.44% (2015: 2.06% to 6.44%) per annum.

The secured non-bank borrowing is repayable on demand and bear fixed interest rates at 24% (2015: Nil%) per annum.

23. 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	
	2016	2015
	RMB'000	RMB'000
Chinese Renminbi	**4,760**	2,535

24. Amounts due to related parties (non-trade)

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

25. Share capital

(a) Share capital

	2016		2015	
	Number of issued shares	**Issued share capital RMB'000**	Number of issued shares	Issued share capital RMB'000
Group				
At 1 January	**843,020,646**	**400,608**	735,520,646	352,241
Issue of new shares pursuant to share placement	-	-	107,500,000	49,060
Share issuance expenses	-	-	-	(693)
At 31 December	**843,020,646**	**400,608**	843,020,646	400,608
Company				
At 1 January	**843,020,646**	**821,916**	735,520,646	773,549
Issue of new shares pursuant to share placement	-	-	107,500,000	49,060
Share issuance expenses	-	-	-	(693)
At 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.

On 7 January 2015, the Company announced the completion of the placement of 72,500,000 warrants and 72,500,000 new ordinary shares of S$0.104 each ("Placement"). Following completion of the Placement, the total number of issue ordinary shares of the Company increased from 735,520,646 shares to 808,020,646 shares. The new shares rank pari passu in all respects with existing ordinary shares of the Company.

The 72,500,000 unlisted warrants granted the right to the subscriber to subscribe for one new share for each warrant (i.e. total 72,500,000 shares) (the "Warrant Shares") at the issue price of S$0.104 per Warrant Share, for an aggregate amount of S$7,540,000. The warrants may only be exercised in whole by the subscriber at any time, but in any event no later than the date falling 18 months from the issue date of the warrants.

As at the date of this report, those warrants were not exercised and had expired.

On 9 November 2015, the Company received approval-in-principal ("AIP") from the SGX-ST for the listing and quotation of the 35,000,000 Placement Shares on the Main Board of the SGX-ST.

25.Share capital (Cont'd)

(a) Share capital (Cont'd)

On 16 November 2015, Company announced that the Proposed Placement has been completed today, pursuant to which the 35,000,000 Placement Shares were allotted and issued to the Places at the issue price of $0.092 per shares, and the issued share capital of the Company has increased by 35,000,000 Shares. Following completion of the Proposed Placement, the total number of issued Shares of the Company has increased from 808,020,646 to 843,020,646 Shares. The 35,000,000 Placement Shares rank pari passu in all respects with the existing Shares and were issued free from all claims, charges, liens and other encumbrances whatsoever, save that they do not rank for any dividend, rights, allotments or other distributions the Record Date of which falls on or before 16 November 2015.

Reverse acquisition

At Group level

As informed by the Board, 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 balance sheets, 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 accounting policies as described in Note 2(e).

(b) Share options

	Group and Company	
	2016	2015
	RMB'000	RMB'000
At 1 January	**8,128**	8,128
Reversal for share options lapsed	**(8,128)**	-
At 31 December	-	8,128

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

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.

25.Share capital (Cont'd)

(b) Share options (cont'd)

On 11 November 2013, the Company granted 3,500,000 options to subscribe for total of 3,500,000 ordinary shares of the Company at an exercise price of S$0.59 per share. Of these 3,500,000 options, 3,000,000 were granted to a former director of the Company, Mr Wu Jida whilst the remaining 500,000 options were granted to a former Chief Financial Officer of the Company, Mr Chiar Choon Teck.

During the current financial year, the share options granted have expired.

The Scheme had expired as it was not approved by shareholders at an Extraordinary General Meeting held on 8 April 2014.

On 28 April 2015, the Scheme was approved and adopted by shareholders at an Extraordinary General Meeting held on 28 April 2015.

Share options outstanding at the end of the financial year and details of the options granted under the Scheme on the unissued shares of the Company are as follows:

Date of grant option	Exercise price per share S$	Aggregate options outstanding at 1.1.2016	Options granted/ (expired)	Aggregate options outstanding at 31.12.2016	Exercise period
11 November 2013	0.59	3,000,000	(3,000,000)	-	12 November 2014 to 11 November 2024

Date of grant option	Exercise price per share S$	Aggregate options outstanding at 1.1.2015	Options granted/ (expired)	Aggregate options outstanding at 31.12.2015	Exercise period
11 November 2013	0.59	3,500,000	(500,000)	3,000,000	12 November 2014 to 11 November 2024

The fair value of the Company's share options as at the date of grant is computed using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

The inputs to the model used are shown below:

Date of grant	**11 November 2013**
Share price	S$0.62
Exercise price	S$0.59
Expected volatility	78.63%
Expected option life	10 years
Expected dividend yield	0
Risk-free interest rate	2.27%

The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The expected option life used is based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. No other features of the option were incorporated into the measurement of fair value.

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

The share options have expired as both Mr Wu Jida and Mr Chiar Choon Teck have resigned.

26. Other reserves

	Group	
	2016	2015
	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 its 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 to the shareholders.

27. Related parties transactions

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

	Group	
	2016	2015
	RMB'000	RMB'000
Advances from related parties	**(5,089)**	12,220
Repayment to related parties	**-**	67,000
Rental expenses charged by related party	**1,329**	2,660

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

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

28. Commitments

(a) Capital commitments

There is no capital commitment contractual but not provided for in the financial statements:

(b) Lease commitments - when the Group is a lessee

The operating lease payments include rental from lease of land and buildings from a related party. The remaining non-cancellable lease term at 31 December 2016 for land and buildings is Nil (2015: 12 to 19) months.

Commitments in relation to non-cancellable operating leases contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:

	Group	
	2016	2015
	RMB'000	RMB'000
Not later than one financial year	-	1,294
Later than one financial year but not later than five financial years	-	822
	-	2,116

(c) Operating lease commitments - where the Group is a lessor

The Group leases out certain factory space to non-related parties.

The future minimum lease receivables under non-cancellable operating leases contracted for at the end of the reporting period but not recognised as receivables, are as follows:

	Group	
	2016	2015
	RMB'000	RMB'000
Not later than one financial year	-	449
Later than one financial year but not later than five financial years	-	449
	-	898

29. Financial instruments

(a) Categories of financial instruments

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

	Group		Company	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Loans and receivables	**679**	90,322	**147**	814
Financial liabilities				
Financial liabilities at amortised cost	**173,833**	281,867	**23,153**	5,379

(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"), Singapore dollar ("SGD") and Hong Kong dollar ("HKD").

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 to key management:

	← 2016 →			← 2015 →		
Denominated in:	**SGD**	**USD**	**HKD**	SGD	USD	HKD
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Group						
Cash and cash equivalents	**175**	**18**	–	711	18	–
Other payables and accruals	**(5,504)**	–	–	(2,020)	–	–
Amount due to director	–	–	–	–	–	–
Short-term borrowings	**(36,430)**	–	–	–	(49,941)	–
Net financial assets/(financial liabilities) denominated in foreign currencies	**(41,759)**	**18**	–	(1,309)	(49,923)	–

29. Financial instruments (cont'd)

(b) **Financial risk management (cont'd)**

Foreign currency risk (cont'd)

Denominated in:	**2016** SGD RMB'000	**2016** USD RMB'000	**2016** HKD RMB'000	2015 SGD RMB'000	2015 USD RMB'000	2015 HKD RMB'000
Company						
Cash and cash equivalents	**129**	**18**	–	–	17	–
Other payables and accruals	**(19,629)**	–	–	–	–	–
Net financial assets/(financial liabilities) denominated in foreign currencies	**(19,500)**	**18**	–	–	17	–

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

		Group Increase/(decrease) in profit after tax 2016 RMB'000	2015 RMB'000
SGD/RMB	-strengthened 5% (2015: 5%)	**(2,088)**	(65)
	-weakened 5% (2015: 5%)	**2,088**	65
USD/RMB	-strengthened 5% (2015: 5%)	**1**	(2,496)
	-weakened 5% (2015: 5%)	**(1)**	2,496
HKD/RMB	-strengthened 5% (2015: 5%)	**-**	-
	-weakened 5% (2015: 5%)	**-**	-

Company

A 5% fluctuation in the USD and HKD exchange rate against 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 flow of 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 in 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.

29. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets, including cash and cash equivalents, the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue and profit growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties, including state-owned enterprises and subsidiaries of the public listed companies in PRC. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, debtors' balances are monitored on an ongoing basis.

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position for respective years.

Trade receivables due from third parties in the PRC amounted to RMB2,676,000 (2015: RMB12,186,000) of the Group's trade receivables. The Group's trade receivables comprise 2 debtors (2015: 3 debtors) that represented approximately 99% (2015: 99%) of the Group's trade receivables.

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 counterparties. Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

Trade receivables that are not past due amounted to Nil (2015: 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 age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2016	2015
	RMB'000	RMB'000
Past due less than 30 days	**-**	-
Past due 30 days to 365 days	**-**	-
Past due more than 365 days	**4,363**	12,186
	4,363	12,186

29. 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 non-derivative financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2016 RMB'000			2015 RMB'000		
	1 year or less	**1 to 5 years**	**Total**	1 year or less	1 to 5 years	Total
Group						
Trade and other payables	**30,894**	-	**30,894**	88,268	-	88,268
Amount due to a director	-	-	-	321	-	321
Amount due to related parties	-	-	-	27,688	-	27,688
Short-term borrowings	**146,953**	-	**146,953**	179,074	-	179,074
Company						
Other payables and accruals	**5,503**	-	**5,503**	1,993	-	1,993
Amount due to a director	-	-	-	321	-	321
Amount due to subsidiaries	**5,366**	-	**5,366**	3,065	-	3,065

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

The Group and Company has no other financial instruments.

30. 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 26, 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 2016.

31. Segment information

The Group is organised into business units based on its products for management purposes. The reportable segment is construction contracts.

Construction contracts segment includes designing, assembling, installing, testing and commissioning of various equipments 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 performances of such segment.

The segment information provided to management for the reportable segments is as follows:

31. Segment information (cont'd)

	Construction contracts	
	2016	2015
	RMB'000	RMB'000
Segment revenue	**5,851**	**36,655**
Segment loss	**(96,530)**	**(442,029)**
Depreciation and amortisation	**7,995**	**8,338**
Segment assets	**82,082**	**231,071**
Unallocated assets	**659**	**63,517**
Total assets	**82,741**	**294,588**
Segment liabilities	**144,035**	**88,317**
Unallocated liabilities	**34,444**	**203,968**
Total liabilities	**178,479**	**292,285**

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 to the consolidated profit before tax is as follows:

	Group	
	2016	2015
	RMB'000	RMB'000
Segment loss	**(96,530)**	(442,029)
Interest income	**1,713**	549
Foreign exchange (loss)/gains	**(1,785)**	4,569
Finance costs	**(9,563)**	(11,716)
Loss before tax	**(106,165)**	(448,627))

31. Segment information (cont'd)

Segment assets

The amounts provided to 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 to 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, 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 assets information based on the geographical location of customers and assets respectively are as follows:

	Sales to external customers		**Non-current assets**	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC	**5,851**	**36,655**	**75,564**	183,585
Singapore	**-**	–	**-**	58
	5,851	**36,655**	**75,564**	183,643

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

Information about major customer

Revenue of approximately RMB 3,600,000 (2015: RMB 30,117,400) are derived from 1 (2015: 1) major external customer who solely contributed 10 percent or more of the Group's revenue.

32. Events occurring after reporting period

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

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

(a) Letter of Demand by Fujian Mintai Environmental Protection Co., Ltd against FJDY for alleged rental arrears outstanding announced on 19 October 2016

On 19 October 2016, the Company's wholly-owned subsidiary, Fujian Dongyuan Environmental Protection Co., Ltd has received a letter of demand dated 14 October 2016 ("Letter of Demand") from Fujian Mintai Environmental Protection Co., Ltd (wholly-owned by the Group's Major Shareholder Mr Huang Min and his spouse, "Landlord") claiming the repayment of RMB 3,209,712 in alleged overdue rental arrears.

Notice is given in the Letter of Demand that, unless the overdue rental arrears are paid to the Landlord by 20 October 2016, the Landlord shall take litigation action though its lawyer.

On 25 October 2016, the Company announced that pursuant to the Letter of Demand from Fujian Mintai Environmental Protection Co., Ltd (wholly-owned and controlled by the Group's Major Shareholder Mr Huang Min and his spouse, "Landlord") announced on 19 October 2016, the Landlord has locked the premises of Fujian Dongyuan Environmental Protection Co., Ltd.

Due to the lock-out, the Company is unable to access the office and all the accounting and financial records that are housed in the premises.

In response to the Letter of Demand, the Company has through its Chinese solicitors, sent a reply to Fujian Mintai Environmental Protection Co., Ltd' s solicitors asking for a grace period and to move out its accounting and financial records by 11 November 2016.

Thereafter, the Company has informed its Chinese staff in Fujian Dongyuan Environmental Protection Co., Ltd to pack the accounting and financial records in preparation for the move on 11 November 2016. A logistics mover team was engaged and the logistics team arrived on 11 November 2016 at Fujian Dongyuan Environmental Co Ltd. However, the premises were locked on 11 November 2016 and the Company was unable to retrieve any accounting and financial records.

The Company has tried to contact the building management personnel to unlock the premises but was not able to.

As announced on 18 August 2017, Pursuant to the judgment obtained by the China Construction Bank ("CCB") against the Company's wholly owned subsidiary Fujian Dongyuan Environmental Protection Co., Ltd ("FJDY") announced on 18 August 2017, CCB is entitled to sell off the land use rights and property assets of Fujian Mintai Environmental Protection Co. Ltd ("FJMT") pledged as security for this loan. As part of the handover requirements of the Longyan People Court in this regard, the Company's personnel were allowed to gain access to FJDY's office premises on 26 July 2017 to pack up and retrieve FJDY's documents from the office premises.

Upon gaining entry to the FJDY premises, it was discovered that the office was in a state of disarray, with evidence of ransacking. The Company is in the process of reviewing the documents retrieved from the premises. On preliminary review, documents appear to be missing, and the records of the FJDY's various departments are therefore likely incomplete.

32. Events occurring after reporting period

(i) Letters of Demand and Civil suits

(a) Letter of Demand by Fujian Mintai Environmental Protection Co., Ltd against FJDY for alleged rental arrears outstanding announced on 19 October 2016 (Cont'd)

As part of the settlement agreement announced on 30 July 2018, the above alleged outstanding rental arrears were waived.

(b) Civil Suit by Bank of China Bengbu against FJDY announced on 25 November 2016

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

The Anhui Bangbu People's Court has served an injunction on the Land and Property assets of FJDY, pending the outcome of the civil suit. Under this injunction, the Land and Property assets cannot be damaged, sold, pledged, transfer without the People's Court approval. The People's Court will hear the civil suit on 28 November 2016.

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"). The Court also ordered that costs of RMB144,536 shall be paid by BBXY and FJDY.

(c) Civil Suit by Bank of China Longyan against FJDY announced on 19 October 2016

On 19 October 2016, the Company announced that the Company's wholly-owned subsidiary, Fujian Dongyuan Environmental Protection Co., Pte Ltd (" FJDY") has received a letter of demand dated 12 October 2016 ("Letter of Demand") from Bank of China ("Lender") claiming the repayment of RMB56,055,583 in overdue interest and loan principal for a working capital loan.

Notice is given in the Letter of Demand that, the Bank expects the Company to repay the overdue interest and loan principal upon receipt of the Letter of Demand.

Pursuant to the above Letter of Demand, the Lender has also delivered to the Company's wholly-owned subsidiary, Anhui Dongyuan Environmental Protection Co., Ltd ("AHDY") a notification letter reminding it on its legal obligations with regard to the corporate guarantee it has entered into with the Bank for the above working capital loan.

AHDY is obliged to repay the full sum on behalf of FJDY in the event of default.

Judgement has been awarded to plaintiff, FJDY is liable for the RMB55 million loan and interest owing of RMB805,898 and shall pay within 10 days of the effective date of judgement together with interest at the rate of 9% per annum from 25 September 2016. In the event, FJDY does not fulfil the above court decisions, the Bank of China has the right to sell off the land use rights and property assets of AHDY pledged for this loan. The carrying net book value of pledged asset that could be foreclosed is RMB295million, the remaining balance after deducting the bank loan, interest in arrears and other expenses from the sale of asset could not be determined in view that this is a foreclosure situation. The plaintiff legal costs of RMB80,000 shall be paid by FJDY, the Court costs of RMB322,697 shall be paid by FJDY, AHDY and the personal guarantors for this loan.

32. Events occurring after reporting period

(i) Letters of Demand and Civil suits

(c) Civil Suit by Bank of China Longyan against FJDY announced on 19 October 2016 (cont'd)

The auction for the land use rights and property assets of AHDY pledged for this loan was completed and announced on 13 March 2019. The land use rights and property assets were valued by the Court for the auction at RMB135 million and successfully auctioned off at 60.56 million.

(d) Civil Suit by China Construction Bank against FJDY announced on 26 September 2016

On 26 September 2016, the Company announce that the Company's wholly-owned subsidiary, Fujian Dongyuan Environmental Protection Co., Pte Ltd has received a letter of demand dated 21 September 2016 ("Letter of Demand") from China Construction Bank ("Lender") claiming the repayment of RMB85,801 in overdue interest for a working capital loan of RMB23,000,000.

Notice is given in the Letter of Demand that, unless the overdue interest and loan principal are paid to the Lender within 3 days of notice, the Lender shall take such further steps as it deems necessary under the law to protect its rights under the loan agreement.

On 24 October 2016, the Company announced that the Letter of Demand from China Construction Bank received by the Company's wholly-owned subsidiary, Fujian Dongyuan Environmental Protection Co., Pte Ltd announced previously on 26 September 2016 has been withdrawn as the overdue interest of RMB 85,801 has been paid.

As announced on 18 August 2017, judgement has been awarded to plaintiff on terms that FJDY is liable for the RMB23 million loan and interest in the sum of RMB104,218, and shall pay the same within 10 days of the effective date of judgement, together with punitive interest at the rate of 8.15625% per annum from 15 April 2017 up to the full settlement date.

In the event that FJDY does not make payment of the judgement sum (and interest), CCB has the right to sell off the land use rights and property assets of Fujian Mintai Environmental Protection Co. Ltd ("FJMT") which had been pledged as security for this loan.

Huang Min, his wife (Chen Fen Hua), Anhui Dongyuan Environmental Protection Co., Ltd ("AHDY") and Xiamen Gongyuan Environmental Protection Technology Co., Ltd ("XMGY") shall be jointly liable for the balance amount in the event that the value of the FJMT pledged assets is insufficient to satisfy the amount due to CCB.

Judgement has been awarded to plaintiff on terms that FJDY is liable for the RMB23 million loan and interest in the sum of RMB104,218, and shall pay the same within 10 days of the effective date of judgement, together with punitive interest at the rate of 8.15625% per annum from 15 April 2017 up to the full settlement date. In the event that FJDY does not make payment of the judgement sum (and interest), CCB has the right to sell off the land use rights and property assets of Fujian Mintai Environmental Protection Co. Ltd ("FJMT") which had been pledged as security for this loan. Huang Min, his wife (Chen Fen Hua), Anhui Dongyuan Environmental Protection Co., Ltd ("AHDY") and Xiamen Gongyuan Environmental Protection Technology Co., Ltd ("XMGY") shall be jointly liable for the balance amount in the event that the value of the FJMT pledged assets is insufficient to satisfy the amount due to CCB.

32. Events occurring after reporting period

(i) Letters of Demand and Civil suits

(d) Civil Suit by China Construction Bank against FJDY announced on 26 September 2016 (cont'd)

The total Court costs for the suit was RMB157,879, but after a 50% reduction the net amount payable is RMB78,939. It was ordered that CCB shall bear RMB2,000 and the remaining of RMB76,939 shall be collectively paid by FJDY, FJMT, XMGY, AHDY, Huang Min and Chen Fen Hua. It was discovered upon the Company's investigations that the corporate guarantees given to CCB by AHDY and XMGY had not been notified to or approved by the Board of Directors of the Company.

FJMT property was auctioned off after financial year end and the outstanding loan interest balance after settlement of the loan via auction proceeds is approximately RMB1.35 million.

(e) Civil Suit by Zhongxin Bank against FJDY announced on 9 November 2016

On 9 November 2016, the Company announced that the Company's wholly-owned subsidiary, Fujian Dongyuan Environmental Protection Co., Ltd has received a letter of demand dated 2 November 2016 ("Letter of Demand") from Zhongxin Bank ("Lender") claiming the repayment of RMB386,973 in overdue interest for a working capital loan.

Notice is given in the Letter of Demand that, the Bank expects the Company to repay the overdue interest within 2 weeks upon receipt of the Letter of Demand.

On 10 October 2017, the Company announced that judgement has been awarded to plaintiff ZXB. FJDY is liable for the RMB36.67 million loan and loan interest of RMB563,870. FJDY shall pay within 10 days of the effective date of judgement, together with punitive interest at the rate of 9.46125% per annum from 19 Dec 2016 up to the full settlement date. In the event, that FJDY does not make payment of the judgement sum (and interest), ZXB has the right to sell off the land use rights and property assets of FJDY which had been pledged as security for this loan. ZXB will be entitled to priority claim on the first RMB21.4 million sales proceeds received and also priority claim on the RMB19.65 million of trade receivables FJDY has pledged to ZXB for this loan.

The guarantors Huang Min, his wife (Chen Fen Hua), shall be liable for the balance amount in the event that the value of the FJDY pledged assets is insufficient to satisfy the amount due to ZXB. The guarantors have right to claim compensation against FJDY.

FJDY shall pay ZXB legal fees of RMB99,500 and property preservation fee of RMB5,000 within 10 days of effective date of judgement. The court costs of RMB229,234 should be borne by FJDY, Huang Min and his wife.

The auction for the land use rights and property assets of FJDY pledged for this loan has been completed and announced on 5 November 2018. The land use rights and property assets were valued by the Court for the auction at RMB21.5 million and successfully auctioned off at 14.4 million.

32. Events occurring after reporting period

(i) Letters of Demand and Civil suits

(f) Arbitration decision on labour dispute

On 25 September 2017, the Company has received Arbitration Decision Letter for the following Labor dispute with 25 Employees of FJDY ("Employees") by the Longyan Labor Dispute Arbitration Committee ("Committee") due to the closure of FJDY.

The Committee decision is that the salaries due to the Employees by FJDY should cover only the months September 2016 and October 2016 which amount to RMB168,176. The Committee also find that the Employees employment relationship with FJDY is terminated as of 25 July 2017 and severance payment of RMB 645,598 is due to the employees.

The Company disputes the arbitration decision and has engaged a PRC lawyer for the appeal.

The final result of the PRC Court is that the salaries due to the Ex-Employees should cover only the months September 2016 and October 2016 which amount to RMB159,445. The PRC Court find that the Employees employment relationship with FJDY is terminated as of 25 July 2017 and severance payment of RMB 670,594 is due to the employees. The PRC Court also find that the Company is additionally liable for talent referral subsidy of RMB120,000. FJDY shall pay the Ex-Employees within 15 days of effective date of judgement. The Company has accepted the Court judgement.

32. Events occurring after reporting period

(i) Letters of Demand and Civil suits

(g) Receipt of Statutory Demand from Shook Lin & Bok LLP

On 13 January 2017, the Company announced that they received a letter of demand dated 6 January 2017 from Shook Lin for payment pursuant to Section 254 of the Companies Act (CAP. 50) of the sum of approximately S$19,676, in respect of tax invoices issued by Shook Lin to the Company for services rendered and disbursements incurred.

The amount has been settled as of the date of this report.

Status Update

On 20 April 2018, the Company has 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

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

(ii) Update on landlord lockout

On 19 October 2016, the Company's wholly-owned subsidiary, Fujian Dongyuan Environmental Protection Co., Ltd received a letter of demand dated 14 October 2016 ("Letter of Demand") from Fujian Mintai Environmental Protection Co., Ltd (wholly-owned by the Group's Major Shareholder Mr Huang Min and his spouse, "Landlord") claiming the repayment of RMB 3,209,712 in alleged overdue rental arrears.

Notice was given in the Letter of Demand that, unless the overdue rental arrears are paid to the Landlord by 20 October 2016, the Landlord shall take litigation action though its lawyer.

On 25 October 2016, the Company announced that pursuant to the Letter of Demand from Fujian Mintai Environmental Protection Co., Ltd (wholly-owned and controlled by the Group's Major Shareholder Mr Huang Min and his spouse, "Landlord") announced on 19 October 2016, the Landlord locked the premises of Fujian Dongyuan Environmental Protection Co., Ltd.

Due to the lock-out, the Company was unable to access the office and all the accounting and financial records that are housed in the premises.

In response to the Letter of Demand, the Company had through its Chinese solicitors, sent a reply to Fujian Mintai Environmental Protection Co., Ltd' s solicitors asking for a grace period and to move out its accounting and financial records by 11 November 2016.

Thereafter, the Company has informed its Chinese staff in Fujian Dongyuan Environmental Protection Co., Ltd to pack the accounting and financial records in preparation for the move on 11 November 2016. A logistics mover team was engaged and the logistics team arrived on 11 November 2016 at Fujian Dongyuan Environmental Co Ltd. However, the premises were locked on 11 November 2016 and the Company was unable to retrieve any accounting and financial records.

The Company had tried to contact the building management personnel to unlock the premises but was not able to.

As announced on 18 August 2017, pursuant to the judgment obtained by the China Construction Bank ("CCB") against the Company's wholly owned subsidiary Fujian Dongyuan Environmental Protection Co., Ltd ("FJDY") announced on 18 August 2017, CCB was entitled to sell off the land use rights and property assets of Fujian Mintai Environmental Protection Co. Ltd ("FJMT") pledged as security for this loan. As part of the handover requirements of the Longyan People Court in this regard, the Company's personnel were allowed to gain access to FJDY's office premises on 26 July 2017 to pack up and retrieve FJDY's documents from the office premises.

Upon gaining entry to the FJDY premises, it was discovered that the office was in a state of disarray, with evidence of ransacking. The Company is in the process of reviewing the documents retrieved from the premises. On preliminary review, documents appear to be missing, and the records of the FJDY's various departments are therefore likely incomplete.

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

(iii) Update on Injunction application against Huang Min

On 6 December 2017, with reference to the announcements released on 21 September 2016, 28 September 2016 and 24 October 2016 in relation to the legal proceedings in the Singapore High Court commenced by the Company and its subsidiary Fujian Dongyuan Environmental Protection Co. Ltd ("FDJY") against the former Executive Chairman of the Company, Huang Min. The additional defendants to these proceedings are Huang Min's wife and two daughters, Chen Fen Hua, Huang Lu and Huang Wen, respectively.

The Company and FDJY's primary claim is in relation to the defendants' breach of fiduciary duties and/or fraud in relation to alleged false/non-existent trade receivables recorded in FDJY's accounts as due from Anhui Shengyun Mechanical Co. Ltd and Nanning Youji Technology Co Ltd. In addition, the Company and FDJY also claim a sum of RMB 25,000,000 (about SGD 5.1 million) which they say were misappropriated by the defendants from the Company's subsidiary, Xiamen Gongyuan Environmental Protection Technology Co. Ltd, and an account of the various interested party transactions which they and/or their associates concluded with FDJY over the years.

On 4 December 2017, the Singapore High Court granted the Company and FDJY's application for a Worldwide Mareva Injunction Order to restrain and prohibit them from in any way using, dealing with, disposing of or diminishing the value of their assets (whether solely or jointly owned, and whether located in Singapore or outside of Singapore) up to the value of USD7,000,000 (United States Dollars Seven Million).

(iv) Settlement of Legal Proceedings between China Environment Ltd. and Huang Min

The Board refers to the Update on Injunction Application against Huang Min dated 6 Dec 2017 in relation to the pending litigation proceedings in the Singapore High Court between the Company and its subsidiary Fujian Dongyuan Environmental Protection Co. Ltd ("FJDY") against the former Executive Chairman of the Company, Huang Min, his wife and two children (the "Suit").

The Board wishes to announce that the Company and FJDY have concluded a settlement with Huang Min and the other defendants, and the pending litigation will shortly be discontinued by consent.

The terms of settlement include payment by the Huang Min (and his family) to the Company of a settlement sum of S$1.2million and a full and final settlement of all claims between the parties, not only in relation to the claims and disputes in the Suit, but also in relation to any and all claims, complaints or issues that the parties and/or their associates may have against each another (howsoever arising, whether now or in future). In particular, the following claims (not–exhaustive) have also been settled:

a. Claims by the Defendants and/or their associates (including their relatives and/or extended family and the companies owned or controlled by any one of them) against the Company and/or its subsidiaries;

b. Claim of RMB47 million made by Fujian Mintai Environmental Protection Co. Ltd (referred to in the General Announcement: Receipt of Letter of Demand dated 14 November 2017);

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

(v) **Settlement of Legal Proceedings between China Environment Ltd. and Huang Min**

It is also a term of the settlement that Mr Yang Meng Yang, Huang Min's son-in-law, resign from his position on the Company's Board. Mr Yang Meng Yang is accordingly no longer a director of the Company, effective 25 July 2018.

The Board is of the view that the settlement of the Suit is in the best interests of the Company, and will allow the Company's limited resources to be better channelled toward rebuilding the Company and reviving and diversifying its operations and businesses.

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

On 3 July 2018, the Board of Directors of China Environment Ltd. (the "Company") announced that Beijing Gongdao Environmental Protection Technology Co., Ltd ("BGDEPT") incorporated in the People's Republic of China, a dormant company in the Group has 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 notified of the official completion of deregistration of BGDEPT on 27 March 2019.

(vii) **Use of settlement sum from settlement agreement**

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

	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' fee and other professional, and administrative expenses	525

Firstlink has 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 need to focus on meeting outstanding regulatory obligations and find new businesses for the Company.

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

(viii) Update on Anhui Dongyuan Environmental Protection Co, Ltd

On 1 October 2018, the Board of Directors (the "Board") of China Environment Ltd. (the "Company") refers to the Company's announcement dated 21 June 2018. The Company wishes to update on the situation in Anhui Dongyuan Environmental Protection Co; Ltd ("AHDY").

The Company's management has spoken with Lin Qun Bin ("Lin") on the alleged working capital loan of RMB6,468,000 due to Lin, which the AHDY management has shared supporting documents on. Lin claims he has yet to be paid any monies by the AHDY management. The Company's Legal Representative for AHDY has 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 will undertake are:

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

As the AHDY ex-management are not forthcoming on how much of the rental has been collected, the rental monies collected is still being investigated by Lin.

Lin has ascertained that the rental agreements still in duration amount to RMB265,000 per month, of which RMB115,000 per month has to paid as operating related expenditure.

The AHDY Legal representative and Lin has agreed that the net rental income sharing will be apportioned in RMB50,000 per month to the Company and RMB100,000 per month to Lin.

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

(ix) Update on Report filed with PRC Authorities

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

The Company wishes to update on the report filed with PRC authorities. The Company has on 29 June 2018 provided evidence from a PRC legal firm to the authorities, in which the PRC lawyer has in the due diligence investigation report issued opine that transactions made between the Company's subsidiaries and Bengbu Xingyuan Environmental Protection Technology Co., Ltd ("BBXY") are not genuine. BBXY refers also to Bengbu Xingyuan Environmental Protection Technology Co., Ltd mentioned in the announcements on 24 August 2016, 25 November 2016 and 7 June 2017.

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

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

(x) **Loan Facilities Agreement of up to RMB10 million and S$0.5 million from Firstlink Corporation Limited**

On 20 June 2016, the Company 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") collectively required some working capital for its operational use as well as for repayment of bank loan.

At the request of the Company, Firstlink has agreed to provide a short-term secured and interest-bearing loan of up to RMB10 million and up to S$0.5 million (collectively the "Loan") to the Company for the following purpose:

(i) FJDY – RMB4 million for repayment of outstanding loan owing to China Construction Bank, Long Yan First Branch
(ii) AHDY – RMB6 million for working capital purposes
(iii) The Company – S$0.5 million for working capital purposes

Firstlink has, as at to date, disbursed RMB4 million to FJDY, RMB4 million to AHDY and S$0.32 million to the Company. The Company has further requested Firstlink to disburse the remaining balance of the loan amount. Pursuant to the above, Firstlink has 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 has agreed to the request so as to formalise the loan facilities granted to the Group.

On 20 September 2016, the Company announced that the Company has on 16 September 2016, entered into a supplementary agreement with Firstlink Investments Corporation Limited ("Firstlink") ("Supplementary Agreement") pursuant to the Loan Facilities Agreement (the "Agreement") which the Company and Firstlink have 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, Fujian Dongyuan Environmental Protection Co., Ltd., which in turn is the holding company of Anhui Dongyuan Environmental Protection Co., Ltd, as an added security for the payment of all amounts owing under the Agreement.

On 20 September 2018, the Company announced that the Company use of settlement sum from settlement agreement. Firstlink has 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.

On 15 November 2019, the Company entered into a supplementary agreement with Firstlink Investments Corporation Limited ("Firstlink") ("Supplementary Agreement") pursuant to the Loan Facilities Agreement (the "Agreement") which the Company and Firstlink have 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, loan amount is still outstanding.

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

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

On 1 November 2018, the Company announced previously on 11 May 2018, the Board of Directors of China Environment Ltd. (the "Company") had announced that Xiamen Gongyuan Environmental Protection Technology Co., Ltd ("XMGY") were 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 remained unsuccessful.

Recently, the Company has been informed by a business partner that XMGY had formed a liquidation committee. The Company was not informed by XMGY Legal Representative Wu Jida on this and hence sought clarifications on this matter. The legal representative of XMGY hence represented to Singapore management that to date only a liquidation committee has been formed, XMGY has not commenced liquidation due to outstanding tax liabilities and financial inability to engage a liquidator. The XMGY management has represented to Singapore management that they will hand over accounting records once their unpaid salaries, compensation and claims amounting to RMB649,000 are paid.

(xii) **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") announce that the Company's Directors ("Directors"), have 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 has required the attendance of the Directors for an interview to provide them with information on the case. The Directors will cooperate fully with ACRA in its investigation and will make announcement as and when there are further significant developments with regard to this matter.

ACRA has conducted investigations against the Company and all persons who were directors after the Company has defaulted in complying with the requirements of Sections 175(1) – Annual General Meeting, Section 197(1) – Annual Return by Companies and Section 201(1) – Financial Statements and consolidated financial statements.

ACRA has 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 have informed the Company that ACRA's investigations has found that although the breaches were committed by the Company during the period of their directorship, there were strong mitigating factors in their favour.

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

33. Comparative figures

The independent auditor's report dated 9 May 2019 contain 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 2015

Basis for Disclaimer of Opinion

(1) Opening balances

Our independent auditor's report dated 26 April 2019 on the revised financial statements for the financial year ended 31 December 2014 ("FY 2014") contained a disclaimer of opinion. The basis for disclaimer of opinion in our Auditor's Report on the previously issued FY 2014 financial statements audited by Baker Tilly TFW LLP, the auditor's report which is dated 1 April 2015, is disclosed in Note 37 to the financial statements.

In view of the matters described in the basis for disclaimer of opinion paragraphs on the financial statements for FY 2014, we were unable to determine whether the opening balances as at 1 January 2015 were fairly stated.

Since the opening balances as at 1 January 2015 are entered into the determination of the financial position of the Group and of the Company as at 31 December 2015 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 2015, 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 2015 - 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) Existence and Recoverability of Trade and Bill Receivables

As disclosed in Note 37(2)(ii) and (iii), we have performed debtors' circularisation of 5 major trade receivables amounting to RMB 636,576,000 (comprising approximately 79.19% of the Group's total trade receivables as at 31 December 2015 before impairment of the 5 major trade receivables and the current year's additional impairment loss adjustment) to ascertain their existence. The audit response from the circularised confirmation from the 5 debtors did not reveal any exceptions, that is, the circularised balances were affirmed without exceptions.

However, based on our unannounced site visits to the offices of the 5 major trade receivables on 17 and 18 November 2016, and 28 and 29 of December 2016, we were unable to verify the confirmations received from all the 5 major debtors. These 5 major trade debtors are from the books of the subsidiary, Fujian Dongyuan Environmental Protection Co., Ltd. ("FJDY"). The details of our findings are disclosed in Notes 36 (iii) and (iv).

As at 31 December 2015, the Group's net total trade receivables amounted to RMB 12,288,000. This is after an impairment loss of RMB 636,576,000 for the 5 major trade receivables and an additional impairment loss of RMB 155,028,000 made by the current Board of Directors ("Current Board"). The additional impairment loss comprised RMB 152,516,000, RMB 1,730,000, RMB 731,000 and RMB 51,000 pertaining to those trade receivables in the books of the subsidiaries FJDY, Anhui Dongyuan Environmental Protection Co., Ltd ("AHDY"), Xiamen Gongyuan Environmental Protection Technology Co., Ltd ("XMDY") and Gates Engineering Pte. Ltd. respectively, where there were no subsequent receipts at the date of this Report.

33. Comparative figures

Basis for Disclaimer of Opinion (cont'd)

(2) Existence and Recoverability of Trade and Bill Receivables (cont'd)

However, included in the Group's trade receivable balance of RMB 12,288,000 as at 31 December 2015, there are no impairment loss being recorded for trade receivables amounting to RMB 1,950,000 in the books of the subsidiary, FJDY, where there were no subsequent receipts at the date of this Report. According to management of the Current Board, management is confident that the sum of RMB 1,950,000 is recoverable as management has been negotiating with the debtor for payment.

Consequently, we were not able to ascertain the recoverability of the amount of RMB 1,950,000 in the Group's trade receivables of RMB 12,288,000 (for which there are no subsequent receipts as at the date of this Report) nor are we able to determine the validity of recording certain trade receivables.

(3) Revenue, Costs of Sales, Value Added Tax ("VAT") and Trade Payables and Trade Receivables

As discussed in point 2 of our Report above, and as stated in Notes 36 (iii) and (iv) to the financial statements, in view of the lack of on-site evidence to establish the existence of the 5 major trade receivables, we are unable to ascertain whether the Group's revenue and the costs of sales amounting to approximately RMB 36.66 million and 23.32 million respectively are valid and appropriately stated.

In performing the audit of AHDY and FJDY, we compared the VAT forms, submitted by management of the former Board of Directors ("Former Board") for FY 2015, to the Tax Bureau website printout furnished by management of the Current Board. We noted that the submitted VAT forms were overstated by approximately RMB 2.30 million and RMB 34.76 million respectively. By inference, this could possibly imply that the revenues for AHDY and FJDY are overstated by approximately RMB 13.53 million and RMB 204.47 million, respectively, based on 17% VAT tax rate.

Accordingly, we were unable to ascertain the accuracy and appropriateness of the carrying amounts of the trade payables and VAT payables, which amounted to approximately RMB 15.65 million as at 31 December 2015, as stated in Note 23.

Furthermore, due to the above-mentioned matters and the limitations and findings mentioned in point 2 of our Report, we were unable to determine the validity, accuracy and appropriateness of the carrying amounts of the trade receivables totalling RMB12,288,000 as at 31 December 2015, as stated in Note 18.

(4) Investments in subsidiaries and associated company

As stated in Notes 14 and Note 15 to the financial statements, the Group's carrying amount of its 49% owned associated company, Beijing Gongdao Environmental Protection Technology Co., Ltd ("BGDEPT") and the Company's carrying amount of its four subsidiaries as at 31 December 2015 amounted to approximately RMB 2.45 million and RMB 665 million respectively.

In view that all the Company's subsidiaries are currently not in operation, management of the Current Board is unable to carry out a review of the recoverable amount of the investment in subsidiaries companies despite indications of impairment. Accordingly, we were unable to obtain sufficient appropriate audit evidence to determine the appropriateness of the carrying amounts of the investment in the subsidiaries.

33. Comparative figures

Basis for Disclaimer of Opinion (cont'd)

(4) Investments in subsidiaries and associated company (cont'd)

For investment in the associated company, BGDEPT, management of the Current Board is unable to obtain the necessary accounting records and information necessary from management of BGDEPT for the assessment of the recoverable amount of the associate company. Accordingly, we were unable to obtain sufficient appropriate audit evidence to determine the appropriateness of the carrying amounts of the investment in the associated company, BGDEPT.

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

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

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

As stated in Note 36 (xiii), on 31 July 2018, the Company announced that BGDEPT is under voluntary liquidation. On 29 March 2019, the Company announced that BGDEPT has completed its deregistration process.

(5) Inventories

As stated in Note 16, as at 31 December 2015, the Group's inventories had a carrying amount of RMB 8,135,000. We were unable to obtain any sufficient appropriate supporting documents, information and explanations that we considered necessary to ascertain if the inventories were properly carried at the lower of its cost and its net realisable value. This is because management from the Former Board is unable to furnish us with the required supporting documents and explanations.

(6) Proceeds from placement of 72,500,000 new ordinary shares

As stated in Note 29, on 7 January 2015, the Company announced the completion of the placement of 72,500,000 warrants and 72,500,000 new ordinary shares of S$0.104 each ("Placement"). Following completion of the Placement, the total number of issue ordinary shares of the Company increased from 735,520,646 shares to 808,020,646 shares. The new shares rank pari passu in all respects with existing ordinary shares of the Company.

The 72,500,000 unlisted warrants were allotted to the subscriber. These warrants granted the right to the subscriber to subscribe for one new share for each warrant (i.e. total 72,500,000 shares) (the "Warrant Shares") at the issue price of S$0.104 per Warrant Share, for an aggregate amount of S$7,540,000. The warrants may be exercised in whole by the subscriber at any time, no later than the date falling 18 months from the issue date of the warrants. The warrants had since expired at the date of this Report (Note 29).

33. Comparative figures

Basis for Disclaimer of Opinion (cont'd)

(6) Proceeds from placement of 72,500,000 new ordinary shares (cont'd)

Following completion of the placement of 72,500,000 new ordinary shares, an amount of S$7,540,000 (being the proceeds of the placement of 72,500,000 new ordinary shares) was collected and the Company transferred S$6,000,000 (equivalent to RMB 27,858,000) to its subsidiary, XMGY on 12 January 2015 as reflected in the Company's bank statement. Upon receipt of RMB 27,858,000, we noted, from journal entries recorded in XMGY that a payment of RMB 25,000,000 was made to its supplier, Bengbu Xingyuan Environmental Protection Technology Co., Ltd ("BBXY") on 16 January 2015 as settlement of outstanding balance for purchases. According to management of the Former Board, this payment is based on suppliers' contracts signed on May 2015 instead of suppliers' invoices. We have verified this payment from XMGY to BBXY to the bank advice. We were informed by management of the Former Board that this amount was later transferred to a customer of FJDY, Shanxi Electric [see also Note 36 (iv)] by BBXY resulting in an amount of RMB 25 million due from FJDY as reflected in XMGY's journal entries.

However, management of the Former Board was unable to provide us with any other supporting documents for the journal entries except for those as mentioned above. Upon our further inquiry, management of the Former Board informed us that the proceeds were transferred to its fellow subsidiary, FJDY and the journal entries reflecting the transfer from XMGY to BBXY, and later to Shanxi Electric, was an error. We are unable to verify this representation from the Former Board.

As management of the Former Board was unable to provide us with the bank statements of FJDY that shows the RMB 25 million was transferred from XMGY nor any other supporting documents to verify on the representation made by management of the Former Board, we were unable to determine whether the proceeds had eventually reached the bank account of FJDY. Accordingly, we were unable to conclude whether the proceeds from the placement of 72,500,000 new ordinary shares of S$0.104 each had actually reached the bank accounts of the Group and/or if the Group had benefited from the intended proceeds from the Placement.

(7) Tax Provision, Current and Deferred Tax Expense

During our audit, management of the Former Board provided a copy of all the PRC subsidiaries' tax computation that were filed with the local tax authorities. As the tax computations for FJDY and AHDY did not bear any local tax bureau company stamp, we had requested for further supporting documents and explanation from management. We did not receive a response to our request.

We were also unable to perform any alternative procedures as we were not given access by the management of the Former Board to log into the tax website to verify the tax references, particularly, the amount of the tax expenses.

Our request and queries to verify the amount of the tax expenses for FJDY and AHDY continued to be denied by management of the Former Board until the management of the Current Board took over the day-to-day operations of the Group. We finally managed to get another tax computation for FJDY from management of the Current Board that contained the local tax bureau's company stamp. Consequently, we found that the tax payable amount for FJDY to be overstated by RMB 7,780,105 due to overstated profits before tax in the management accounts.

For AHDY, we have compared the tax submission form by management of the Former Board for FY 2015 to the Tax Bureau website print out (furnished by management of the Current Board) and noted that the submitted tax submission form was overstated by approximately RMB 428,000.

33. Comparative figures

Basis for Disclaimer of Opinion (cont'd)

(7) Tax Provision, Current and Deferred Tax Expense (cont'd)

For XMGY, we were allowed access to the tax website by management of the Former Board during our audit. We noted that the numbers were consistent with the tax computations that contained the local tax authority company stamp.

As management of the Current Board is unable to put through the appropriate adjustments to rectify the above discrepancies due to lack of supporting documents (as discussed in Point 8 of our Report below), we were unable to determine whether the Group's provision of taxation and tax expenses amounting to RMB 2,348,000 and RMB 2,157,000 are valid, accurate and appropriately stated.

Consequently, we were also unable to determine the correctness and appropriateness of the Group's disclosure of deferred tax balance, indicated as a zero balance, as at the end of the reporting period.

(8) Loss of Partial Accounting Books and Records and Supporting Documents and events occurring after the reporting period

As disclosed in Note 36(v), the current Board announced on 18 August 2017 that pursuant to the judgment obtained by China Construction Bank ("CCB") against the Company's wholly owned subsidiary FJDY, CCB is entitled to sell off the land use rights and property assets of a related company, Fujian Mintai Environmental Protection Co. Ltd ("FJMT") (owned by former executive Chairman, Mr Huang Min), which was previously pledged as security for the Group's unsecured bank borrowings of RMB 27 million [Note 26(3)]. As part of the handover requirements, the Longyan People Court in China had granted the Company personal access to FJDY's office premises on 26 July 2017, primarily to retrieve and recover FJDY's documents from the said office premises.

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

In view of the missing documents, we were unable to complete the required audit procedures for events occurring after the reporting period. We consider it necessary to satisfy ourselves on the possibility of material and reportable matters that might have occurred after the reporting period, in particular, those having implications to transactions, balances and matters, recorded or unrecorded as at 31 December 2015.

Consequently, we were unable to determine whether all significant subsequent events have been adequately dealt with in these financial statements with respect to disclosures, presentation and adjusting subsequent events.

(9) Going concern and legal actions against the Group

As at 31 December 2015, the Group's current liabilities exceeded current assets by RMB 181,340,000. In addition, the Group incurred a net loss of approximately RMB 450,784,000 for the financial year ended 31 December 2015.

As at 31 December 2015, the Group has bank balances amounting to RMB 63,517,000 and this is insufficient to meet its financial obligation for its short-term borrowings which amounted to RMB 173,611,000 as at 31 December 2015.

33. Comparative figures (cont'd)

Basis for Disclaimer of Opinion (cont'd)

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

As disclosed in Note 36 (viii), the following companies had issued letter of demand and filed Civil suits against the PRC subsidiaries subsequent to the end of the financial year:

(i) Longyan Dongxiao Construction Engineering Co. Ltd against FJDY for a sum of RMB 1.27 million;
(ii) Fujian Tongyong Hengxin Electrical Engineering Co. Ltd against FJDY for a sum of RMB 53,000;
(iii) Chen Bing (Brother-in-law of Group's former Executive Chairman Mr Huang Min) against FJDY for a sum of RMB 5,000,000;
(iv) Chen Wenzhong against FJDY for a sum of RMB 490,000;
(v) Wuyi Jiufeng Anzhuang Engineering Co. Ltd against AHDY for a sum of RMB 817,630 and RMB 637,380; and
(vi) Fujian Mintai Environmental Protection Co., Ltd against FJDY for a sum of RMB 3,209,712;

In addition, as disclosed in Note 36 (viii), the following banks have also taken legal actions against the PRC subsidiaries subsequent to the end of the financial year:

(i) Bank of China Bengbu against FJDY for a sum of RMB 20 million;
(ii) Bank of China Longyan against FJDY for a sum of approximately RMB 56 million;
(iii) China Construction Bank against FJDY for a sum of RMB 23 million; and
(iv) Zhongxin bank against FJDY for a sum of approximately RMB 37.2 million

The outcome of these civil suits and legal actions are disclosed in Note 36 (viii).

These civil suits and legal actions coupled with the above Points in our Report as basis for disclaimer of opinion, has created a material uncertainty with respect to the Group's cash flow management that may cast significant doubt over the Group's and the Company's ability to continue as a going concern.

As disclosed in Note 2(a) to the financial statements, the directors have prepared the financial statements on going concern basis. Based on the limited information about the Group and of the Company made available to us, we were unable to perform alternative procedures to determine the appropriateness of the use of the going concern assumption.

Apart from the above legal suits and as disclosed in Note 36(viii), the Current Board has represented that there are no new or on-going legal suits against the Group. In view of the limitation detailed in Point 8 of our Report and the change of key management, we were unable to perform any required procedures to satisfy ourselves as to whether there are any new or on-going legal suits against the Group.

34. 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 2016 were authorised for issue in accordance with a resolution of the directors dated 14 February 2020.