LEADER ENVIRONMENTAL TECHNOLOGIES LIMITED

TOWARDS **SUSTAINABILITY & GROWTH**

ANNUAL REPORT **2021**

CONTENTS

We are a TECHNOLOGY-DRIVEN environmental solutions provider.

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Dr Lin Yucheng (林玉程博士)
Executive Chairman

Ngoo Lin Fong (吴凌峰)
(Date of appointment: 15 November 2021)
Executive Director

Lim Kuan Meng (林光明)
Lead Independent Non-Executive Director

Mak Yen-Chen Andrew (麦迎程)
Independent Non-Executive Director

Lee Suan Hiang (李泉香)
Independent Non-Executive Director

Lin Baiyin (林柏银)
(Date of re-designation: 15 November 2021)
Non-Independent & Non-Executive Director

AUDIT COMMITTEE
Lim Kuan Meng *(Chairman)*
Mak Yen-Chen Andrew
Lee Suan Hiang

NOMINATING COMMITTEE
Lee Suan Hiang *(Chairman)*
Lim Kuan Meng
Ngoo Lin Fong

REMUNERATION COMMITTEE
Mak Yen-Chen Andrew *(Chairman)*
Lim Kuan Meng
Lee Suan Hiang

PRINCIPAL PLACE OF BUSINESS AND CONTACT NUMBERS
41 Science Park Road #04-11
The Gemini Singapore 117610
Telephone: (65) 6950 7700

JOINT COMPANY SECRETARIES
Lim Poh Yeow, FCCA
Lai Foon Kuen (Appointed on 21 May 2021)

REGISTERED OFFICE
38 Beach Road, South Beach Tower, #29-11
Singapore 189767

SHARE REGISTRAR
M&C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

AUDITORS
Foo Kon Tan LLP
Public Accountants and Chartered Accountants
24 Raffles Place #07-03 Clifford Centre
Singapore 048621
Partner-in-charge: Yeo Boon Chye
(Year of appointment: with effect from the financial year ended 31 Dec 2019)

PRINCIPAL BANKERS
Bank of China
Industrial and Commercial Bank of China
Development Bank of Singapore Limited
United Overseas Bank Limited
RHB Bank Berhad

CORPORATE **PROFILE**

Leader Environmental Technologies Limited is a premier provider of environmental services including system integration, equipment and product supply, project investment, engineering design procurement and construction ("EPC"), and operations and maintenance ("O&M").

The Group has expanded our business scope to include treatment of municipal sludge, industrial wastewater treatment, and production of high-performance membrane products and equipment widely used in water and sludge treatment. With new resources and expansion of our team, the Group positions ourselves as a technology-driven environmental solutions provider.

OUR BUSINESS OBJECTIVES

We provide environmental solutions with our First-of-its-Kind and sustainable technologies.

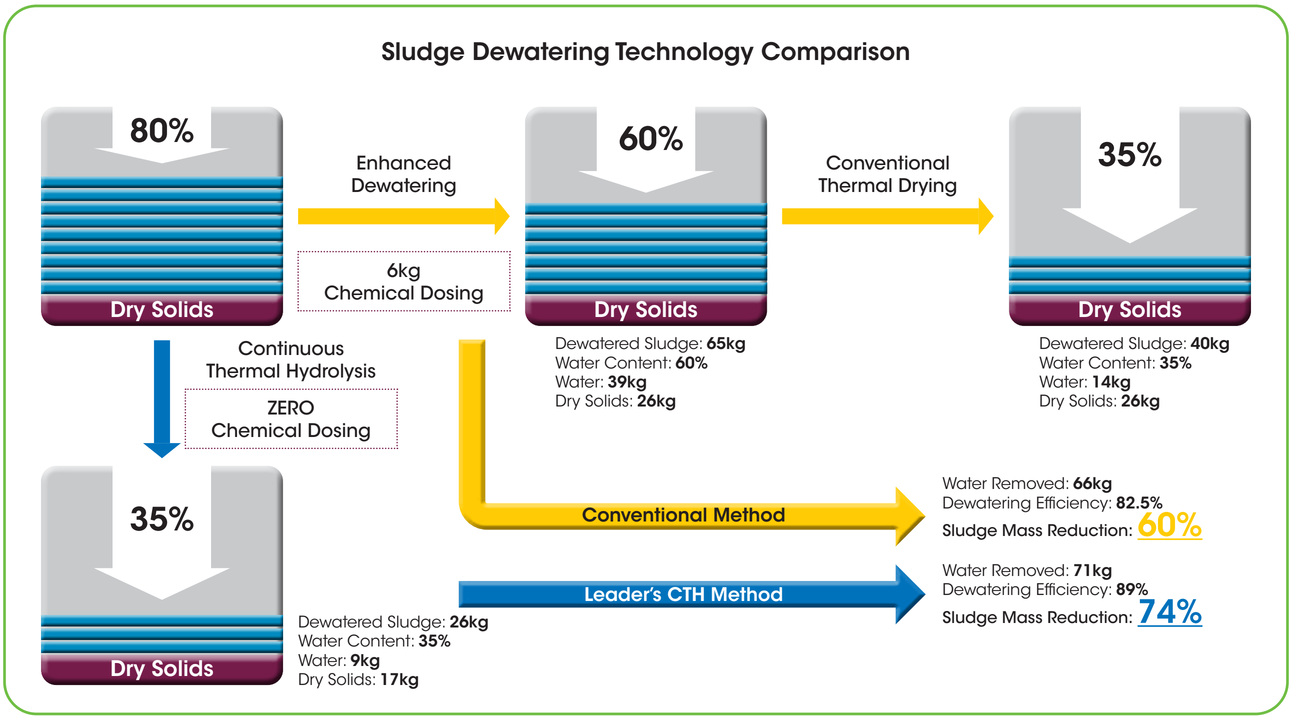
WE SOLVE CRITICAL ENVIRONMENTAL PROBLEMS IN CHINA

Sludge is usually very inconsistent in composition and most often unmanageable. Contaminants removed from the wastewater treatment process are concentrated in the sludge, which pose serious problems to health and the environment if it is not properly managed. With proper treatment and management, sludge can be recycled into valuable and renewable resource.

OUR PROPRIETARY TECHNOLOGIES

We customize our proprietary technologies to suit the characteristics of municipal sludge based on a deep understanding of the upstream wastewater treatment processes and the various sludge treatment technologies adopted in different parts of world. We have developed a unique solution based on a combination of sludge pre-treatment, Continuous Thermal Hydrolysis ("CTH"), pyrolysis (or incineration) and integrated energy recovery technology. Leader also supplies integrated equipment systems for municipal sludge management.

CONTINUOUS AND CLOSED-LOOP SLUDGE TREATMENT TECHNOLOGY



CORPORATE **PROFILE**

Leader's Continuous and Closed-Loop Sludge Treatment Technology is a cost-effective, low carbon footprint and resource recovery technology. The sludge after CTH and filter press has only 35% water content and achieves up to 70% mass reduction. Carbon emission is reduced by more than 40% as compared with conventional heat drying process.

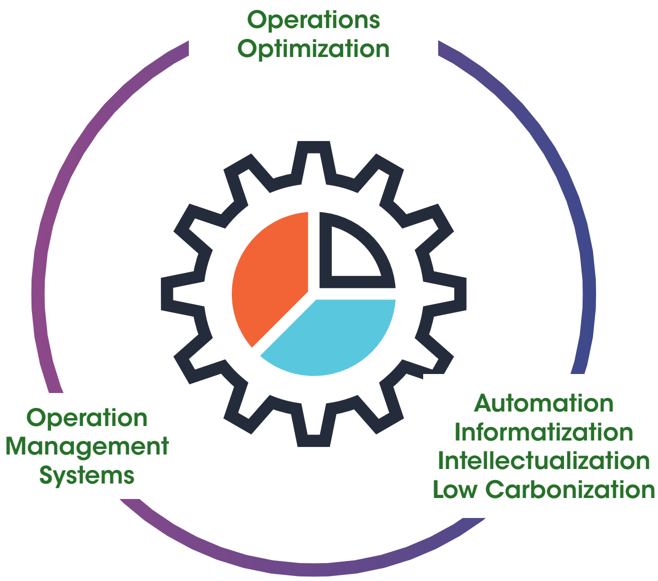
INTELLIGENT WATER AND ENERGY MANAGEMENT

Intelligent Water Management uses machine learning, digital control technology, real-time data collection and analytics to optimise solution, support proactive decisions and increase the efficiency. Unlike typical digital solutions, it includes Artificial Intelligence ("AI") with machine learning, predictive and early intervention capabilities.

Leader focuses on proprietary high-tech AI technology for intelligent water and energy management. With rich experience in realizing energy saving and cost reduction for water treatment plants, the Company integrates AI, algorithm models and proprietary concentration gradient theory to achieve informatization, digitalization, intelligence and automation of water treatment plant operations while ensuring compliance with regulatory standards and achieving maximized energy saving and cost reduction.

NANOSUN'S HYBRID MEMBRANE

- Cylindrical-hollow structure instead of flat sheet to save space
- Hybrid organic polymer and inorganic crystalline titanium membrane results in enhanced durability
- Easy to clean; non-sticky
- Cost-effective
- Uses significantly lesser chemicals
- Eliminates fouling
- Treats industrial wastewater which is recycled for industrial use
- Promotes environmental sustainability



Meet Wastewater Treatment Targets

- Compliance with standards and regulations
- Lower energy and chemical costs
- Lower carbon emissions
- Improved efficiency in operations and management

SYSTEMATIC GROWTH

Our enterprise culture of technological innovation and management efficiency provides the framework for continual improvement and value creation.

OUR CORE BUSINESS - **TREATMENT-AS-A-SERVICE**

SLUDGE TREATMENT

- Supply integrated sludge solutions for municipal/industrial sludge treatment using our proprietary technologies
- Innovative continuous thermal hydrolysis, pyrolysis process and efficient energy recovery system to achieve closed-loop sludge treatment with zero-waste discharge and full resource recovery

INTELLIGENT WATER AND ENERGY MANAGEMENT

- Treatment and recycling of highly pollutive industrial wastewater using advanced membrane-based technologies, namely, Membrane Bio-reactor ("MBR"), Continuous Membrane Filtration ("CMF") and Reverse Osmosis ("RO")
- Integrated AI technology and modeling in water and energy management

HIGH PERFORMANCE MEMBRANE PRODUCTS

- Manufacturing of high-performance NANO-hybrid membrane products, mainly for wastewater treatment to generate "surface" water for reuse
- Significantly reduces the maintenance costs of regular cleaning of membranes with chemicals and down-time

GREENTECH INVESTMENTS

- Equity investments in start-ups in technologies, high-tech products & services for environment protection

GROUP **STRUCTURE**

Leader Environmental Technologies Limited
利德环保技术有限公司

100%
Jilin Anjie Environmental Engineering Co., Ltd
吉林安洁环保有限公司

100%
United Greentech Holdings Pte. Ltd.
联合环境技术控股有限公司

60%
Nanosun Membrane Pte. Ltd.
纳阳膜科技有限公司

100%
United Greentech (Guangzhou) Co., Ltd.
联合环境投资(广州)有限公司

72%
United Kaida Greentech (Shandong) Co., Ltd.
联合凯达环境科技(山东)有限公司

70%
AlWater (Anhui) Co., Ltd.
爱沃特智慧水务(安徽)有限公司

100%
United Greentech (Tianjin) Co., Ltd.
联合环境技术(天津)有限公司

100%
Bituo Environmental Technologies (Tianjin) Co., Ltd.
碧拓环境技术(天津)有限公司

65%
United Greentech (Yishui) Co., Ltd.
联合环境技术(沂水)有限公司)

CHAIRMAN'S **STATEMENT**

"The impositions of stringent measures and travel restrictions in China to contain the pandemic have disrupted and slowed down the Group's momentum in the second half of 2021. Nonetheless, the Group managed to substantially complete its industrial wastewater project in Shijiazhuang prior to year-end while deferring the rest of the secured environmental related projects to 2022. Notwithstanding the challenges and difficulties encountered, the Group remains focussed on its strategy to transform itself into a technology-driven company specialising in sludge treatment, artificial intelligence ("AI") in wastewater treatment, and membrane technology."

DR LIN YUCHENG
Executive Chairman

REASSESS GROWTH OPPORTUNITIES

As the Covid-19 pandemic continued its rampage in 2021, it is vital for companies to reassess growth opportunities in this new normal, adapt business models to the changing business climate, and reallocate capital and resources to maximize value.

2021 was a year of transformative change as the Group sought to establish strong market presence and further develop our core business in sludge treatment, intelligent water and energy management, and membrane manufacturing and applications.

The impositions of stringent measures and travel restrictions in China to contain the pandemic have disrupted and slowed down the Group's momentum in the second half of 2021. Nonetheless, the Group managed to substantially complete its industrial wastewater project in Shijiazhuang prior to year-end while deferring the rest of the secured environmental related projects to 2022. Notwithstanding the challenges and difficulties encountered, the Group remains focussed on its strategy to transform itself into a technology-driven company specialising in sludge treatment, artificial intelligence ("AI") in wastewater treatment, and membrane technology.

It is our aim to create sustainable growth driven by technology, addressing the pressing environmental issues in water treatment and recycling, and sludge treatment and disposal, and seeking to achieve costs savings in environmental protection.

KEY MILESTONES

In the first quarter of 2021, the Group set up a joint venture ("JV") company, Nanosun Membrane Pte. Ltd. The new state-of-the-art manufacturing facility located at Tuas West Avenue is expected to be completed in first half of 2022 and has the capacity of producing 2 million m^2 of Ti-O2 PVDF high performance membrane products.

In August 2021, the Company raised net proceeds of approximately S$20.5 million (after deducting estimated expenses of approximately S$0.24 million) from a Rights Issue. The net proceeds will enable business investments and acquisitions of environmental related businesses to further the growth of the Group and fund project related expenses and payments.

In September 2021, the Group incorporated JV company, AIWater (Anhui) Co., Ltd, to undertake a long-term service contract with Tianjin Hongsheng Water Co., Ltd. to optimise the operations of six wastewater treatment plants with a combined capacity of 31,500 m^3/day and to reduce the energy and chemical costs.

Entering 2022, the Group secured a Public-Private-Partnership project with a total amount of RMB114.75 million (approximately S$24.5 million) in Bazhou city, Hebei Province, China. The project involves the design, construction and operation of a

CHAIRMAN'S STATEMENT

120 tons/day sludge treatment plant and the recycling of the treated sludge into bricks for a concessionary period of 30 years. This project will be using the Company's proprietary technologies with innovative sludge pre-treatment and efficient energy recovery system, to achieve the objectives of zero-waste discharge and resource recovery.

BUILDING RESILIENCE

AI technology is a key area for the Group to tap on the great potential for process optimisation of wastewater management. Coupling AI technology with our technical expertise in the operations and maintenance of wastewater treatment enables accurate prediction of wastewater treatment performance and intelligent control of treatment processes while delivering cost savings for our clients and ensuring compliance with discharge limits.

Amid the drive for carbon peak and carbon neutrality, there exists good market potential for the sludge treatment industry and the Group will continue our efforts to develop the sludge management segment of our business.

On the technology front, we have developed a close-loop treatment of sewage sludge using proprietary technology that integrates continuous thermal hydrolysis process and pyrolysis process to achieve greater mass reduction and lower carbon emission; the final product of biochar is then used for the manufacturing of non-sinter brick. This helps to achieve zero-waste discharge and full resource recovery.

Our team has also developed a novel technology to recover carbon source from sludge for use in wastewater treatment for enhanced nitrogen removal. This further converts the waste sludge to valuable produce, lowers chemical cost and reduces carbon emission.

In 2021, the Group had 10 patents issued and 13 patents published. This dedication to advanced technology remains the cornerstone for our sustainable corporate growth.

Furthermore, in line with our enterprise culture of technological innovation and management efficiency, we have been building a pool of talents and focusing on developing proprietary technologies to address escalating environmental issues and to provide comprehensive solutions in sludge management, intelligent water and energy management and membrane technology. As a people-centric organisation, the Group adopted the Share Option Scheme and the Share Award Plan in December 2021 to incentivise employees and align employees' interests with those of shareholders.

In order to propel the Group to a stronger position, our focus is on developing systematic approaches based on good technological capabilities and emerge from the crisis in a stronger position. While the business environment in China still poses a challenge to the Group and we may need to be prudent in our investment in environmental projects, I am optimistic that, with careful executions and leveraging of technologies, and taking into consideration its order book, the Group will step up its efforts in the coming year to improve its financial performance.

APPRECIATION

In view of the Group's future growth and increasing business activities and operations in China, I am pleased that Mr Li Li assumed the role of the Chief Executive Officer ("CEO") of the Group since 1 September 2021. Mr Li devotes majority of his time in China, enabling closer links to our customers and markets and enabling him to explore potential business opportunities more closely as well as negotiate and secure new projects more efficiently.

I also welcome Mr Ngoo Lin Fong, who has taken on the role of Executive Director/Finance Director of the Group. Mr Ngoo's appointment augments the Group's new strategic focus and ongoing business transformation. I would also like to thank Mr Lin Baiyin for his past contributions as he will retire from the Board at the conclusion of the forthcoming Annual General Meeting.

Last but not least, I would like to express my gratitude for the continued support and trust from our shareholders, customers, management team and employees.

DR LIN YUCHENG
Executive Chairman

BUILDING RESILIENCE

Through sustainable growth driven by technology and supported by a strong pool of talents.

OPERATIONS & FINANCIAL **REVIEW**

REVENUE

In FY2021, the bulk of the increase in the revenue of RMB36.2 million or 263.0% was derived mainly from our maiden industrial wastewater project in Shijiazhuang. This contract generated RMB47.5 million of revenue in FY2021, which accounted for 95.3% of the revenue in FY2021.

PROFITABILITY

Cost of sales constituted 75.6% and 74.6% of our revenue in FY2020 and FY2021 respectively. Cost of sales increased by RMB26.8 million or 258.2% due mainly to the substantial work performed for the industrial wastewater project in Shijiazhuang and expensed off one-off other project related costs.

Overall gross profit increased by RMB9.3 million or 277.5% and gross profit margin improved marginally by 1% in FY2021 when compared with FY2020.

OPERATING INCOME AND OPERATING EXPENSES

The increase in finance income of RMB0.3 million in FY2021, from RMB23,000 in FY2020 to RMB0.3 million in FY2021 was mainly due to higher interest earned from the funds deposited with banks in PRC.

Other income was higher by RMB0.5 million in FY2021, from RMB0.4 million in FY2020 to RMB0.9 million in FY2021 due largely to RMB0.6 million government grant received from the Singapore Government due to the COVID-19 pandemic.

Selling and distribution expenses increased by RMB4.0 million, from RMB1.4 million in FY2020 to RMB5.4 million in FY2021. The bulk of the increased costs of RMB4.0 million relates mainly to the payroll and related costs incurred on the Tianjin subsidiary as it was incorporated in 4Q2020. Final settlement of outsourcing fees with employment agency further added to the cost in current year.

Administrative expenses increased by RMB8.7 million in FY2021, from RMB13.9 million in FY2020 to RMB22.6 million in FY2021 attributed mainly to the higher payroll and related costs relating to the subsidiaries in Guangzhou and Tianjin as previous years' payments were less than 6 months. The headcount additions and operating expenses of newly incorporated subsidiaries also contributed to the increase.

Finance costs was lower by RMB3.9 million in FY2021, from RMB5.0 million in FY2020 to RMB1.1 million in FY2021 due to full repayments of the FY2020's bank borrowings on 31 March 2021. A fresh loan of RMB27.4 million was drawn down in August 2021 for financing the outright lease payments of the land and building, mainly for the purpose of the membrane manufacturing facility.

There was lower impairment loss of RMB0.3 million in FY2021 as compared with RMB46.5 million in FY2020 as the indication of impairment for the ending balances of the financial assets as at 31 December 2021 was assessed to be low.

There was a write-back of impairment loss of RMB25.7 million in FY2021 due mainly to the recovery of the remaining long outstanding advances of RMB22.4 million in accordance with the settlement agreement with the third party.

Other expenses increased by

OPERATIONS & FINANCIAL **REVIEW**

RMB0.4 million in FY2021, from RMB2.8 million in FY2020 to RMB3.2 million in FY2021 due mainly to higher exchange loss of RMB0.6 million.

In FY2021, income tax payable of RMB2.3 million was recorded as a result of the profit registered by the Tianjin subsidiary due to the profit generated during FY2021. The income tax payable for the year ended 31 December 2021 was RMB2.3 million as opposed to a tax refund of RMB75,000. The overall effective tax rate was higher than the statutory rate of 25% due to the non-recognition of deferred tax assets arising from losses of certain subsidiaries.

In view of above, the Group reported a profit after taxation for the financial year ended 31 December 2021 of RMB4.7 million, a turnaround from a loss after taxation of RMB64.9 million for the financial year ended 31 December 2020.

FINANCIAL POSITION

The non-current assets was RMB42.4 million or 579.1% higher due to additions of property, plant and equipment and rights-of-use assets amounting to RMB49.2 million in aggregate. In addition, there was newly acquired sludge treatment patents amounting to RMB1.8 million. The increase of RMB51.0 million was partly offset by the currency re-alignment of RMB0.9 million, routine depreciation and amortisation of RMB1.9 million and RMB0.2 million respectively, and disposals/written off assets amounting to RMB5.7 million during the financial year.

Current assets increased by RMB64.0 million or 67.9% as at 31 December 2021 due to higher contract assets of RMB28.9 million as a result of substantial completion in the industrial wastewater project in Shijiazhuang, bank balances, deposits and cash of RMB44.5 million due to the unutilised net proceeds from the right issue exercise which was completed in 3Q2021, partly offset by the decrease in trade and other receivables of RMB8.9 million.

Lower trade and other receivables were mainly due to substantial settlements of amount due from a former subsidiary, advances to trade suppliers and advances to third party amounting to RMB29.6 million in aggregate. However, this was offset by higher retention receivables of RMB2.5 million from certain completed projects, advances made to related company for the procurement of equipment, systems, machineries, and services amounting to RMB8.2 million, higher VAT receivables of RMB4.7 million from the tax authority in respect of the procurement of equipment, systems and machineries for the membrane business and Shijiazhuang project, and higher tender and security deposits of RMB4.9 million.

Current liabilities decreased by RMB38.2 million or 51.9% due to lower bank borrowings of RMB21.5 million as the short term loans obtained from China Merchants Bank in previous financial year were fully repaid, trade and other payables of RMB31.6 million due mainly to repayments, absence of contract liabilities of RMB1.7 million as the advances from customers were charged to projects due to work performed, partly offset by higher lease liabilities of RMB0.3 million due to additions in rights-of-use assets ("ROU"), other liabilities of RMB14.0 million mainly for the procurement of supplies, systems, equipment, machineries and accrued capital expenditure for the membrane business and Shijiazhuang project, and income tax payable of RMB2.3 million as a result to the profit generated by the subsidiary in Tianjin. There was no such corporate tax payable as at 31 December 2020 as the Group was in a loss making position.

Non-current liabilities increased by RMB24.5 million due to bank borrowings of RMB23.6 million to finance the outright lease payments of the land and building mainly for the purpose of membrane manufacturing facility, increased lease liabilities of RMB0.5 million due to additions in ROU assets and provision of restoration costs of RMB0.4 million in relation to the membrane manufacturing facility.

CASH FLOW POSITION

Net cash used in operations was RMB20.8 million in FY2021 as compared with net cash from operating activities in FY2020 of RMB10.0 million due to higher working capital requirements needed to substantially complete the industrial wastewater project in Shijiazhuang in 4Q2021, and the repayments to trade suppliers.

Net cash used in investing activities of RMB40.9 million was mainly attributable to the acquisition of property, plant and equipment of RMB45.4 million and acquisition of subsidiary, net of cash of RMB1.0 million, partly offset by proceeds from disposal of property, plant and equipment and sale and leaseback transaction, and interest income received of RMB5.1 million and RMB0.3 million respectively.

Net cash from financing activities of RMB106.4 million was mainly due to the net proceeds received from the Rights Issue of RMB98.3 million, proceeds from bank borrowings of RMB27.4 million, and capital contributions from NCI of RMB17.8 million, partly offset by repayments of bank borrowings of RMB24.8 million, repayments to related party of RMB7.3 million, lease liabilities of RMB1.0 million, bills payable of RMB3.0 million and interest paid of RMB1.0 million.

BOARD OF **DIRECTORS**

DR LIN YUCHENG
Executive Chairman

Dr Lin Yucheng is a reputed entrepreneur who founded and invested in a spectrum of environment-related businesses in the last 30 years. He founded and served as CEO to CITIC Envirotech Ltd (CEL, formerly known as United Envirotech Ltd), and successfully groomed it into a billion-dollar market capitalization company. Under his leadership, CEL became a fully integrated environmental solution provider and attracted the support of world-class investors such as KKR and the CITIC Company.

Dr Lin is a well-regarded Environmental, Health and Safety ("EHS") consultant, environmental scientist and a specialist in water treatment technology. He is one of the pioneers in developing and applying Membrane Bioreactor (MBR) technology for treating chemical and petrochemical wastewater in China.

Dr Lin served as advisor to the Singapore government on environment and water industry and was awarded Top Ten Outstanding Individual Contributor to the Environment in 2010 by the Chinese Central Party Academy. He was also a member of the ISO (International Organization for Standardization) Technical Committee 207. Dr Lin received his Ph.D. from Imperial College, London in 1988.

MR NGOO LIN FONG
Executive Director/
Finance Director

Mr Ngoo Lin Fong is responsible for the strategic financial planning, investments, mergers & acquisitions and fund raising for the Group.

Mr Ngoo was previously the Chief Financial Officer ("CFO") of CITIC Envirotech Ltd and prior to that, he was the Audit Manager at Deloitte & Touche LLP. He has more than 20 years of financial and accounting experience.

Mr Ngoo holds a Master degree in Applied Finance and a Bachelor degree in Business (Accountancy). He is a member of the Institute of Singapore Chartered Accountants and CPA Australia.

BOARD OF **DIRECTORS**

MR LIM KUAN MENG
Lead Independent Non-Executive Director

Mr Lim Kuan Meng is currently the Managing Partner of Pinnacle Partnership LLP and JB Chua & Co. Running 2 practices with a staff strength of 12 people, he manages a number of clients whose businesses include, manufacturing of printed circuit boards, wastewater treatment, distribution and trading of paper packaging products, and semiconductor assembly.

Mr. Lim spent about 18 years in Deloitte & Touche LLP where he was admitted as Partner in 2007 and left the firm in end July 2013. He was part of the engagement team in getting Sound Global Limited, Sinomem Technology Limited, Sunpower Group Ltd and Keppel Infrastructure Trust (previously known as k-Green Trust) listed on the Stock Exchange of Singapore. In his capacity as the partner, he overlooked some of the reputable listed companies on the SGX, notably Keppel Corporation Limited and Citic Envirotech Ltd (previously known as United Envirotech Ltd).

Currently he is also an independent non-executive director of Triyards Holdings Ltd (under judicial management), serving in the post of Chairman of Audit Committee. He was previously sitting on the board of Falcon Energy Group Limited as an independent non-executive director serving as the Chairman of the Nominating Committee. He holds a Bachelor of Accountancy (Merit) from the Nanyang Technological University and is a member of the Institute of Singapore Chartered Accountants.

MR MAK YEN-CHEN ANDREW
Independent Non-Executive Director

Mr Andrew Mak is a practising lawyer with more than 26 years of experience in legal practice. His current practice focuses on mergers and acquisitions, joint ventures, securities and capital markets, listed company work, general corporate/commercial work and cross-border transactions. Andrew is also familiar with corporate governance.

He is currently a consultant with Fortis Law Corporation and an independent director of Falcon Energy Group Limited (a company listed on the Main Board of the SGX-ST) and Far East Group Limited (listed on the Catalist Board of the SGX-ST). He is also a member of the Advisory Board of Executives' Global Network (Singapore), as well as a board member of The Singapore Lyric Opera Limited.

Mr Mak was awarded the Public Service Medal (PBM) by the President of Singapore in the 2012 Singapore National Day honours list. He graduated from the National University of Singapore in 1994 with a Bachelor of Laws (Second Class Honours Upper Division).

BOARD OF **DIRECTORS**

MR LEE SUAN HIANG
Independent Non-Executive Director

Mr Lee Suan Hiang had a varied career in both the public and private sectors, as Deputy Managing Director of the Economic Development Board and Chief Executive of SPRING Singapore, National Productivity Board, Singapore Institute of Standards and Industrial Research, National Arts Council and the Real Estate Developers' Association of Singapore. He was also Chairman of PSB Corporation, President of EDB Society, Deputy Chairman of the International Federation of Arts Councils and Cultural Agencies and Council Member of the International Standards Organisation.

He is currently Chairman of Global Cultural Alliance, Chairman of Anacle Systems Ltd and Independent Director of MindChamps PreSchool Ltd. He was awarded the National Day Public Administration Gold Medal in 1998 and Public Service Medal in 2019; World Academy of Productivity Science Fellowship Award in 2000; World SME Association Award in 2001; Japan External Trade Organisation Award in 2002; Asian Productivity Organisation Honorary Fellowship Award in 2004; Chevalier de l'Ordre des Arts et Lettres from Republic of France in 2010; and NTUC Friend of Labour Award in 2012 and Meritorious Service Award in 2020.

MR LIN BAIYIN
Non-Independent & Non-Executive Director

Mr Lin Baiyin began his career in Wastewater Treatment in 1994 and is the Vice President of the Fuzhou Chamber of Commerce in Changchun City.

Mr Lin holds a Diploma in Commercial Economic Enterprise Management from the School of Continuing Education of the Beijing Normal University in 2000. He obtained the senior economist qualification from the Jilin Provincial Personnel Department in 2009.

In 2001, Mr Lin was conferred the PRC's Outstanding Environmental Science and Technology Industrialist Award by the China Society for Environmental Sciences. In October 2009, he was conferred the Outstanding Entrepreneur of the China Association of Environmental Protection Industry award by the CAEPI.

KEY **MANAGEMENT**

MR LI LI
CEO

Mr Li Li joined the Company as Deputy Chief Executive Officer and was appointed as Chief Executive Officer ("CEO") on 1 Sep 2021. He is responsible for the strategic planning, operations, engineering solution and business development of the Group.

After graduating from university, Mr Li was engaged in the design, construction and operation of water supply and drainage and environmental engineering projects. He was involved in various membrane-based industrial wastewater treatment projects in sludge and hazardous waste treatment in the past 30 years and has received many prestigious awards for his contribution. For the past decade, he served as Senior Deputy CEO of CITIC Envirotech Ltd.

Mr Li holds a Bachelor degree in Civil Engineering with specialty in Environmental Technology from Tianjin University, China and is a Singapore Permanent Resident. He is a registered Professional Engineer for water and wastewater treatment in China and has been awarded a number of China provincial and ministerial level scientific and technological progress awards and excellent engineering design awards.

DR YAN HUAIGUO
Chief Technology Officer

Dr Yan Huaiguo is responsible for engineering design and implementation for projects, as well as technology applications.

Dr Yan with his expertise in sludge treatment, membrane-based industrial wastewater treatment has won numerous national and provincial excellent design awards. Having led in major projects with outstanding results, Dr Yan gained media coverage in China for his achievements in upgrading and expanding wastewater treatment with innovative technology.

Dr Yan obtained his PHD in Environmental Engineering from Tianjin University, China and previously worked at North China Municipal Engineering Design and Research Institute and CITIC Envirotech Ltd.

KEY **MANAGEMENT**

PROF DARREN SUN
Nano-Membrane Scientist

Prof Darren Sun is an internationally renowned scientist and engineer in the fields of nano materials and 3D printing membranes for sustainable water and energy applications. He has been engaged by various multi-international companies and government agencies especially PUB for the development of the NEWater process.

The commercialization of his pioneering research work at NTU has received strong support from NTU and EDB and his nano 3D printing membrane was chosen as a Top 5 technology at the 2019 Global Water Summit Technology Competition held in London. Leader entered into a joint venture with Nanosun Pte Ltd, founded by Prof Sun, and incorporated Nanosun Membrane Pte Ltd in Jan 2021.

Prof Sun obtained his PhD degree in Chemical Engineering from The University of New South Wales, Australia. He is a IWA Fellow, Chair and Deputy Chair for International Water Associate ("IWA") Specialist Group on Chemical Industries and Nano/Water Group. He has won numerous prestigious international awards and was a Distinguished Shimizu Professor at Stanford University.

MR GUO HAIJUN
General Manager,
Sales & Operations

Mr Guo Haijun oversees the Business Development and Marketing function. He has almost 20 years' experience in the environmental protection industry and his expertise is in wastewater treatment, municipal sludge and hazardous waste management and advance membrane technology.

In his previous employment, Mr Guo has directed wastewater treatment projects for major China petrochemical companies and many domestic chemical parks in his previous engagement. As the Deputy General Manager, he successively led his team to clinch major projects for the company.

Mr Guo graduated with a Master degree in Automation Engineering from Tian Kong University, Tianjin, China.

KEY **MANAGEMENT**

MR LIM POH YEOW
CFO

Mr Lim Poh Yeow joined the Company in May 2008 as Group Chief Financial Officer ("CFO"). Currently, he oversees the Group's financial reporting, tax, regulatory compliance and corporate secretarial matters. He has more than 17 years of experience in finance and accounting. Prior to joining the Company, he worked as an auditor in Ernst & Young LLP, an accountant at Arrow Asia Pac Ltd, a company in the semi-conductor industry, financial controller and CFO in Sinogas Holdings Pte Ltd and Xinde Food Holdings Pte Ltd respectively, assisting both companies in their listing applications.

Mr Lim obtained his professional qualification in the Association of Chartered Certified Accountants ("ACCA") in 2004. Presently, he is a fellow member of the ACCA, and an associate member of the Institute of Singapore Chartered Accountants.

DR GUO CHENGHONG
Deputy CTO

Dr Guo Chenghong joined the Company as Deputy Chief Technology Officer ("CTO") in August 2020. He is currently responsible for technology development and application including CTH & pyrolysis and smart water and energy management for wastewater treatment plants. He is a specialist with more than 14 years of experience in sludge, wastewater and solid waste treatment and has extensive research and practical experience in biological nitrogen and phosphorus removal, sludge and kitchen waste treatment.

Dr Guo has successively published numerous international patents on sludge anaerobic treatment in China. His patents cover intelligent energy conservation and consumption reduction, sludge carbon source, multi-stage fenton and precise aeration.

Dr Guo previously served as Senior Manager of CITIC Envirotech Ltd and Senior Research Fellow of Nanyang Environmental and Water Research Institute ("NEWRI") and received his PhD in Environmental Engineering from Nanyang Technology University, Singapore.

KEY **MANAGEMENT**

MR SHI YINGJUN
Deputy General Manager

Mr Shi Yingjun provides technological support for projects, overseeing the implementation and overall operations.

With his vast knowledge and experience in municipal sludge treatment and solid waste management, Mr Shi is also directly involved in developing sludge CTH technology which can achieve significant energy saving, reduction in consumption and carbon emission in line with the global focus of carbon neutralization.

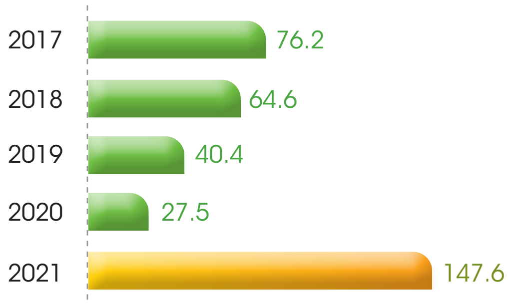
Mr Shi graduated from Harbin Institute of Technology, China with a Master degree in Environmental Science and Engineering. He is a Registered First-Class Constructor and Senior Engineer in China.

ENABLING SUSTAINABILITY

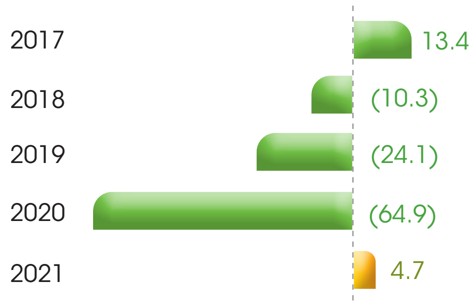
Driving transformative change through technology and design of policies and practises to deliver positive social impact and create positive value for the environment

FINANCIAL **HIGHLIGHTS**

NET ASSETS (RMB' MILLION)

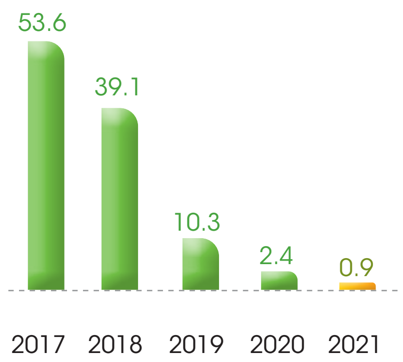


PROFIT/(LOSS) AFTER TAX (RMB' MILLION)



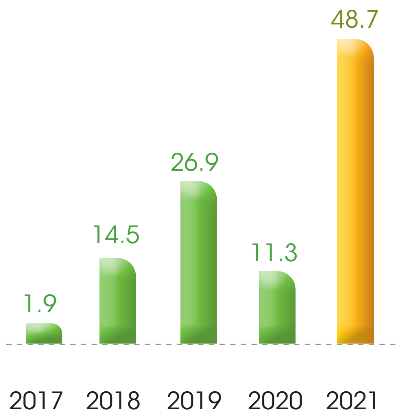
REVENUE (RMB' MILLION)

DUST ELIMINATION

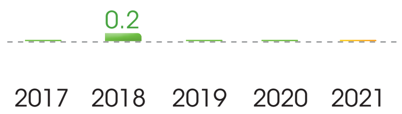


DESULPHURIZATION

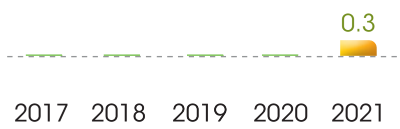
INDUSTRIAL WASTEWATER



DESIGN & TECHNICAL SERVICES



SALES OF PARTS



SUSTAINABILITY **REPORT**

The Sustainability Report ("SR") covers the sustainability practices and performance of the Group. The SR is prepared based on the requirements of Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Rules 711A and 711B and Practice Note 7.6 (Sustainability Reporting Guide), with reference to the Global Reporting Initiative ("GRI") Standards: Core Option, an internationally recognised framework which forms the core of the Group's disclosure for sustainability reporting. The GRI Content Index is identified at the end of this SR. We seek to comply with, or explain our deviations from, the relevant requirements through the disclosure of selected performance measures of our significant assets in Singapore and China.

Our approach is to focus on the four material topics of our sustainability strategies which are aligned with our core beliefs and business priorities. We continue to refine our practices to identify and manage key environmental, social and governance ("ESG") factors that are material and relevant to the Group and our key stakeholders, including those topics highlighted in our previous Sustainability Report in 2020 through a materiality exercise that considers the developments of our business and evolving stakeholder concerns.

Our SR describes Management's roles and responsibilities over these ESG factors in addition to how the Group's interests are aligned with the evolving needs and concerns of our key stakeholders. The Group's audited financial statements are audited independently by external auditors. We strive to be transparent and provide regular opportunities for review of our SR.

In December 2021, the SGX-ST announced changes in its guidance with regard to environmental, social and governance management reporting, as well as the implementation of climate-related disclosures based on recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). The Group will work towards complying with the new requirements and make adjustments in future reports starting from FY2022.

BOARD STATEMENT

This is our fifth SR approved by the Board of Directors ("BOD") and Management. The Group is undergoing transformation to develop into a technology-driven company, specialising in sludge treatment, artificial intelligence ("AI") in wastewater treatment, and membrane technology. In addition to exploring ways and opportunities to build sustainable businesses, the Group is committed to environmental stewardship through responsible business practices and is progressively guiding and designing policies and practices towards sustainable solutions not just internally but also in our services and products to our clients through implementing greener solutions.

We are tapping into our expertise to design industrial wastewater and sludge treatment systems that reduce carbon emission and will continue to explore opportunities in renewable energy. New business opportunities have arisen as companies make the transition to greener and low-carbon approaches. The Group hopes to contribute to the realization of net-zero emissions targets with our clients using our proprietary technologies and enhanced processes in response to global climate goals.

Policies and practices are designed to promote environmental awareness and create an enabling system throughout the Group to ensure sustainable growth and align ourselves with country specific and international climate-related targets.

As we seek to ride out the COVID-19 pandemic and economic crisis in a stronger position, transformative change driven by technology allow efficient changes at a larger scale such as using AI in designing wastewater treatment systems so as to reduce the overall treatment costs, especially energy and chemical costs. We are also conscious about communicating the same goals and plans downstream and throughout the organisation, and we continue to work closely with our stakeholders to meet the various stringent regulatory requirements.

SUSTAINABILITY **REPORT**

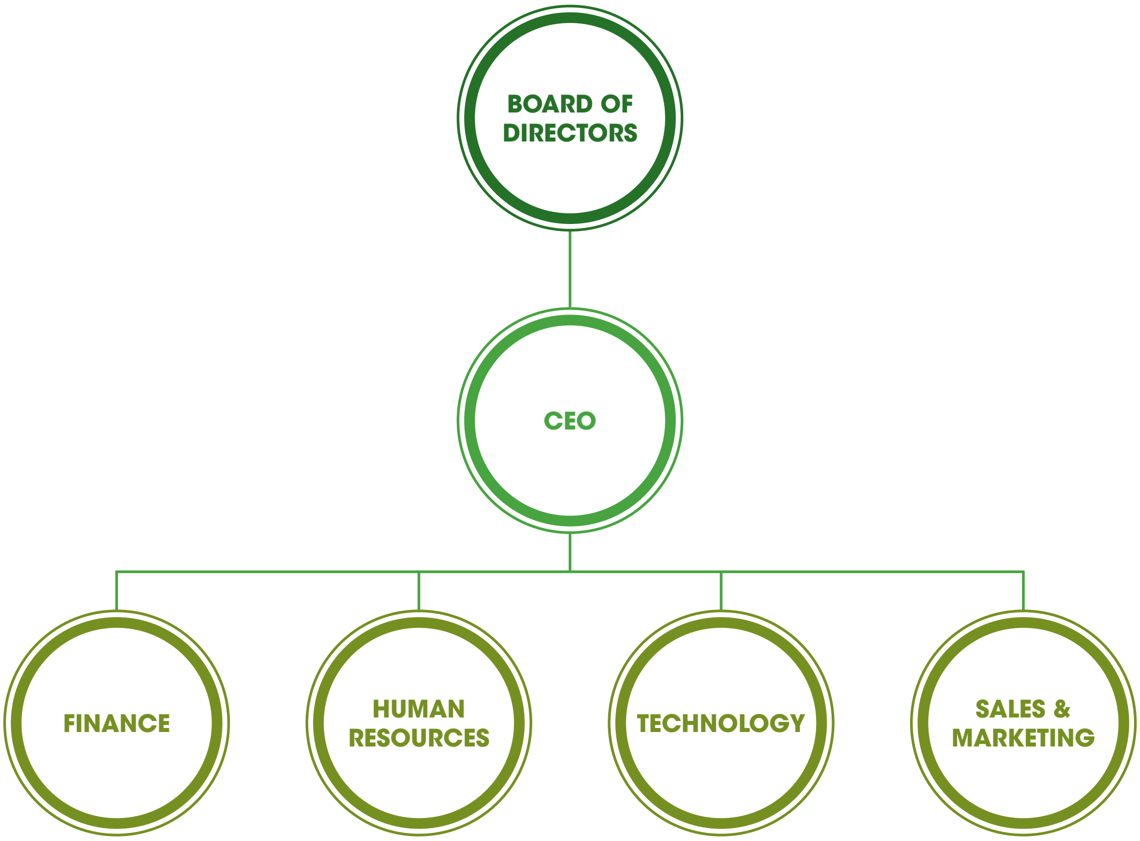
The Group strives to deliver positive social impact, create positive value for the environment, and improve on our existing sustainability practices for a sustainable future.

FEEDBACK

Your feedback is an important way for us to improve our sustainability practices. For any feedback, comments or suggestions regarding the SR, please contact Mr. Lim Poh Yeow, CFO, at pohyeow@leaderet.com.

REPORTING STRUCTURE

Our sustainability strategy is developed and directed by the key management in consultation with the BOD. Key management executives and key managers of business units are tasked to develop the sustainability strategy, review material impacts, and develop policies with a view of meeting sustainability goals and stakeholder priorities. The key managers are also required to collect, verify, monitor, and report performance data for the preparation of the SR.



SUPPLY CHAIN MANAGEMENT

The Group believes in building a resilient and sustainable supply chain, and has procurement policies over the selection of suppliers and our procurement process.

SUSTAINABILITY **REPORT**

The main suppliers of the Group comprise suppliers of raw materials, systems and equipment to our business operations and subcontractors. For suppliers, we will perform the necessary due diligence checks based on the evaluation criteria established in accordance with the Group's procurement policies before entering any transaction with them. Subcontractors are typically engaged for integration of equipment and systems, installations and civil engineering works for our projects.

In situations where several suppliers meet our project requirements, the Group will select those with a good reputation for being environmentally and socially responsible. This underpins our commitment to a sustainable supply chain.

STAKEHOLDER ENGAGEMENT

We have identified and prioritised five key stakeholder groups. Through various channels, we seek to understand their expectations and interests and establish meaningful two-way communication so we can adjust and improve business practices as appropriate.

STAKEHOLDER	KEY CONCERN	ENGAGEMENT PLATFORM
Shareholders	The Group operates as a going concern and builds relations with investors	Annual reports Half year and full year condensed interim financial statements Various investors' meetings, analysts' briefings and corporate roadshows Annual general meetings Corporate website
Clients	Products can meet stipulated emission and climate-related requirements	Pre-tender meetings Site visits Face-to-face meetings
Suppliers	Impact on purchase orders of raw materials, systems, and equipment	Project progress meetings On-site inspections Emails and phone calls
Employees	Stable, safe, and conducive working environment to thrive in	Office setup with proper lighting and equipment Well stocked pantry Proper safe distancing, supply of sanitiser, masks, and ART kits Flexible work arrangements and hours when applicable
Regulators	Rules and regulations are adhered to	Third party consultations Regulatory inspections Trainings and course attendance Discussion forums Routine monitoring of communications from regulatory agencies, including through mass media

SUSTAINABILITY **REPORT**

MATERIALITY ASSESSMENT

The Group adopts a targeted approach using questionnaires to determine ESG factors and material factors which are of high importance to our key stakeholders and with significant impact on the Group's businesses. Our materiality approach is closely guided by our core shareholder value and long-term sustainability of the Group's business.

ESG factors are ranked based on two parameters: importance to key stakeholders and impact on the Group's business. Additional priority on occupational health and safety in response to the evolving COVID-19 situation and our associated health measures is elaborated in the "Managing COVID-19" section of this SR.

Our targets and performance are elaborated below:

Key ESG Factors	Prior Year Targets	Progress Update on Prior Year Targets	Present Year Targets
Business Discipline	Refresh business strategy with sustainability as a focus and reorganize for growth by: a) Transforming into green high-tech Environmental Treatment as-a-service provider to focus on the following: – Sludge Treatment – Industrial Wastewater – High performance membrane specialist – Greentech Investments b) Aim to win projects on sludge and industrial wastewater treatment which will generate stable and recurring income.	The Group has made significant progress in the transformation into a Green High-Tech Environmental Treatment-as-a-Service Provider and was issued with 10 patents and published 13 patents. We have secured a Public-Private-Partnership project for the design, construction, and operation of sludge treatment plant which will generate stable and recurring income for a concessionary period of 30 years.	Further develop proprietary technologies to meet increasing stringent regulatory requirements while creating cost savings for our clients. Expend greater efforts to secure more projects on sludge and industrial wastewater treatment which will generate stable and recurring income. Apply AI technologies to enhance solutions provided to clients, with a view to optimise operational performance, reduce energy consumption and realise emission reduction goals in our projects.
Product Excellence	Focus on delivering quality sludge and industrial wastewater services Commence production of Nano-Hybrid filtration membranes by end of 2021.	Our proprietary sludge treatment technologies are more effective in solving sludge-related problems at a lower cost and greater efficiency In view of the logistic challenges and manpower crunch due to the COVID-19 pandemic, the membrane manufacturing facility is expected to be operational by the first half of 2022.	Further advance our CTH technology to achieve greater effectiveness and efficiency. Commence production of Nano-Hybrid filtration membranes in the second half of 2022.

SUSTAINABILITY **REPORT**

Key ESG Factors	Prior Year Targets	Progress Update on Prior Year Targets	Present Year Targets
Occupational Health and Safety	Maintain zero accident rate by continuous compliance with our stringent policies in place and promoting a healthy lifestyle and preventing occupational injuries and illnesses to be part of everyday work.	There have been no incidents reported in 2021. All employees are vaccinated against COVID-19.	Maintain zero incident via continuous compliance with our Occupational Health and Safety ("OHS") Management system and proactive approach to identify potential threats. Strictly adhere to measures imposed by local health authorities to manage the risk of exposure to COVID-19.
Human Capital Development	Continue to invest in people development to grow the capabilities of our workforce by upskilling.	In 2021, the Group had 10 new hires to maintain proper staffing level. All new hires undergo on the job trainings as part of the job orientation and regular project team zoom meetings are conducted for technology knowledge exchanges and discussions. All employees attended training courses catered to them according to the skill sets required for their roles. The Leader Environmental Technologies Employee Share Option Scheme and Share Award Plan were approved by shareholders at an extraordinary meeting in December 2021. The Group intends to implement the share option scheme to incentivise our people and align employees' and shareholders' interest.	Bridge knowledge gaps by sending employees for periodic trainings. Build cohesive working team through team building activities and providing a positive working environment for the team. Setting of specific key performance Indicators ("KPIs") to measure the performances of the employees who are eligible to participate.
Corporate Governance	Comply with the mandatory listing requirements and revised code of corporate governance as the Board reckons that maintaining a high standard of corporate governance is essential to the long-term sustainability of the Group's business and performance.	The Group remains committed to compliance with regulations and uphold best practices in corporate transparency, strict adherence to legislations and environmental laws. The Group's policies were reviewed and updated as part of a routine annual review.	Continue to uphold best practices to protect the interests of our valued stakeholders. Provide climate-related disclosures based on recommendations of the TCFD for FY2022.

SUSTAINABILITY **REPORT**

RISK AND OPPORTUNITIES

As COVID-19 continues to evolve in 2021, businesses have to grapple with logistical disruptions, travel restrictions and other measures which had a negative impact on operations and dampened opportunities. Despite the challenges, supported by our proprietary sludge treatment and AI water technologies, we continue to be optimistic of the immense market potential of the sludge treatment and water treatment industry in China. As the world grapples with new strains of the virus, we are also adapting to the new norm and finding ways to go around the hurdles posed and realise opportunities.

There is a shift in focus to support new ways of working and address needed changes in the business climate in the new normal. Continual evaluation of the Group's risks and opportunities remains crucial to recalibrate the Group's risk tolerance and risk management in a timely manner. Our goal is to build business resilience and tap into new opportunities via optimal allocation of capital and resources to maximise shareholder returns.

The Group's compliance with statutory provisions and recommended guidelines is monitored through regular reporting from the key managers to the Management. Close collaborations and timely communications between Management and the BOD ensures that our risk management is effective. The BOD is informed in full of the status of risk management during each board meeting.

ECONOMIC AND ENVIRONMENTAL EFFORTS

The Group promotes environmental sustainability in daily business and for our clients. It is a conscious effort to integrate protection and enhancement of the environment with economic objectives in our business strategy. The Group is acutely aware of the environmental impact for every economic decision it undertakes, and we ensure that environmental compliance, health and safety standards are upheld, and current laws and regulations are fully adhered to.

Innovation and continuous improvement are always part of the Group's ethos to transform new ideas into results through ethical and environmental practices.

PRODUCT EXCELLENCE

Product excellence is and will always be a part of our corporate DNA. Research and development is an integral part of our technology team and the Group was issued with 10 patents and published 13 patents in FY2021. Our proprietary close-loop treatment of sludge can achieve greater mass reduction with lower carbon emission while attaining zero-waste discharge and full resource recovery goals. Our novel technology to recover carbon source from sludge for use in wastewater treatment not only enhanced nitrogen removal but can also convert waste sludge into valuable produce with lower chemical cost and reduced carbon emission.

OCCUPATIONAL HEALTH AND SAFETY

Protecting the health and safety of employees, contractors, clients as well as the communities in which we operate is of paramount importance to the Group. We are focused on mitigating and minimizing any potential risks.

We continually enhance and improve the occupational health and safety management systems and stress the importance of adherence to safe work procedures to our employees. This management system covers all employees at their respective workplace.

SUSTAINABILITY **REPORT**

Specific pre-employment training is one of the activities carried out and strictly observed in view of the potential risks at the work sites and when operating equipment and machineries at work. Qualified and experienced project managers supervise and provide guidance to workers.

We are glad to report that in FY2021, the Group maintained excellent safety performance by achieving our goal of zero occupational accident and will continue to strive to uphold this achievement.

MANAGING COVID-19

As we faced new variants of COVID-19 in 2021, the Group continues to implement mandatory and recommended guidelines from the local health authorities in Singapore and China. Zoom meetings are the main communication channel. We continued to implement safe management practices and provide free access to sanitizers, masks and ART kits for employees. In addition to the above measures, regular cleaning and disinfection of office premises are conducted.

For the new membrane manufacturing facility fit-out and set-up, we adopted safety measures to alleviate the risks of potential COVID-19 outbreaks by fulfilling the requirements of both recommended and regulated guidelines. Vendors and contractors are required to follow same requirements.

In addition, adherence to all local guidelines and regulatory requirements prescribed by the government and main contractor is strictly implemented at all project sites.

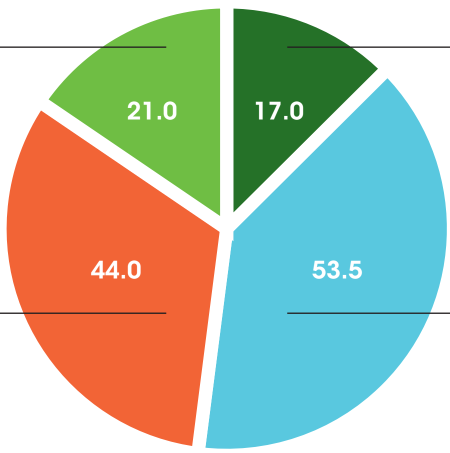
<u>Group Vaccination Program</u>

All Singapore and China office employees are vaccinated against COVID-19.

HUMAN CAPITAL DEVELOPMENT

Being people centric, the Group promotes fairness, non-discrimination, and equal opportunities throughout the organisation. Investing in staff development through upskilling enables our employees to upgrade their capabilities and grow in abilities to build a future-ready workforce.

TRAINING HOURS FY2021



COMPLIANCE

- Listed Entity Director Program
- Code Of Conduct for Dealing in Securities

TECHNICAL

- Sludge CTH Technology
- AI Water Treatment
- Smart Energy Systems

ADMINISTRATION

- Email Management
- New Employee Induction

FINANCE

- Finance Software Usage
- Payment Systems and Policy
- ACCA Continuing Education
- CPA Continuing Education
- TCFD Reporting Framework

SUSTAINABILITY **REPORT**

Employees are provided with appropriate training that enables them to not only effectively and efficiently complete their tasks but also for their professional development. Training courses are catered according to the skill sets required for their roles and functions. We aim to build a highly competent, innovative, and skilled team.

Beyond human capital management, we strive to identify and groom future leaders internally to ensure a robust pipeline of future leaders who bring diverse perspectives to the Group.

SUSTAINABILITY GOVERNANCE STRUCTURE

The Group's sustainability governance is anchored by the Board of Directors and the Group's management team. Under their leadership, we strive to strengthen internal controls and risk management policies and procedures, in adherence to the latest corporate governance standards.

Periodic evaluation of the Group's existing policies and procedures are conducted to ensure that the Group stays relevant in the new normal.

All employees are involved in reducing the Group's environmental footprint and are encouraged to be forthcoming in reporting all incidences of environmental-related issues, non-compliances, and non-conformities.

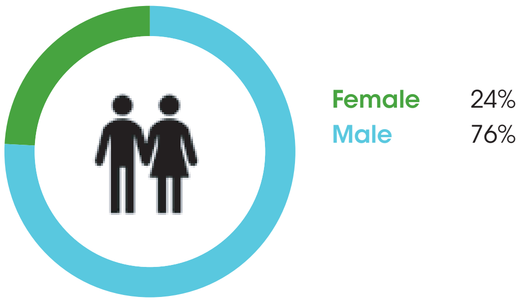
EQUALITY AND DIVERSITY POLICY

The Group promotes equality and diversity in the workplace and recruits based on merit in relation to the function. We recognise and value diversity in backgrounds of our employees as well as their knowledge, skills, and experiences, and focus on fostering fairness and providing equal opportunities to create a productive workforce.

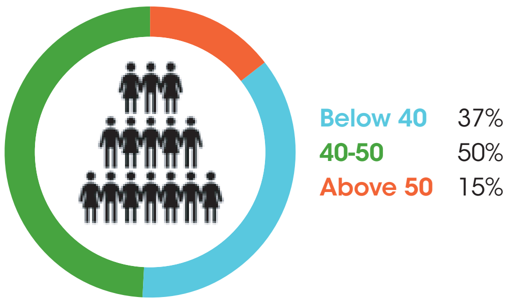
Due to the nature of the industry that we operate in, there are typically more male employees. Research shows that age diversity in the workplace can improve organizational performance. We have a balanced pool of workforce that brings with them diverse experiences and perspectives.

SUSTAINABILITY **REPORT**

Gender Diversity



Age Diversity



GROUP DIVERSITY POLICY

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

The existing Board comprises only male Directors which deviated from Provision 2.4 of the Code of Corporate Governance. Nonetheless, the Board is committed to pursuing gender diversity in relation to the composition of the Board. In this connection, the Nominating Committee will ensure that female candidates are included for consideration whenever it seeks to identify a new director to the Board. Having said that, gender is but one aspect of diversity and a new director will continue to be selected on the basis of his/her skills, experience, knowledge, insights and relevance to the Board.

The Board has an independent element that sufficiently enables it to exercise objective judgement and no individual or group of individuals dominate the Board's decision-making process. The Board believes that its current composition and size provide an appropriate balance and mix of skills, experience and knowledge of the Group. The Directors provide core competencies such as accounting, finance, legal and human resource expertise, business and management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge required for the Board to be effective.

In the light of the foregoing, it is evident that the existing Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company. The Nominating Committee will continue to assess on an annual basis the diversity of the Board and ensure that the diversity would be relevant to the business of the Group. The Board believes that the practices adopted above are consistent with the intent of Provision 2.4 of the Code of Corporate Governance with the exception of the gender diversity.

In line with the SGX-ST's recent requirement on board diversity disclosures, a Nominating Committee meeting was convened on 25 February 2022 for discussion on formalising the Group's diversity policy, taking into consideration its diversity targets, plans, timelines and progress. In terms of gender, age and ethnic diversity, the Company did not set any specific target nor timeline as it is of the view that this is largely dependent on the Company's business requirements and needs. Nonetheless, it is committed to promoting boardroom diversity, with the key objective of working towards strengthening the Board as a whole. Hence, going forward, whenever there is need for a new director to be appointed or added, the Nominating Committee will shortlist suitable male and female candidates, and will provide fair and objective assessments of these shortlisted candidates to be recommended to the Board for consideration.

SUSTAINABILITY **REPORT**

CODE OF CONDUCT

The Group places top priority in upholding high standard of corporate governance and maintaining an ethical corporate environment to safeguard the interests of the shareholders and investors.

The Code of Conduct serves as the foundation for the Group's effective corporate governance. Our Code of Conduct provides our employees with clear and documented guidance on acceptable standards of ethical behaviour and raises the employees' awareness of their corporate and social responsibilities towards stakeholders and the expected strict adherence to the Company's established guidelines.

DELEGATION OF AUTHORITY AND PAYMENT APPROVAL POLICY

The Group has in place delegation of authority and payment approval policy in all subsidiaries in Singapore and China that enhances the control of the payment approval process. Prior to the implementation, our internal auditors were tasked to perform a review of the policy and approval matrixes and to make recommendations to improve. In addition, annual audit was also conducted to ensure adherence to the policy.

BUSINESS CONTINUITY PLAN

With the global impact of COVID-19, business operations had to be adapted quickly to minimize potential impacts and mitigation steps had to be implemented appropriately.

Having a Business Continuity Plan ("BCP") helped our teams to be better equipped to deal with the many unexpected scenarios that were evolving at a fast pace and to constantly adapt to the changing environment. The recovery plan is documented within the BCP together with the operational guidance to allow the stakeholders to put them into action. The BCP phases of assessment are illustrated in the diagram below.

PHASES OF ASSESSMENT

LOOKING FORWARD IN FY2022

The Group shall continue to drive progress in FY2022 through our people and our culture, by engaging our current employees, attracting best-in-class talents, and increasing the diversity of our workforce.

In line with the requirements of the SGX-ST, the Group will provide climate-related disclosures based on recommendations of the TCFD for the Sustainability Report for FY2022.

A key focus will be on the development and utilisation of AI in wastewater treatment to seize the market potential. Through machine learning, predictive and early intervention capabilities, we aim to achieve informatization, digitalization, intelligence and automation of water treatment plant operations while ensuring compliance with regulatory standards and achieving maximized energy saving and cost reduction.

SUSTAINABILITY **REPORT**

In the drive to attain circular economy, the Group will channel efforts to implement closed-loop processes, innovate through technology to reduce overall waste, and drive decarbonization not just in our own capacity but also through collaboration with our clients to reduce our collective footprint.

GRI CONTENT INDEX

GRI No.	Description	Page or direct references
GENERAL DISCLOSURES		
Organisational profile		
102-1	Name of the organisation	Pg. 2
102-2	Activities, brands, products, and services	Pg. 2
102-3	Location of headquarters	Pg. 1
102-4	Location of operations	Pg. 1
102-5	Ownership and legal form	Pg. 6
102-6	Markets served	Pg. 6
102-7	Scale of the organisation	Pg. 6
102-8	Information on employees and other workers	Pg. 28
102-9	Supply chain	Pg. 22
102-10	Significant changes to the organisation and its supply chain	No significant changes
102-11	Precautionary Principle or approach	Pg. 26
102-12	External initiatives	No external initiatives
102-13	Membership of associations	No membership
Strategy		
102-14	Statement from senior decision-maker	Pg. 21
Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	Pg. 30
Governance		
102-18	Governance structure	Pg. 28
Stakeholder engagement		
102-40	List of Stakeholder Groups	Pg. 23
102-41	Collective bargaining agreements	No Collective Bargaining Agreement
102-42	Identifying and selecting stakeholders	Pg. 23
102-43	Approach to stakeholder engagement	Pg. 23
102-44	Key topics and concerns raised	Pg. 23

SUSTAINABILITY **REPORT**

GRI No.	Description	Page or direct references
Reporting practice		
102-45	Entities included in the consolidated financial statements	Pg. 6
102-46	Defining report content and topic Boundaries	Pg. 21
102-47	List of material topics	Pg. 24
102-48	Restatements of information	None
102-49	Changes in reporting	None
102-50	Reporting period	January to December 2021
102-51	Date of most recent report	21 May 2021
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Pg. 22
102-54	Claims of reporting in accordance with the GRI Standards	Pg. 21
102-55	GRI content index	Pg. 32
102-56	External assurance	None

GRI SPECIFIC DISCLOSURE CONTENT INDEX

Our People		
GRI No.	**Description**	**Page or direct references**
Occupational Health and Safety		
403-1	Occupational health and safety management system	Pg. 26
403-3	Occupational health services	Pg. 26
403-5	Worker training on occupational health and safety	Pg. 26-27
403-6	Promotion of worker health	Pg. 27
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Pg. 26
403-8	Workers covered by an occupational health and safety management system	Pg. 26
Training and Education		
404-2	Programs for upgrading employee skills and transition assistance programs	Pg. 27

CORPORATE GOVERNANCE **REPORT**

The Board of Directors ("Board") and management ("Management") of Leader Environmental Technologies Limited ("Company") and its subsidiaries (collectively, "Group") recognise the importance of, and are committed to maintaining, a high standard of corporate governance. Good corporate governance provides the framework for an ethical and accountable corporate environment, which will protect the interests of the Company's shareholders and promote investor confidence. In addition, the Board also reckons that maintaining a high standard of corporate governance is essential to the long-term sustainability of the Group's business and performance.

As the Company's shares are listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Company seeks to comply with the listing rules of the SGX-ST as prescribed in the Listing Manual of the SGX-ST ("Listing Rules") and is guided in its corporate governance practices by the revised Code of Corporate Governance issued in 2018 ("Code") and accompanying Practice Guidance issued in August 2018.

The Board is pleased to outline in this report the Company's corporate governance practices and structures in the financial year ended 31 December 2021 ("FY2021"), with specific reference made to each of the principles and provisions set out in the Code. Other than deviations which are explained in this report, the Company has generally adhered to the principles and guidelines set out in the Code.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: ***Every company should be headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.***

The Board is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group. The principal functions of the Board, apart from its statutory responsibilities, include:

- to review and oversee the management of the Group's business affairs and financial controls, performance and resource allocation;

- to approve matters such as corporate strategy and business plans, corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets and major corporate policies on key areas of operations;

- to approve the release of the Group's half-year and full-year unaudited financial results and related party transactions of a material nature;

- to establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholder's interests and the Group's assets;

- to identify the key stakeholder groups and recognise that their perceptions affect the Group's reputation; and

- to consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

CORPORATE GOVERNANCE **REPORT**

Provision 1.1 – Conflicts of Interest

Each Director is required to promptly disclose any conflict or potential conflict of interest, whether direct or indirect, as a result of any proposed transaction with the Group. Where a potential conflict of interest arises, the Director concerned should immediately declare his interest and highlight the conflict-related matter to the Board. He will not participate in the discussion so as to refrain him from exercising any influence over other members of the Board, unless the Board is of the opinion that his presence and participation is necessary to enhance the efficacy of such discussion. Nonetheless he will abstain from voting on such conflict-related matters.

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

Provision 1.2 – Director's Orientation and Training

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

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

A first-time director with no prior experience as a director of a listed company will be required to attend certain specific modules of the Listed Entity Director ("LED") Programme conducted by the Singapore Institute of Directors ("SID") in order to acquire the relevant knowledge of what is expected of a listed company director, this being a mandatory requirement under the Listing Rules of the SGX-ST. During FY2021 the Company has made arrangements for the Group's Chief Executive Officer ("CEO"), Mr Li Li, and newly appointed Executive Director, Mr Ngoo Lin Fong, a first-time Director of a listed company, to attend the training programmes. Notwithstanding that Mr Li Li is not appointed as a Director of the Company, the Nominating Committee was of the view that as he spearheads the entire Group business operations in China, the knowledge acquired will be valuable and beneficial to him and the Group.

Board members have been and will be encouraged to attend seminars and receive training to improve themselves in the discharge of their duties as Directors. The Group will work closely with professionals to provide its Directors with updates on changes to relevant laws, regulations and accounting standards. In addition, the Company will also make arrangements for Directors to attend seminars and technical updates for them to stay abreast of relevant business developments and outlook. The cost of such training will be borne by the Company.

During FY2021, the Directors were provided with briefings by professionals at Board meetings on regulatory changes and changes in financial reporting standards and issues which have a direct impact on financial statements. In the last quarter of 2021, the Company arranged for a legal firm to conduct a training session for the Directors, Key Management Personnel and department managers on confidentiality obligations and insider trading. In addition to the training, a code of conduct for dealing in securities, which sets out sound principles and standards of good practice, was formulated and approved by the Board for release to the staff so that they will observe and comply with the relevant laws and regulations at all times when dealing in the Company's securities.

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Provision 1.3 – Matters Requiring Board's Approval

The Group has adopted internal guidelines governing matters that require the Board's approval which has been clearly communicated to Management. The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those prescribed limits to Board Committees and specific members of the key management via a structured Delegation of Authority matrix, which is reviewed on a regular basis and revised accordingly when necessary.

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

i. material acquisition and disposal of assets/investments;

ii. incorporation of new entities;

iii. corporate/financial restructuring and corporate exercises;

iv. material financial/funding arrangements and capital expenditures;

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

vi. approval of significant payments of operating expenses, capital injections and investments from the use of proceeds in connection with the rights issue exercises completed on 3 September 2020 and 4 August 2021 respectively; and

vii. announcement of the Group's half-year and full-year unaudited condensed interim financial statements and the release of the Annual Reports.

The Board has delegated, but without abdicating its responsibility, the day-to-day management and running of the Group's business operations in China to Mr Li Li, who assumed the role of Chief Executive Officer ("CEO") on 1 September 2021. He shall discharge his duties and responsibilities at all times, and in the best interests of the Group. Dr Lin Yucheng, who relinquished his CEO role to Mr Li Li, will focus on leading the Board and on strategic directions as well as overseeing the Group's business. He will be assisted by Mr Ngoo Lin Fong, the Group's Executive Director/Finance Director, who joined the Board on 15 November 2021.

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Provision 1.4 – Delegation to Board Committees
Provision 1.5 – Board and Board Committee Meetings and Attendance Records

To assist the Board in discharging its oversight functions and to enhance the Company's corporate governance framework, the Board has established three Board committees, namely, the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"), all of which are chaired by Independent Directors and operate within clearly defined and written terms of reference and functional procedures, which are reviewed on a regular basis. Each of these committees reports its activities regularly to the Board. The Board will meet at least four times a year and as warranted by particular circumstances. In view that not every member of the Board may be present in Singapore at any particular time, and to facilitate the execution of the Board's responsibilities, the constitution of the Company ("Constitution") also provides for tele-conference meetings. The number of meetings held, and the attendance at meetings, of the Board and Board committees and general meeting during the financial year under review are as follows:

	Board Committees				General Meetings	
	Board	Audit	Nominating	Remuneration	Annual General Meeting	Extraordinary General Meeting
Number of meetings held	4	4	2	1	1	1
	Number of meetings attended					
Dr Lin Yucheng#	4	4*	2*	1*	1	–
Mr Ngoo Lin Fong@	–	–	–	–	–	1
Mr Lin Baiyin^	2	–	–	–	–	–
Mr Mak Yen-Chen Andrew	4	4	2*	1	1	1
Mr Lim Kuan Meng	4	4	2	1	1	1
Mr Lee Suan Hiang	4	4	2	1	1	1

* By Invitation

\# Dr Lin Yucheng relinquished his CEO role on 31 August 2021 and remains as the Executive Chairman of the Company.

@ Mr Ngoo Lin Fong was appointed as the Company's Executive Director/Finance Director on 15 November 2021. He was invited as a Key Management Personnel, and had attended all the above meetings and the Annual General Meeting.

^ Mr Lin Baiyin ceased to be an Executive Director and he was re-designated as Non-independent and Non-Executive Director of the Company on 15 November 2021.

Provision 1.6 – Access to Information

Each member of the Board has complete access to such information regarding the Group as may be required for the discharge of his duties and responsibilities. Prior to each Board meeting, the members of the Board are each provided with all relevant materials and information (including background and explanatory statements, financial statements, budgets, forecasts and progress reports of the Group's business operations) necessary for them to comprehensively understand the issues to be deliberated upon and make informed decisions thereon. Directors are entitled to request from Management, and would be promptly provided with, such additional information as needed to make informed decisions.

As a general rule, notices are sent to the Directors at least one week in advance of Board meetings, followed by the Board papers, if any, in order for the Directors to be adequately prepared for the meetings. If necessary, arrangement will be made for key management personnel ("KMP") to attend board meetings to address queries from the Directors. The Directors also have unrestricted access to the Company's KMP. Requests for the Company's information by the Board are dealt with promptly.

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Directors are also provided with an insight into the Group's operational facilities and periodically meet with Management to gain a better understanding of the Group's business operations. The Board as a whole is updated on risks management and the key changes in the relevant regulatory provisions which have an important bearing on the Group and the Directors' obligations to the Group.

The Company did not enter into any major transaction or business proposal outside of the ordinary course of business in FY2021.

Provision 1.7 – Access to Management and Company Secretary

The Directors have separate and independent access to the joint Company Secretaries. The joint Company Secretaries and/or her/his/their representatives attend/s all Board meetings and ensure/s that Board procedures and the provisions of applicable laws, the Companies Act, the Constitution and the Listing Rules are followed. The joint Company Secretaries also assist with the circulation of Board papers, update the Directors on changes in laws and regulations relevant to the Company as well as advise the Board on all governance matters. The appointment and removal of the Company Secretary are subject to the Board's approval.

The Board (whether as individual members or as a group) has direct access to independent professional advisers, where so requested by the Board, at the expense of the Group.

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

Provision 2.1 – Board Independence

As at the date of this report, the Board comprises six members, two of whom hold executive positions:

Dr Lin Yucheng	Executive Chairman
Mr Ngoo Lin Fong	Executive Director/Finance Director (Appointed on 15 November 2021)
Mr Lin Baiyin	Non-Independent and Non-Executive Director
Mr Lim Kuan Meng	Lead Independent Non-Executive Director
Mr Mak Yen-Chen Andrew	Independent Non-Executive Director
Mr Lee Suan Hiang	Independent Non-Executive Director

Provision 2.1 – Board Independence
Provision 2.2 – Composition of Independent Directors on the Board
Provision 2.3 – Proportion of Independent Non-Executive Directors
Provision 2.4 – Board Composition and Board Diversity

The Group endeavours to maintain a strong and independent element on the Board.

As at the date of this report, the Board comprises six members, consisting of two Executive Directors, one Non-Independent and Non-Executive Director, and three Independent Non-Executive Directors. Accordingly, Non-Executive Directors represents a majority of the Board.

The Chairman, Dr Lin Yucheng, is an Executive Director and thus, non-independent. Where the Chairman is not independent, the requirement of Provision 2.2 of the Code is that the independent directors make up a majority of the Board. As the three Independent Directors on the Board collectively form half of the composition of the Board, this Provision 2.2 is currently not satisfied.

The Board is of the view that the current Board size and composition are appropriate for the time being for the facilitation of effective decision making on the part of the Board, taking into account the nature and scope of the Company's operations and the need to avoid undue disruptions from changes to the composition of the Board and Board committees prior to the forthcoming Annual General Meeting

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("AGM"). The Board is of the opinion that, given the scope and nature of the Group's operations, it is neither necessary nor cost-effective to have Independent Directors making up majority of the Board prior to the forthcoming AGM. The present composition of the Board demonstrates independence and is appropriate for effective decision making. In addition, the Board has a Lead Independent Director, who is available to shareholders where they have concerns. The Board is of the view that the Independent Directors have demonstrated a strong level of independence in discharging their duties and responsibilities as independent directors of the Company with the utmost commitment in upholding the interests of the non-controlling shareholders. They have expressed individual and independent views, debated issues, objectively scrutinized and challenged Management, and made independent judgements. No individual or small group of individuals dominates the Board's decision-making process. All major decisions made at the Board are unanimous and the Independent Directors have not been outvoted.

Mr Lin Baiyin, the Non-Independent and Non-Executive Director, who will retire in accordance with Regulation 104 of the Constitution, has expressed his intention not to offer himself for re-election at the forthcoming AGM. Upon the cessation of his directorship and upon the successful re-election of Mr Ngoo Lin Fong (as Executive Director/Finance Director) and Mr Lim Kuan Meng (as Lead Independent Non-Executive Director) at the forthcoming AGM, the Board would comprise two Executive Directors and three Independent Non-Executive Directors. With this composition, the three Independent Non-Executive Directors would make up a majority of the Board.

The Board considers an Independent Director as one who has no relationship with the Company, its related corporations, officers, or its substantial shareholders with shareholdings of 5% or more voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment in the best interests of the Group.

The Nominating Committee has reviewed and determined, according to the Code's definition of "Independent Director" and relevant guidance, that for FY2021, each of Mr Lim Kuan Meng, Mr Mak Yen-Chen Andrew and Mr Lee Suan Hiang is non-executive and independent. As at the date of this Report, each of Mr Lee Suan Hiang, Mr Lim Kuan Meng and Mr Mak Yen-Chen Andrew has vested interest in the Company's shares and/or share options (as applicable) during his tenure as a director, but he will abstain from discussion or voting on any conflict-related matter due to his vested interest in the Company.

For FY2021, Mr Mak Yen-Chen Andrew who has served on the Board as Independent Non-Executive Director for more than nine years, and had successfully obtained shareholders' approval during the Two-Tier Voting conducted at the AGM held on 30 April 2021 for his continued appointment as Independent Non-Executive Director, had submitted the assessment on his independence status to other directors for review.

Board Diversity Policy

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

The existing Board comprises only male Directors which deviated from Provision 2.4 of the Code. Nonetheless, the Board is committed to pursuing gender diversity in relation to the composition of the Board. In this connection, the NC will ensure that female candidates are included for consideration whenever it seeks to identify a new director to the Board. Having said that, gender is but one aspect of diversity and a new director will continue to be selected on the basis of his/her skills, experience, knowledge, insights and relevance to the Board.

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The Board has an independent element that sufficiently enables it to exercise objective judgement and no individual or group of individuals dominate the Board's decision-making process. The Board believes that its current composition and size provide an appropriate balance and mix of skills, experience and knowledge of the Group. The Directors provide core competencies such as accounting, finance, legal and human resource expertise, business and management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge required for the Board to be effective.

In the light of the foregoing, it is evident that the existing Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company. The Nominating Committee will continue to assess on an annual basis the diversity of the Board and ensure that the diversity is relevant to the business of the Group. The Board believes that the practices adopted above are consistent with the intent of Provision 2.4 of the Code with the exception of the gender diversity.

In line with the SGX-ST's recent requirement on board diversity disclosures, a Nominating Committee meeting was convened on 25 February 2022 for discussion on formalising the Group's diversity policy, taking into consideration its diversity targets, plans, timelines and progress. In terms of gender, age and ethnic diversity, the Company did not set any specific target nor timeline as it is of the view that this is largely dependent on the Company's business requirements and needs. Nonetheless, it is committed to promoting boardroom diversity, with the key objective of working towards strengthening the Board as a whole. Hence, going forward, whenever there is need for a new director to be appointed or added, the Nominating Committee will shortlist suitable male and female candidates, and will provide fair and objective assessments of these shortlisted candidates to be recommended to the Board for consideration.

Provision 2.5 – Meeting of Independent Directors without Management

The Independent Non-Executive Directors have constructively challenged and assisted with the development of business proposals and strategies. They have also assisted with the review of Management's performance against agreed goals and objectives. Where required under the Code and where necessary, the Independent Non-Executive Directors will have internal discussions without the presence of Management.

Executive Chairman and Chief Executive Officer ("CEO")

Principle 3: ***There should be a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.***

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

Provision 3.1 of the Code requires the separation of the role of Chairman and the CEO so that there is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making. From the Company's listing on the Singapore Exchange till FY2020, the Group adopted a single leadership structure, whereby the Chairman of the Board and the CEO are the same person. To (i) avoid concentration of power in one individual, and ensure a degree of checks and balances, and (ii) achieve more effective decision-making, the Board has decided to separate the role of Chairman and the CEO. In addition, the Board has appointed Mr Ngoo Lin Fong as Executive Director/Finance Director.

In the light of the worsening COVID-19 pandemic outbreaks coupled with the travel restrictions in China, the Board concurred with Management on the urgency to appoint Mr Li Li, who devotes majority of his time in China, as the CEO. His strong presence and credentials will enable the Group to better oversee the market in China, explore potential business opportunities more closely, and negotiate and secure new projects more efficiently. Accordingly, Dr Lin Yucheng relinquished his CEO role to Mr Li Li on 31 August

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2021. All major proposals and decisions made by the Executive Chairman Dr Lin Yucheng, Executive Director/Finance Director Mr Ngoo Lin Fong and CEO Mr Li Li are discussed and reviewed by the Audit Committee.

Their performance, Dr Lin Yucheng's appointment as Executive Chairman, Mr Ngoo Lin Fong's appointment as Executive Director/Finance Director, and Mr Li Li's appointment as the CEO are reviewed periodically by the Nominating Committee ("NC") and their remuneration packages are reviewed periodically by the Remuneration Committee ("RC"). As the Audit Committee ("AC"), NC and RC consist of mainly independent directors and Mr Li Li is not a member of the Board, the Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an uneven concentration of power and authority in a single individual.

Provision 3.2 – Role of Executive Chairman and CEO

From 1 January 2021 to 31 August 2021, the Executive Chairman, Dr Lin Yucheng, was also the CEO of the Company. The Board was of the view that due to the operational and strategic restructuring needs of the Company at that critical juncture, and in order to maximise Dr Lin Yucheng's long and extensive experience in the industry, it was not an opportune time to separate the roles of the Executive Chairman and the CEO. The Board strongly believed at that point in time that the Company needed Dr Lin to effectively provide valuable entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources were in place for the Company to meet its objectives. Taking cognisant of all the above factors, the Board was of the view that it was in the best interests of the Group to adopt a single leadership structure so as to ensure that the decision-making process of the Group would not be unnecessarily hindered. In addition, there were sufficient safeguards and checks in place to ensure that Management was accountable to the Board as a whole.

As the Executive Chairman and CEO of the Company, Dr Lin Yucheng was in charge of the management and day-to-day operation of the Group. He was also responsible for developing the overall strategic directions of the Group, as well as the business strategies and policies of the Group. To ensure effectiveness of the Board, he was assisted by the Directors, Company Secretary and Management, to schedule meetings and to prepare meeting agenda. A culture of openness and debate was promoted at the Board.

As mentioned above, Mr Li Li assumed the CEO role from Dr Lin Yucheng on 1 September 2021. As the Executive Chairman of the Company, Dr Lin Yucheng now focuses on the review of the Group's strategy to transform itself into a technology-driven company, specialising in sludge treatment, artificial intelligence ("AI") in wastewater treatment, and membrane technology, and provides guidance on the Group's executions of its transformation plans and business strategies. As Chairman of the Board, Dr Lin Yucheng will lead and ensure the effectiveness of the Board, including: (a) promoting a culture of openness and debate at the Board; (b) facilitating the effective contribution of all Directors; and (c) promoting high standards of corporate governance. Externally, the Chairman is the face of the Board, and Dr Lin Yucheng will ensure effective communication with shareholders and other stakeholders. Within the Company, he will ensure appropriate relations within the Board, and between the Board and Management, in particular, between the Board and the CEO.

Mr Li Li, the CEO, will spearhead the Group's business operations in China to drive the Group's future growth.

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Provision 3.3 – Appointment of Lead Independent Director

Mr Lim Kuan Meng is the Lead Independent Non-Executive Director and also the Chairman of the AC. To uphold the spirit of corporate governance and in accordance with the Code, Mr Lim Kuan Meng will be available to shareholders where they have concerns and for which contact through the normal channels of the Chairman or CEO has failed to resolve or is inappropriate.

In FY2021, there were no queries or requests received on any matters which requires the Lead Independent Director's attention.

The Independent Non-Executive Directors will meet or discuss with one another without the presence of the other Executive Directors, as and when necessary, and then provide the feedback to the Chairman for consideration or further discussion.

Board Membership

Principle 4: ***There should be a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.***

Provisions 4.1 and 4.2 – NC composition and terms of reference

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

–	Mr Lee Suan Hiang	Chairman, Independent Non-Executive Director
–	Mr Lim Kuan Meng	Member, Lead Independent Non-Executive Director
–	Mr Ngoo Lin Fong	Member, Executive Director/Finance Director (Appointed on 15 November 2021)

The principal roles and functions of the NC are as follows:

- to make recommendations to the Board on all board appointments, including re-nominations, having regard to the Directors' contribution and performance (for example, attendance, preparedness, participation and candour);

- to determine annually whether or not a Director is independent;

- in respect of a Director who has multiple board representations on various companies, deciding whether or not such Director is able to and has been adequately carrying out his/her duties as Director, having regard to the competing time commitments that are faced when serving on multiple boards;

- to decide how the Board's performance may be evaluated and propose objective performance criteria, as approved by the Board, that allows comparison with its industry peers and addresses how the Board has enhanced long term shareholders' value;

- to assess the performance of the Board and contribution of each Director to the effectiveness of the Board;

- to review board succession plans for Directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel; and

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

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

The NC has put in place a formal and transparent process for all appointments to the Board. It has adopted written terms of reference defining its membership, administration and duties.

The NC is responsible for identifying candidates and reviewing all nominations for the appointments of new directors. When the need for a new director arises, the NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointment as new director. The NC then meets with the shortlisted potential candidates with the appropriate profile to assess suitability and to ensure that the candidates are aware of the expectation and the level of commitment required, before nominating the most suitable candidate to the Board for appointment as director.

Regulation 104 of the Constitution requires one-third of the Directors to retire from office at least once every three years at an Annual General Meeting ("AGM"). Regulation 114 of the Constitution provides for the appointment of a new Director to fill a casual vacancy to the Board and this Director so appointed shall hold office only until the next annual general meeting of the Company, and shall be eligible for re-election. The NC recommended to the Board that Mr Ngoo Lin Fong, Mr Lin Baiyin and Mr Lim Kuan Meng be nominated for re-election at the forthcoming AGM. Mr Lin Baiyin, who will retire in accordance with Regulation 104 of the Constitution, has expressed his intention not to offer himself for re-election at the forthcoming AGM. The other two nominated Directors have consented to offer themselves for re-election. Mr Ngoo Lin Fong will, upon re-election, remain as an Executive Director/Finance Director, and as a member of the NC, while Mr Lim Kuan Meng will, upon re-election as an Independent Non-Executive Director, remain as the Chairman of the AC, and member of the RC and the NC. In making the recommendations, the NC has considered the Directors' overall contributions and performances. None of the Directors had participated in reviewing, recommending and approving his own re-election.

Currently, there are no alternate directors on the Board.

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

Name of Director	Mr Ngoo Lin Fong	Mr Lim Kuan Meng
Date of Appointment	15 November 2021	8 June 2020
Date of last re-appointment (if applicable)	N.A.	30 April 2021
Age	49	51
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors having considered the Nominating Committee's recommendation and assessment on Mr Ngoo Lin Fong's background, qualifications, experience and commitment is of the view that he has the requisite experience and capabilities to assume the responsibilities of Executive Director/Finance Director of the Company, and the NC recommended that he be re-elected as Director of the Company.	After assessing Mr Lim's contribution and performance, the NC has recommended that he be re-elected as Director of the Company.

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Name of Director	Mr Ngoo Lin Fong	Mr Lim Kuan Meng
Whether appointment is executive, and if so, the area of responsibility	Executive appointment. He will work closely with the Board to steer the Group's strategic direction, establish policies for management and governance, and have oversight of the operations of the Group	The appointment is non-executive.
Job title (e.g. Lead ID, AC Chairman, AC Member etc)	Executive Director/Finance Director, Member of NC	Independent Non-Executive Director, Chairman of AC, Member of NC and RC
Professional qualification	Master of Applied Finance from the University of Melbourne (Australia) Bachelor of Business degree, major in Accountancy from Queensland University of Technology (Australia), member of Australia CPA and Institute of Singapore Chartered Accountants	Bachelor of Accountancy (Merit) degree from Nanyang Technological University of Singapore, and a member of Institute of Singapore Chartered Accountants
Working experience and occupation(s) during the past 10 years	Dec 1997 – June 2004 Deloitte & Touche as Audit Manager June 2004 – Aug 2020 CITIC Envirotech Ltd as Chief Financial Officer	June 2007 – July 2013 Audit Partner of Deloitte & Touche LLP December 2013 – present Managing Partner of Pinnacle Partnership LLP August 2013 – present Managing Partner of JB Chua & Co July 2014 – present Director of Pinnacle Financial Advisory Service Pte Ltd November 2021 – present Partner, Capstone CA LLP
Shareholding interest in the listed issuer and its subsidiaries	18,717,000 ordinary shares in the listed issuer (Direct Interest)	N.A.

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Name of Director	Mr Ngoo Lin Fong	Mr Lim Kuan Meng
Any relationship (including immediate family relationships) with any existing director, existing executive director, existing executive director, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships – (for the last 5 years)	United Envirotech Water Resources Pte Ltd, Singapore Envirotech Accelerator Pte Ltd, United Envirotech (Hong Kong) Company Limited, UE Novo (Malaysia) Sdn Bhd, Dataran Tenaga (Malaysia) Sdn Bhd, PT CITIC Envirotech Indonesia and PT Sumut Tirta Resource	Sunpower International Holding (Pte) Ltd, Sun Superior Holding Pte Ltd and Falcon Energy Group Limited
Other Principal Commitments* Including Directorships – (present)	United Greentech Holdings Pte Ltd and Nanosun Membrane Pte. Ltd.	Triyards Holdings Limited (in Judicial Management), Pinnacle Financial Advisory Services Pte Ltd Pinnacle Partnership LLP, JB Chua & Co and Capstone CA LLP
Disclose the following matters concerning the appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No

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Name of Director	Mr Ngoo Lin Fong	Mr Lim Kuan Meng
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being partnership) of which he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	Mr Lim is the Independent Non-Executive Director, Triyards Holdings Limited, a company listed on the SGX-ST which is currently placed under Judicial Management.
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

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

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Name of Director	Mr Ngoo Lin Fong	Mr Lim Kuan Meng
(j) Whether he has ever, to his knowledge, been concerned with the management of conduct, in Singapore or elsewhere, of the affairs of:–		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation)which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business in trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No

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Name of Director	Mr Ngoo Lin Fong	Mr Lim Kuan Meng
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to appointment of Director only		
Any prior experience as a director of an issuer listed on the Exchange? (Yes/No) If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange	No. He is scheduled to attend the Director's training conducted by SID in March 2022.	This relates to re-appointment of Director. Yes Please refer to Provision 4.3 of the Code N.A.
Please provide details of relevant experience and the Nominating Committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.

Provision 4.4 – Continuous Review of Directors' Independence

For re-appointment of Directors to the Board, the NC will determine annually whether a Director with multiple board representations and principal commitments is able to and has adequately discharged his duties as a Director of the Company.

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

CORPORATE GOVERNANCE **REPORT**

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

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

Taking into account the above, the Board has affirmed the independence status of Mr Mak Yen-Chen Andrew and resolved that he continues to be considered an Independent Director, notwithstanding that he has served on the Board beyond nine years from the date of his first appointment.

Messrs Ngoo Lin Fong and Lim Kuan Meng have been nominated for re-election at the forthcoming AGM, and their details are set out under Provision 4.3 of the Code.

With effect from 1 January, 2022, a director will not be independent if he has served for an aggregate of more than nine years and his continued appointment as an independent director has to be sought and approved in separate resolutions by (a) all shareholders and (b) shareholders, excluding the directors and CEO of the issuer, and associates of such directors and chief executive officer ("Two-Tier Voting"). Such resolutions approved by a Two-Tier Voting may remain in force for three years from the conclusion of the annual general meeting following the passing of the resolutions or the retirement or resignation of the director, whichever the earlier. Mr Mak Yen-Chen Andrew had earlier sought and obtained the approval from the shareholders via a Two-Tier Voting process at the AGM held on 30 April 2021, and will continue in office for three years from the conclusion of the annual general meeting following the passing of the resolution. During the three-year period, he will at least once, retire and be eligible for re-election in accordance with Regulation 104 of the Constitution.

Provision 4.5 – Multiple Directorships and Directors' Time Commitments

In assessing the performance of each individual Director, the NC considers whether he has multiple board representations and other principal commitments, and is able to and has adequately carried out his duties as a Director notwithstanding such commitments. The NC is satisfied that sufficient time and attention to the affairs of the Company has been given by those Directors who have multiple board representations.

CORPORATE GOVERNANCE **REPORT**

To address the competing time commitments that are faced when Directors serve on multiple boards, the NC has reviewed and the Board has determined and set that as a general rule, the maximum number of listed company board appointments be not more than six companies. However, any Directors may hold more than six listed company board representations should the NC be satisfied and is of the view that such Directors are able to devote sufficient time and attention to the affairs of the Company after taking into account their individual circumstances, contributions, responsibilities and other principal commitments. Non-Executive Directors may consult the Chairman of the NC before accepting any appointments as Directors. Currently, none of the Directors holds more than six directorships in listed companies.

Key information on the Directors is set out below:

Name	Appointment	Date of initial Appointment	Date of last re-election	Directorship in other listed companies
Dr Lin Yucheng Age: 59	Executive Chairman	8 June 2020 and 1 January 2021	30 April 2021	**Past Directorship (in the last three preceding years)** CITIC Envirotech Ltd
Ngoo Lin Fong Age: 49	Executive Direct/ Finance Director	15 November 2021	N.A.	Nil
Lin Baiyin Age: 55	Non-Independent Non-Executive Director	18 December 2006	28 May 2020	NIL
Mak Yen-Chen Andrew Age: 52	Independent Non-Executive Director	21 June 2010	30 April 2021	**Present Directorships** Far East Group Limited Falcon Energy Group Limited **Past Directorships (in the last three preceding years** China Jishan Holdings Limited
Lim Kuan Meng Age: 51	Lead Independent Non-Executive Director	8 June 2020	30 April 2021	**Present Directorships** Triyards Holdings Limited (in Judicial Management)
Lee Suan Hiang Age: 71	Independent Non-Executive Director	16 July 2020	30 April 2021	**Present Directorships** Anacle Systems Limited MindChamps PreSchool Limited **Past Directorships (in the last three preceding years)** Memstar Technology Ltd Advance SCT Limited CITIC Envirotech Ltd United Engineers Limited Perennial Real Estate Holdings Limited Viking Offshore and Marine Limited

CORPORATE GOVERNANCE **REPORT**

Key information on the individual directors in the Company is set out under the section "Board of Directors" of this Annual report.

Board Performance

Principle 5: ***There should be a formal assessment of the effectiveness of the board as a whole and its board committees and the contribution of each director to the effectiveness of the board.***

Provisions 5.1 and 5.2 – Board Evaluation Process, Board Performance Criteria and Individual Director Evaluation

The NC had adopted processes for the evaluation of the Board's performance and effectiveness as a whole and the performance of the Board committees and the individual Directors, based on performance criteria set by the Board. For the evaluation of the performance of the Board and the Board committees, the assessment criteria include return on assets, return on equity and the Company's share price performance. Such indicators allow the Company to make comparisons with its industry peers and are linked to long-term shareholder value.

The assessment process involves and includes inputs from Board members, applying the performance criteria of the NC and approved by the Board. These inputs are collated by the Company Secretary and reviewed by the Chairman of the NC, who presents a summary of the overall assessment to the NC for review. Areas where the Board's performance and effectiveness could be enhanced and recommendations for improvements are then submitted to the Board for discussions and, where appropriate, approval for implementation. No external facilitator had been engaged by the Board for this purpose.

The individual performance criteria include qualitative and quantitative factors such as performance of principal functions and fiduciary duties, level of participation at meetings and attendance record.

The NC has assessed the current Board's performance to date and is of the view that the performance of the Board as a whole was satisfactory.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

Provisions 6.1 and 6.2
RC Composition and Terms of Reference

The RC of the Company comprises entirely Non-Executive and Independent Directors:

–	Mr Mak Yen-Chen Andrew	Chairman, Independent Non-Executive Director
–	Mr Lim Kuan Meng	Member, Lead Independent Non-Executive Director
–	Mr Lee Suan Hiang	Member, Independent Non-Executive Director

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

CORPORATE GOVERNANCE **REPORT**

The responsibilities of the RC are:

- to recommend to the Board a framework of remuneration for the Board and key management personnel, including but not limited to Director's fees, salaries, allowances, bonuses, options and benefits in kind;

- to recommend specific remuneration packages for each director, including the Chairman;

- to review the remuneration of key management personnel;

- to perform an annual review of the remuneration of employees related to the Directors and substantial shareholders (if any) to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scope and level of responsibilities;

- to review the level and structure of remuneration to align with the long-term interest and risk policies of the Company in order to attract, retain and motivate the Directors and key management personnel;

- to review, approve and administer the share options granted to and/or shares awarded for each Director and employees under the Company's share option scheme and/or share award plan;

- to review and approve the remuneration packages for the Board and key management personnel; and

- to review the Group's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

Provision 6.3 – Developing Remuneration Framework

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

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

Provision 6.4 – RC's Access to Advice on Remuneration Matters

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

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

CORPORATE GOVERNANCE **REPORT**

Level and Mix of Remuneration

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

Provision 7.1 Remuneration of Directors, CEO and Key Management Personnel

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

The remunerations for Executive Directors, CEO and KMP take into account the sustained performance of the Group and the individual, taking into account the Group's strategic objectives and long-term interests. The remuneration packages is designed to align the interests of the Executive Directors, CEO and KMP with those of shareholders and promote the long-term success of the Group.

The Company has previously entered into a service agreement with the former Executive Chairman and CEO, Mr Lin Baiyin, who is now a Non-Independent and Non-Executive Director with effect from 15 November 2021. His service agreement dated 21 June 2010 had ceased following the re-designation of his appointment as a Non-Independent and Non-Executive Director of the Group. As approved by the RC, he will continue to be remunerated until the end of FY2021, and the payment of his director's fees will commence from 1 January 2022 which will be subject to shareholders' approval at the forthcoming AGM. Mr Lin Baiyin, who will retire in accordance with Regulation 104 of the Constitution, has expressed his intention not to offer himself for re-election at the forthcoming AGM.

In addition, the Company has entered into a service agreement with Dr Lin Yucheng on 8 June 2020. Dr Lin Yucheng was appointed the Executive Chairman and CEO of the Company on 1 January 2021. His service agreement is valid for an initial period of three years with effect from 8 June 2020. Upon the expiry of the initial period of three years, the aforesaid service agreement of Dr Lin Yucheng will be automatically renewed on a year-to-year basis on such terms and conditions as agreed by the parties. During the continuance of the service agreement, either party may terminate the service agreement at any time by giving to the other party not less than three months' prior notice in writing, or in lieu of notice, payment of an amount equivalent to three months' salary. On 31 August 2021, Dr Lin Yucheng relinquished his CEO role to Mr Li Li. and his existing service agreement signed on 8 June 2020 will remain in force until the next review by the RC.

There are also service agreements entered into with the Group's CEO, Mr Li Li, and the Executive Director, Mr Ngoo Lin Fong, on 1 September 2021 and 15 November 2021 respectively. Their service agreements are valid for an initial period of three years. Upon the expiry of the initial period of three years, the aforesaid service agreements of Mr Li Li and Mr Ngoo Lin Fong will be automatically renewed on a year-to-year basis on such terms and conditions as agreed by the parties. During the continuance of the service agreement, either party may terminate the service agreement at any time by giving to the other party not less than three months' prior notice in writing, or in lieu of notice, payment of an amount equivalent to three months' salary.

Provision 7.2 Remuneration of Non-Executive Directors

When reviewing the structure and level of directors' fees for the Non-Executive Directors, the RC takes into consideration the directors' respective roles and responsibilities in the Board and Board committees and the frequency of Board and Board committee meetings.

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

CORPORATE GOVERNANCE **REPORT**

Provision 7.3 – Long Term Incentive Plan to Provide Good Stewardship of the Company and Key Management Personnel

The Company is undergoing transformation to become a technology-driven company, specialising in sludge treatment, AI in wastewater treatment, and membrane technology. In order to attract and retain key management personnel and talents, Management has devised a new set of incentive schemes to better recognise, reward, motivate and retain its employees, key management personnel as well as its Executive Directors, CEO and Independent Directors who have made positive contributions to the Company. The new Leader Environmental Technologies Share Option Scheme and Share Award Plan as approved by the shareholders during an Extraordinary General Meeting held on 23 December 2021 will replace the Leader Environmental Performance Share Scheme.

Disclosure on remuneration

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

Provision 8.1 – Remuneration of Directors, CEO and KMP
Provision 8.2 – Employee Related to Substantial Shareholders, Directors or
Provision 8.2 – Details of All Forms of Remuneration and Other Payments and Benefits Paid to Directors, CEO and Key Management Personnel

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

The remunerations for the Executive Directors and the CEO are based on the terms as set out in their respective service contracts entered into with the Company. Based on the terms of the service contract which were applicable for FY2021, Mr Lin Baiyin, being the former Executive Chairman and Chief Executive Officer, is entitled to (i) a basic monthly salary and (ii) contributions to defined contribution plans. Dr Lin Yucheng joined the Board as an Executive Director on 8 June 2020, and was appointed the Executive Chairman and CEO of the Company on 1 January 2021, and subsequently as the Executive Chairman on 1 September 2021. He was remunerated with a basic monthly salary and a 13th month annual wage supplement for his services rendered in FY2021. In addition, the newly appointed CEO, Mr Li Li, and Executive Director/Finance Director, Mr Ngoo Lin Fong, were each remunerated with a basic salary and a 13th month annual wage supplement for their services rendered in FY2021.

A new incentive structure to reward the Executive Directors and the CEO was approved by the RC. The Executive Directors and CEO are also entitled, in each financial year of the Company, to a performance bonus in such sum as the RC may in its absolute discretion determine provided that such performance bonus shall not exceed five percent of the audited consolidated or combined net profit of the Company (after taxation and minority interest and the payment of any such bonuses, but before extraordinary items) in respect of that financial year.

The performance conditions were benchmarked closely to market practice and the quantum of the reward is comparable to companies of the same size. No variable or performance bonuses were paid to Dr Lin Yucheng, Mr Li Li, Mr Ngoo Lin Fong and Mr Lin Baiyin in FY2021.

CORPORATE GOVERNANCE **REPORT**

The Executive Directors and the CEO are also entitled to participate in the current Leader Environmental Technologies Share Option Scheme and Share Award Plan. The selection of participants and the number of share options to be granted under the Leader Environmental Technologies Share Option Scheme shall be determined at the absolute discretion of the RC, which shall take into account criteria such as the person's rank, job performance, years of service and potential for future development, his contribution to the success and development of the Group and, if applicable, the extent of effort to achieve the performance target(s) within the performance period. Under the Leader Environmental Technologies Share Award Plan, the size of the award granted to a participant will be determined based on, among others, his rank, job performance, years of service and potential for future development, his contribution to the success and development of the Group as determined by the RC prior to the date of grant. The performance period here is a forward-looking period for which performance conditions and targets are set and measured over the performance period. The final award is determined by the performance achievement over the performance period. The performance period, vesting period and other conditions will be determined by the RC administering the Leader Environmental Technologies Share Award Plan. The Leader Environmental Technologies Share Option Scheme and Share Award Plan offer additional tools for the Group to craft a more balanced and innovative remuneration package that will link the Executive Directors' total remuneration to the performance of the Group. The share option or share award to be awarded to the Executive Chairman will be subject to shareholders' approval. No share options and performance shares were awarded to the Executive Chairman, CEO and Executive Director in FY2021.

Remuneration of the Directors, CEO and KMP

A breakdown showing the level and mix of each individual Director's and CEO's remuneration for the financial year ended 31 December 2021 is set out below:

Remuneration band (in S$)/ Name of Director/CEO	**Salary**	**Fees***	**Bonus[2]**	**Other Benefits[1]**
	%	%	%	%
>S$250,000 but <S$500,000				
Dr Lin Yucheng	89.3	–	7.4	3.3
Below S$150,000				
Mr Li Li[#]	76.1	–	19.0	4.9
Mr Ngoo Lin Fong^	55.1	–	36.0	8.9
Mr Lin Baiyin*	88.7	–	–	11.3
Below S$100,000				
Mr Mak Yen-Chen Andrew	–	100	–	–
Mr Lim Kuan Meng	–	100	–	–
Mr Lee Suan Hiang	–	100	–	–

The computations of Mr Li Li's remunerations were based on his appointment as a CEO for the financial period from 1 September 2021 to 31 December 2021.

* *As approved by the RC, Mr Lin Baiyin was remunerated for his services till 31 December 2021. His remunerations was solely paid in China and he took an approximately 59.4% pay cut from the monthly salary as stipulated in the service agreement.*

^ *The computations of Mr Ngoo Lin Fong's remunerations were based on his appointment as an Executive Director/Finance Director for the financial period from 15 November 2021 to 31 December 2021.*

1 *Other benefits include contributions to defined contribution plans.*

2 *Bonus relates to the 13th month annual wage supplement.*

CORPORATE GOVERNANCE **REPORT**

The remunerations of KMP generally comprise a basic salary component, contributions to defined contribution plans, and one month of annual wage supplement or variable bonuses, depending on the performance of the Company and the Group as a whole and individual performance.

Similarly, the KMP are entitled to participate in the current Leader Environmental Technologies Share Option Scheme and Share Award Plan. Selection of participants in the Leader Environmental Technologies Share Option Scheme is at the absolute discretion of the RC, which shall take into account criteria mentioned above. Awards under the Leader Environmental Technologies Share Award Plan are based on the fulfilment of certain specified performances or key performance indicators over a specific time frame as set by the various department heads and approved by the RC.

The breakdown of total remuneration of the top five key management personnel of the Group (who are not directors and CEO) for the year ended 31 December 2021 is set out below:–

Remuneration band (in S$)/ Name of Key Executive	**Salary**	**Bonus[1]**	**Other benefits[2]**
	%	%	%
Below S$250,000			
Mr Li Li[3]	96.2	–	3.8
Mr Ngoo Lin Fong[4]	95.2	–	4.8
Dr Yan Huaiguo[5]	69.2	11.3	19.5
Mr Guo Haijun[5]	69.2	11.3	19.5
Mr Lim Poh Yeow	84.6	7.0	8.4
Dr Guo Chenghong	74.5	16.5	9.0
Mr Shi Yingjun[5]	74.9	9.2	15.9

1 *The bonus relates to 13th month annual wage supplement or variable bonuses paid or payable in FY2021.*
2 *Other benefits include contributions to defined contribution plans.*
3 *The computations of Mr Li Li's remunerations as a KMP was for the financial period from 1 January 2021 to 31 August 2021. He was subsequently promoted to CEO on 1 September 2021.*
4 *The computations of Mr Ngoo Lin Fong's remunerations as a KMP was for the financial period from 1 January 2021 to 14 November 2021. He was subsequently promoted to Executive Director/Finance Director on 15 November 2021.*
5 *There are three new KMP, namely, Mr Shi Yingjun, Mr Guo Haijun, both of whom assist Mr Li Li in the running of the day-to-day operations in the Tianjin subsidiary, and Dr Yan Huaiguo who is the Chief Technology Officer.*

The annual aggregate remunerations paid to the top five KMP of the Group (who are not Directors and CEO), which included the pro-rated remunerations of Mr Li Li and Mr Ngoo Lin Fong prior to their promotions to CEO and Executive Director/Finance Director on 1 September 2021 and 15 November 2021 respectively, was approximately S$1,108,200 (RMB5,322,900).

No employee who is an immediate family member of a Director was paid more than S$100,000 during FY2021. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister, and parent of such person.

CORPORATE GOVERNANCE **REPORT**

The Company has not disclosed exact details of the remunerations of its Executive Directors, CEO, Independent Non-Executive Directors and KMP which deviated from Provision 8.1 of the Code. The Board is of the view that it is not in the best interests of the Company and the directors/employees to disclose such details due to the sensitive nature of such information and as our industry is highly competitive in respect of the recruitment of experienced executives. The disclosure of the indicative range of the Directors' and CEO's (below S$100,000 and S$150,000 and above S$250,000 but less than S$500,000) and KMPs' remunerations (below S$250,000) as well as the composition of the remunerations into fixed salary, fees, bonus and other benefits do provide a reasonable and meaningful amount of information on the Company's remuneration framework for shareholders to understand the link between the Company's performance and the remunerations of the Directors, CEO and KMP. In addition, the Group also disclosed the aggregate remunerations paid to five KMP of the Company (who are not Directors or the CEO) for FY2021 and any employees who are related to substantial shareholders or directors, and are paid more than S$100,000 annually. The fees paid to the Independent Non-Executive Directors do not have variable components and are subject to shareholders' approval at the Company's Annual General Meeting. The Board therefore believes that the Company's practices are consistent with the intent of Provision 8.1 of the Code.

Leader Environmental Technologies Performance Share Scheme (discontinued in FY2020)
Leader Environmental Technologies Share Option Scheme (adopted in FY2021)
Leader Environmental Technologies Share Award Plan (adopted in FY2021)

In previous years, the Company adopted the Leader Environmental Performance Share Scheme as approved by shareholders at an extraordinary general meeting of the Company held on 30 April 2012 to reward, attract and retain Executive Directors and capable employees by way of granting share awards.

The RC was appointed to administer the Leader Environmental Performance Share Scheme, by determining the eligibility of Executive Directors and full-time employees of the Company to participate in the relevant schemes and the number of options or award of shares to be offered to each participant, in accordance with the approved guidelines of the Leader Environmental Performance Share Scheme. No member of the RC shall be involved in any deliberations in respect of any options and award of shares granted to him.

The Independent Non-Executive Directors and the controlling shareholders of the Company or their associates were allowed to participate in the Leader Environmental Performance Share Scheme. A separate resolution must be passed for each of the controlling shareholders and their associates (if any), where applicable.

To date, total ordinary shares of 4,600,000 and 13,950,000 were issued and awarded to eligible employees in FY2013 and FY2015 respectively in recognition of their past performances and contributions to the Group. The aforesaid performance share scheme was discontinued in FY2020, and the new Leader Environmental Technologies Share Option Scheme and Leader Environmental Technologies Share Award Plan were approved by shareholders at an extraordinary general meeting held on 23 December 2021 and are to be implemented in FY2022.

On 25 February 2022, the RC met to review and consider the proposed grant of options under the Leader Environmental Technologies Share Option Scheme to eligible Directors and employees which was put forth by Management. The list of eligible participants of the Leader Environmental Technologies Share Option Scheme, as approved by the RC, was submitted to the Board for approval. An announcement that the Company has made offers to grant 11,600,000 options to employees of the Group and 750,000 options to Independent Non-Executive Directors pursuant to the Leader Environmental Technologies Limited Share Option Scheme was subsequently made on 4 March 2022.

CORPORATE GOVERNANCE **REPORT**

ACCOUNTABILITY AND AUDIT

Accountability

Principle 9: ***Board's governance of risk management system and internal controls***

Provision 9.1 – Significant Risks, Objectives and Value Creation

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects, including interim and other price-sensitive public reports, and reports to regulators (if required). Information is presented to shareholders on a timely basis through SGXNet and/or the press.

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

Business/Operational Risks

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

Compliance Risks

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

The Board is also responsible for ensuring compliance with legislative and regulatory requirements, including requirements under the Listing Rules. In line with the Listing Rules of the SGX-ST, the Board provides a negative assurance statement to shareholders on the Company's announcement of condensed interim financial statement for the six months ended of each financial year, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect. In addition, the Company also completes and submits compliance checklists to SGX-ST (if applicable and when required) to ensure that all announcements, circulars or letters to shareholders comply with the requirements set out in the SGX-ST Listing Manual.

Notwithstanding that the Company is exempted by the SGX-ST from the quarterly reporting of its financial results, Management still regularly (and as and when requested) presents the Board with the Group's quarterly financial results, business developments and updates to enable the Board to discharge its duties and responsibilities. When there are major developments in the Group's businesses, Board members may arrange to visit the subsidiaries' offices, plants and project sites to obtain updates and also to gain further understanding of the Group's latest businesses and operating environments. In the light of the COVID-19 situation and the travel restrictions in China, the Company arranged virtual meetings with the CEO, who is based in China to provide the Board with updates of its projects and business developments. Through the above, Management provides the Board with a balanced and understandable assessment of the Group's performance, position and prospects on a regular basis.

Financial Risks

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

CORPORATE GOVERNANCE **REPORT**

Sanctions-related Risks, Subject or Activity

The Board and AC will be responsible for (a) monitoring the Group's risks of becoming subject to, or violating, any sanctions law; and (b) ensuring timely and accurate disclosures to SGX and other relevant authorities in respect of sanctions-related risks, subject or activity. Currently, the Group has no exposure or nexus to sanctions-related risks, subject or activity.

Provision 9.2 – Assurance from Chief Executive Officer, Chief Financial Officer and Other Responsible Key Management Personnel ("KMP")

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

For the financial year under review:–

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

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

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

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

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

The Board acknowledges that it is responsible for ensuring a sound system of internal controls to safeguard shareholders' investments and the Group's assets. The following sets out the work performed which serves as the basis for the Board to form an opinion with regard to the adequacy of the Group's internal controls:

(i) The Executive Director/Finance Director and the CFO currently assume the responsibilities of the risk management function. They will regularly assess and review the Company's business and operational environment in order to identify areas of significant business and financial risks, such as credit risks, foreign exchange risks, liquidity risks and interest rate risks, as well as adopt appropriate measures to control and mitigate these risks. This is part of the ongoing efforts by Management to continually strengthen the existing internal controls already put in place.

(ii) The AC has met with Management and external auditors once during FY2021 to discuss the specific risk areas for the forthcoming audit and the audit work to be performed. The audit plans were subsequently circulated and presented by the audit partner to the Board members. In addition, as part of the annual statutory audit on financial statements, certain internal control weaknesses that the external auditors identified during their audit have been communicated to the AC in the form of a management letter. Management will either follow up on the external auditors' recommendations to strengthen the Group's internal audit systems or explain to the external auditors the type of internal controls already in place to mitigate these risks so that the external auditors can perform additional verification works to satisfy themselves that such controls are adequate to allay their concerns.

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(iii) Dr Lin Yucheng joined the Board as an Executive Director on 8 June 2020, and was appointed the Executive Chairman and Chief Executive Officer of the Company on 1 January 2021, and subsequently as the Executive Chairman on 1 September 2021. In addition to the internal controls which he proposed and implemented in FY2020, further tightening of the internal controls with regard to payments to be made by the subsidiaries in Changchun City, PRC was introduced. Previously, any payments to a single person or corporate amounting to RMB500,000 or more would require his authorisation and approval before the payment can be made. This payment threshold was subsequently revised to any amount of payment to be made in FY2021 would require his approval.

(iv) The Board of Directors has also received assurance from the CEO and the CFO (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances for the year ended 31 December 2021; and (b) regarding the adequacy and effectiveness of the Group's risk management and internal control systems.

(v) With the consent obtained from the AC, the Group appointed MS Risk Management Pte Ltd on 18 November 2021 to review United Greentech (Tianjin) Co., Ltd's internal controls pertaining to the purchases to payment process including prepayments to suppliers for FY2021. These business processes have been identified by Management upon discussion with the AC as most critical to the operations of the Group's most significant operating subsidiary due to the industrial wastewater project in Shijiazhuang. However, the worsening of the COVID-19 outbreak coupled with the travel restrictions in China has affected and disrupted the internal audit schedule. Nonetheless, the internal auditors were tasked to perform a desktop review of the supporting, documentations and policies being implemented by the Group's wholly-owned subsidiary. The internal audit review report was presented to the Board during the AC meeting on 25 February 2022. Based on the findings from the internal audit, the review did not highlight any significant internal controls lapses or deficiencies that warrant immediate actions by the Board. However, there were controls improvement recommendations proposed by the internal auditors, which Management has responded with remedial actions plans to further strengthen the internal controls.

Based on the work performed, the AC, in making the assessment on the Group's internal controls, has taken into account the internal controls established and maintained by the Group; work performed and audit findings by the independent external and internal auditors, regular reviews undertaken by Management and the AC, additional internal controls instituted by the Executive Chairman as well as the aforementioned assurance received from the CEO and CFO. Thus, based on the above said factors, the AC concurs with the Board and agreed that the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective for FY2021. The AC will continue to monitor the effectiveness of these controls and augment them with new controls implementation to ensure the controls remain relevant and adequate in our ever-changing operational and business landscape. Going forward, the AC will continue to engage the internal auditors to perform periodic reviews on the Group's internal controls.

Audit Committee

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

<u>Provisions 10.1, 10.2 and 10.3 – AC Composition and Terms of Reference</u>

The Audit Committee ("AC") comprises three Independent Non-Executive Directors, all of whom, including the Chairman, are independent:

–	Mr Lim Kuan Meng	Chairman, Lead Independent Non-Executive Director
–	Mr Mak Yen-Chen Andrew	Member, Independent Non-Executive Director
–	Mr Lee Suan Hiang	Member, Independent Non-Executive Director

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

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

– reviewing the audit plans of the external auditors and the internal auditors, including the results of the external and internal auditors' review and evaluation of the system of internal controls;

– reviewing the annual consolidated financial statements and the external auditors' report on those financial statements, and discussing any significant adjustments, major risk areas, changes in accounting policies, compliance with international financial reporting standards, concerns and issues arising from their audits, including any matters which the auditors may wish to discuss in the absence of management, where necessary, before submission to the Board for approval;

– reviewing the periodic consolidated financial statements comprising the profit and loss statements and the balance sheets and such other information required by the Listing Manual, before submission to the Board for approval;

– reviewing and discussing with external and internal auditors (if any), any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position and the Management's response;

– reviewing the co-operation given by the Management to the external auditors;

– reviewing the adequacy, effectiveness, independence, scope and results of the Company's external audit and internal audit function;

– considering the appointment and re-appointment of the external auditors and matters relating to resignation or dismissal thereof;

– reviewing, approving and ratifying any interested person transactions falling within the scope of Chapter 9 of the Listing Manual;

– reviewing the guidelines and review procedures relating to interested person transactions and potential conflicts of interest and future interested person transactions, if any;

– reviewing any potential conflicts of interest;

– reviewing the adequacy and supervision of the finance and accounting team on an on-going basis;

– reviewing the procedures by which employees of the Group may, in confidence, report to the Chairman of the AC, possible improprieties in matters of financial reporting or other matters and ensuring that there are arrangements in place for independent investigation and follow-up actions in relation thereto;

– undertaking such other reviews and projects as may be requested by the Board, and reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC;

– undertaking generally such other functions and duties as may be required by law or the Listing Rules, and by such amendments made thereto from time to time; and

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– assessing whether there is a need to obtain independent legal advice or appoint a compliance adviser in relation to sanctions-related risks applicable to the Group; and continuously monitor the validity of information in respect of sanctions-related risks, subject or activity provided to shareholders and SGX.

The AC meets on a quarterly basis to perform independent reviews of the Company's quarterly and full-year results, SGXNet announcements and all related disclosures to shareholders before submission to the Board for approval. In the process, during FY2021, the AC had reviewed the key areas of Management judgment applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have a material impact on the financials.

The Chairman of the AC, Mr Lim Kuan Meng, is a Chartered Accountant, has acquired the relevant accounting, auditing and risk management experience. The other members of the AC have many years of experience in the legal profession and in business management. The Board is of the view that the Chairman and members of the AC have recent and relevant accounting or related financial management expertise or experience to discharge the AC's functions.

Provision 10.4 – Financial Reporting Matters

Provided below is an overview of the matters which were identified as Key Audit Matters ("**KAM**") in the Independent Auditor's Report on the consolidated financial statements of the Group for FY2021. These KAM were discussed with the AC, Management and the external auditors and in the review carried out by the Audit Committee:

The AC has discussed and concurred with the basis and conclusions in the auditors' report with respect to the following KAM identified by the external auditors for FY2021:

Matters considered	**Action**
Revenue recognition for construction contracts and provision for foreseeable losses	During the presentation of FY2021's audit findings, the external auditors communicated to the AC that they have reviewed and evaluated the Group's revenue recognition policy in accordance to the Singapore Financial Reporting Standards (International) 15 ("SFRS(I) 15"). Their audit findings were corroborated by the performance of system walkthrough on the revenue cycle, control testing on project costings and substantive testing on major cost components. No irregularities or exceptions were highlighted in the audit findings. Additional works were also performed by the auditors to assess the reasonableness of the percentage of completion of the contracts using the input method in relation to the project in Shijiazhuang; evaluation of the competency, capabilities and objectivity of the management experts such as the use of in-house engineers; and performed arithmetic checks on the calculations of the percentage of completion, and verification of the computations of cumulative and current financial year's construction revenue. Confirmations on the basis of contract assets wherein the rights of payments are unconditional, when such project costs become receivables and deemed project completion are based on Management's assessments were requested from four customers. There were no major exceptions noted from the work performed.

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Matters considered	Action
	With regard to provision for foreseeable losses, the external auditors have communicated to the Board that they have reviewed and performed checks on the estimated contract costs from approved budgets against contract value. They also discussed with Management, and corroborated management's representation through the review of the contracts and other indicators including, but not limited to the following such as major delays, cost overruns, liquidated damages, penalty clauses, among others, that are expected of the projects undertaken in FY2021 which may require provision for foreseeable losses. The audit findings indicated that and there were no significant exception noted and mainly in line with Management's representation. Taking into account the above procedures, coupled with the quarterly reviews performed on the financial position of the Group as at 31 December 2021, the AC concurs with Management that the Group's revenue recognition is in line with the accounting standard on revenue recognition and no provision for foreseeable losses on the projects is required. This understanding is consistent with and supported by the audit findings from the external auditors during the year-end audit.
Impairment of trade receivables, contract assets and retention receivables	The AC has performed quarterly reviews of the financial statements and discussed with Management on material contract assets, trade receivables and retention receivables. In addition, the AC also reviewed the audit findings to obtain an understanding of the work performed by the auditors in respect of SFRS(I) 9. Discussions were also held with the CFO to understand the basis adopted with regards to the probability of default, forward looking default rate used and the relevance of the assumptions made. Based on the work performed, the AC concurs with Management on the write-back of impairment loss of contract assets amounting to RMB2.3 million, taking into account the subsequent receipt from certain customer after the year end coupled with the compensation awarded from the court judgement in relation to certain legal suit. As for the retention receivables, the AC concurs with Management to make the specific provision of RMB30,000 relating to an overdue debt exceeding three years, and general provisions of RMB143,000 on three recently completed contracts in FY2021, using a forward looking default rate of 5.48% per annum. The AC will continue to follow up on the status of these outstanding debts.

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Matters considered	Action
Impairment of advances paid to trade and non-trade suppliers, and a third party, amount due from a former subsidiary and tender and security deposits	The AC has performed quarterly reviews of the financial statements and discussed with Management on the material advances to trade and non-trade suppliers, and a third party, amount due from a former subsidiary and tender and security deposits. The material balances were followed up closely at every quarterly Board meeting with Management. Apart from the discussion with the CFO, the AC also reviewed the audit findings to understand the approach taken and the relevance of the assumptions applied with regards to the advances to trade and non-trade suppliers, and a third party, amount due from a former subsidiary and tender and security deposits as at 31 December 2021. In addition to the above, the AC also performed works to establish the following: (i) reversal of impairment loss allowance amounting to RMB314,000 that was no longer required in respect of advances to trade suppliers; (ii) reversal of impairment loss allowance of RMB697,000 that was no longer required in respect of tender and security deposits; and (iii) provision of a general allowance of RMB134,000 on advances to non-trade suppliers based on forward looking default rate of 5.48% per annum. (iv) reversal of impairment loss allowance of RMB22,400,000 as the outstanding amounts were fully recovered in accordance with the settlement agreement. The statutory auditors have confirmed on the above treatment during the year end audit.

<u>External Audit</u>

The AC is also responsible for conducting an annual review of the volume of audit and non-audit services provided by the external auditors to ensure that such services will not prejudice the independence and objectivity of the external auditors. For FY2021, the aggregate amount of audit fees payable to the external auditors was approximately RMB874,000 (FY2020 – RMB803,000). The amount of fees payable to other independent auditors from Singapore and China amounted to approximately RMB30,000 (FY2020 – RMB75,000) during the financial year. In addition, the external auditors are also engaged by the Company in FY2021 to perform cash audit verification on the Rights Issue exercise completed on 3 September 2020 in respect of the fully utilised proceeds which was previously announced on the SGXNet dated 9 November 2021, and tax review, and the fees payable were approximately RMB35,000 and RMB14,000 respectively.

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

On an on-going basis, the AC reviews the adequacy, effectiveness, independence, scope and results of the external auditors annually, taking into account the following:

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

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

iii) assesses the independence of the external auditors annually based on factors such as performance, skills and independence and is satisfied that the non-audit services provided by the external auditors in FY2021 did not affect the independence or objectivity of the external auditors.

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

Internal Audit

The primary role of internal audit is to assist the Board to evaluate the reliability, adequacy and effectiveness of the internal controls and risk management processes of the Group, review the internal controls of the Group to ensure prompt and accurate recording of transactions and proper safeguarding of assets and review that the Group complies with the relevant laws, regulations and policies established. The internal audit function plans its internal audit schedule in consultation with, but independent of Management, and the internal auditors report directly to the AC Chairman. The AC reviews the internal audit plan and determines the scope of audit examination. It also oversees the implementation of the improvements required on internal control weaknesses identified and ensures that Management provides the necessary co-operation to enable the internal auditors to perform its function.

The Company currently does not have a separate internal audit function. The AC will, as and when necessary, make an assessment and then recommend to the Board the appointment of internal audit professionals (with the requisite qualifications and experience) to undertake the internal audit function of the Group for the relevant financial years. In view of this, the AC concurs with the Board that the internal audit function is independent as the Company's internal audit function is independent of the external audit and it reports primarily to the AC.

In addition to the above, the AC also affirms and concurs with the Board that the internal audit function is adequately resourced as it was staffed by suitably qualified and experienced independent professionals with the relevant experience to perform its function effectively, and the appointed internal audit professionals shall have unfettered access to all the company's documents, records, properties and personnel, including access to the AC. The AC also noted that the necessary co-operation was provided by Management to enable the internal auditor to perform its function. Taking the above into consideration, the AC concurs with the Board that the overall internal audit function is effective for FY2021.

For FY2021, the internal audit function was outsourced to MS Risk Management Pte. Ltd. ("MSRM"), which is an affiliated firm of Moore Stephens LLP, a leading accounting and consulting firm that has been established in Singapore for more than 30 years. MSRM is a member of the Institute of Internal Auditors Singapore ("IIA") and staffed with persons with the relevant qualifications and experience, to perform the review of policies and testing of controls of the Group's processes consistent with the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors. The internal audit team is led by Ms Lao Mei Leng, a Director of MSRM and also an Audit Partner of Moore Stephens LLP. Ms Lao is a practising member of the Institute of Singapore Chartered Accountants ("ISCA") and a member of IIA and Singapore Institute of Directors ("SID"). She has more than 20 years of audit experience and provides audit services, documentation of policies and procedures, sustainability reporting, SOX compliance and corporate governance review to a number of public-listed companies, MAS-regulated entities and government agencies. Ms Lao is assisted by a manager who directly oversees the engagement team and has more than 10 years of experience in providing risk management services.

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Whistle blowing Policy

The Company has put in place a whistle-blowing policy, where the AC has oversight and monitors the said policy, which provides for the mechanisms by which employees and other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters to the Independent Non-Executive Directors of the Company, with the objective of ensuring that arrangements are in place for the independent investigation of such matters for appropriate follow-up action. The policy protects the complainant from detrimental or unfair treatment or victimization when he/she raises any concern in good faith and without malice.

All such investigations will be undertaken by the AC Chairman and the identity of the complainant is kept confidential.

During FY2021, there were no complaints, concerns or other matters received from the channel established under the whistle-blowing policy.

Provision 10.5 – Independent Meeting with External and Internal Auditors

The AC has explicit authority to investigate any matter within the terms of reference which are necessary to enable it to discharge the functions properly. The AC meets with the external auditors separately, at least once a year, without the presence of Management to discuss the reasonableness of the financial reporting process, and to review the adequacy of audit arrangements, with particular emphasis on the observations and recommendations of the external auditors, the scope and quality of their audits and the independence and objectivity of the external auditors.

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

Provision 11.1 – Providing Opportunity for Shareholders to Participate and Vote at General Meetings

The Company is committed to treating all shareholders fairly and equitably. It recognises, protects and facilitates the exercise of shareholders' rights, and continually reviews and updates its governance arrangements.

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

In the previous year, due to the COVID-19 situation, shareholders were informed of general meetings 14 days in advance through notices accompanied by the annual report or circular to shareholders (as applicable) which were uploaded onto the SGXNet. In line with the new listing requirement on the conduct of the annual general meeting to allow shareholders to raise questions within a reasonable time, and for the Company to provide its responses via SGXNet prior to voting the resolutions, the Company will work towards extending its notice period to more than 14 days so as to comply with the new requirement.

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

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

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

The Company conducted poll voting for all resolutions passed at its last AGM held on 30 April 2021 as well as its extraordinary general meeting ("EGM") held on 23 December 2021. An independent firm was appointed as the scrutineer to conduct the polling process at the last AGM and at the said EGM. The results of the poll voting on each resolution tabled at the last AGM and at the said EGM, including the total number of votes cast for or against each resolution, were also announced after the respective meetings via SGXNet.

Provision 11.2 – Separate Resolutions at General Meetings

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

Provision 11.3 – Attendees at General Meetings

In the light of the COVID-19 pandemic whereby the AGM and EGM in 2021 were held by way of electronic means, shareholders were invited to submit their questions for the AGM and EGM in advance of the meeting and the Company would address the questions via SGXNet. For the AGM held on 30 April 2021 and the EGM held on 23 December 2021, there were no questions received from shareholders.

The Executive Chairman and CEO, all the Directors (including the Chairmen of the AC, RC and NC), the external auditors, Foo Kon Tan LLP, and the Company's Secretary were present virtually at the Company's AGM held on 30 April 2021. They will make themselves available at the forthcoming virtual AGM to be held on 28 April 2022.

Provision 11.4 – Absentia voting at General Meetings

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

Provision 11.5 – Minutes of General Meeting

Resolutions are, as far as possible, structured separately and may be voted upon independently during the AGM. The Company will put all resolutions to vote by poll to be in line with Rule 730(A)(2) of the Listing Manual. The detailed results setting out the breakdown of all valid votes cast at the general meeting in the format provided in the Listing Manual will be announced via SGXNet after the conclusion of the general meetings. The minutes of the general meetings will be provided to shareholders upon their written request. Going forward, the Company will also publish the minutes of general meetings of shareholders on its corporate website (www.leaderet.com) as soon as practicable.

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In view of the current COVID-19 situation in Singapore, the forthcoming AGM to be held in respect of FY2021 will be convened and held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions prior to the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, will be put in place for the AGM to be held on 28 April 2022.

Provision 11.6 – Dividend Policy

The Company does not have a fixed dividend policy and did not pay any dividend in FY2021 as the Group needs to preserve its cash for working capital requirements. Furthermore, pursuant to the Companies Act 1967, the Company is unable to pay dividends due to its huge accumulated losses position unless it starts to generate profits out of which it can use for dividends payments.

The payment of future dividend will continue to be hampered by the rule unless the Group can turn in exceptional performance going forward. The Group will, however, evaluate other available options to reward shareholders should the Group continue to perform well. For any dividends to be paid in the future, the form, frequency and amount of dividends will depend on the Group's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the directors may deem appropriate. Any proposal for the declaration of dividends will be clearly communicated to shareholders via SGXNet.

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

Provisions 12.1 and 12.2 – Communication with Shareholders

The Company is also committed to regular and proactive communication with its shareholders in line with continuous disclosure obligations of the Company under the Listing Rules. The Company does not practice selective disclosure as the relevant material and price-sensitive information are released to SGX-ST through SGXNet in a timely and fair manner. Pertinent information has been disclosed or communicated to shareholders in a timely, fair and equitable manner to enable shareholders to make informed decision. The Company is looking to building confidence and strengthening its relationship with shareholders going forward. Apart from the release of material and price sensitive information relating to the Company on the SGXNet, the Company maintains a corporate website at http://www.leaderet.com, where the public can readily access information relating to the Company and the Group.

On 7 February 2020, the Singapore Exchange Regulation (SGX RegCo) adopted a risk-based approach to quarterly reporting. Most listed companies, unless otherwise required by the SGX, report their results semi-annually. The Company had on 14 August 2020 moved to semi-annual reporting of its financial performance. Apart from financial information, the Company may consider providing voluntary business updates to shareholders in between its half-yearly financial reports so that shareholders are kept informed of the Company's development and progress.

Apart from the above communication channels, the Executive Director/Finance Director, Mr Ngoo Lin Fong is also entrusted with the responsibility of meeting up institutional investors, analysts and the media who are keen to seek a better understanding of the Company's business operations.

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Provision 12.3 – Investor Relations Practices

The Company has ceased the engagement of a consultant to manage its investor relations in FY2021. In the absence of a consultant, the Executive Director/Finance Director, Mr Ngoo Lin Fong, has undertaken the responsibility of managing and maintaining communications with institutional investors, analysts and the media on a regular basis. He will assist in addressing their queries or concerns and providing updates to the investors of the Group's corporate business developments and financial performance.

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

Provisions 13.1, 13.2 – Managing Stakeholder Relationships

In FY2021, as part of the Group's sustainability efforts, it has reported sustainability performance in accordance with the SGX Sustainability Report Guide, with reference to the core option of the Global Reporting Initiatives (GRI) framework. The Company has appropriate channels in place to identify and engage with its material stakeholder groups to build a sustainable growth and businesses. It recognises the importance of having intimate knowledge of its business and regular interactions with its stakeholders to determine material issues for its business.

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

- Playing a pivotal role in supporting customers by offering solutions in the treatment of sludge and industrial wastewater;

- Adoption of safety measures or practices to ensure the project sites are free from accidents;

- Safeguarding the health and safety of employees so as to provide a conducive working environment on the project sites and workplace; and

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

The Company's approach to stakeholder engagement and materiality assessment can be found under the Sustainability Report 2021 which will be published together with the Annual Report for FY2021 and is also available in electronic format.

Provision 13.3 – Corporate Website

The Company will make disclosure of all material information to shareholders. All material information on the performance and development of the Group and of the Company are disclosed in a timely, accurate and comprehensive manner through SGXNet and the Company maintains a corporate website at http://www.leaderet.com. The Company has engaged professionals to set up the Company's corporate website so that it can better communicate and engage with all stakeholders. The website will be updated regularly, and serve as an important resource for investors and stakeholders. The Company regularly reviews ways to enhance its corporate reporting process and the ease of access to information released.

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DEALINGS IN SECURITIES

In compliance with Rule 1207(19) of the Listing Rules on best practices on dealing in securities, the Company has put in place an internal compliance policy which prohibits the directors, key management personnel of the Group and their connected persons from dealing in the Company's shares during the "black-out" period which is one month immediately preceding the release of half yearly results and full-year results.

The Company has reminded its Directors and Executive Officers that it is an offence under the Securities and Futures Act 2001 for a listed issuer or its officers to deal in the listed issuer's securities as well as securities of other listed issuers when the officers are in possession of unpublished material price-sensitive information in relation to those securities. Directors and Executive Officers are reminded and expected to observe insider trading laws at all times even when dealing in securities within permitted trading periods. Employees who attend management committee meetings have to observe the "closed window" periods.

During FY2021, the Company engaged a legal firm to provide a training session on confidentiality obligations and insider training. In addition to the training, a code of conduct for dealing in securities, which sets out sound principles and standards of good practice, was formulated and approved by the Board. Copies of the code were released to the staff so that they will observe and comply with the relevant laws and regulations at all times when dealing in the Company's securities.

The Company has further reminded its Directors and Executive Officers to refrain from trading the Company's securities on short-term considerations.

Based on the additional measures implemented, the Board confirms that, for FY2021, the Company has complied with Rule 1207(19) of the Listing Rules.

MATERIAL CONTRACTS

There are no material contracts entered into by the Company and its subsidiaries during FY2021 or still subsisting as at 31 December 2021 which involved the interests of any of the Directors or controlling shareholders of the Company.

INTERESTED PERSON TRANSACTIONS

The Board meets quarterly to review whether there will be any interested person transactions to be entered. If the Company is intending to enter into an interested person transaction, the AC and the Board will ensure that the transaction is carried out fairly and at arm's length based on normal commercial terms and will not be prejudicial to the interest of the Company and its non-controlling shareholders. The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of the SGX-ST. There are no interested person transactions entered into by the Group during FY2021 under review in accordance with Rule 907 of the Listing Rules.

USE OF RIGHT ISSUE PROCEEDS

As previously announced on the SGXNet dated 9 November 2021, the gross proceeds from the rights issue raised from the rights issue exercise completed on 3 September 2020 were fully utilised. The Company has engaged its external auditors, Foo Kon Tan LLP, to perform an independent verification on the use and disbursement of the rights issue proceeds. This is in accordance with one of the approval-in-principle requirements from the SGX-ST as announced on 13 July 2020. Once the verification work is completed, the results and findings will be announced on the SGXNet.

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The use of the rights issue proceeds raised from the exercise completed on 4 August 2021 is as follows:

	S$	S$
Gross proceeds from the Rights Issue		20,790,216
Fees and expenses directly attributable to the Rights Issue exercise		
Issue manager's fees	(53,500)	
Costs relating to handling and submission of share certificates to CDP	(36,434)	
Legal fees for the submission of additional listing application to SGX-ST	(86,258)	
Additional Listing Application fees paid to SGX-ST	(32,100)	
Type-setting of Offer Information Statement & printing of forms in relation to the Rights Issue	(10,136)	
Fees paid to shares registrar	(6,539)	
Fees paid to receiving bank	(6,000)	
Corporate secretarial fees	(6,011)	
Opening of securities account to trade nil-paid rights and ATM application fees	(6,420)	(243,398)
Net proceeds		20,546,818
95% of the net proceeds earmarked for business investments and acquisitions of environmental related business as per Offer Information Statement ("OIS")		
Finance the capital commitment in Yishui project	(1,061,000)	
Finance the membrane manufacturing facility	(1,920,000)	
Finance the capital commitment in respect of sludge treatment project in Bazhou City	(4,471,200)	
Finance the balance capital commitment into JV company, AIWater (Anhui)., Co Ltd	(635,068)	
Total capital commitment and business investments		(8,087,268)
5% of the net proceeds earmarked for working capital as per OIS		
Directors' fees, remunerations, salaries and related costs	(742,986)	
Professional fees and compliance costs	(284,355)	(1,027,341)
		11,432,209
Re-designation of the balance net proceeds from business investments and acquisitions to capital commitment and working capital purposes		
Capital injection in United Greentech (Guangzhou) Co., Ltd for its working capital		(496,800)
Working capital		
Directors' fees, remunerations, salaries and related costs	(1,432,708)	
Office equipment, computers, furniture, and other low value assets	(115,759)	
Rental, utilities and related deposits	(73,893)	
Professional fees and compliance costs	(145,789)	
Printing, AGM related costs and investor relations expenses	(71,248)	
Travelling and entertainment expenses	(21,435)	
Communications and internet expenses	(10,288)	
Insurance	(4,633)	
Course fees	(5,778)	
Installation of accounting software and subscription fees	(1,616)	
Miscellaneous expenses	(12,270)	
		(1,895,417)
Balance of Rights Issue proceeds (Net)		9,039,992

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2021 and the statement of financial position of the Company as at 31 December 2021.

In the opinion of the directors,

(a) the accompanying financial statements of the Group and of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and the financial performance, change in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act 1967 and Singapore Financial Reporting Standards (International); 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Name of directors

The directors of the Company in office at the date of this statement are:

Dr Lin Yucheng
Ngoo Lin Fong (Appointed on 15 November 2021)
Lim Kuan Meng
Mak Yen-Chen Andrew
Lee Suan Hiang
Lin Baiyin

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other corporate body.

Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act 1967, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Number of ordinary shares					
	Holdings registered in the name of director			Holdings in which a director is deemed to have an interest		
	As at 1.1.2021 or date of appointment, if later	As at 31.12.2021	As at 21.1.2022	As at 1.1.2021 or date of appointment, if later	As at 31.12.2021	As at 21.1.2022
Director						
Dr Lin Yucheng	198,000,000	414,779,500	**414,779,500**	–	–	**–**
Ngoo Lin Fong	18,717,000	18,717,000	**18,717,000**	–	–	**–**
Lee Suan Hiang	5,000,000	5,000,000	**5,000,000**	3,000,000	3,000,000	**3,000,000**
Lin Baiyin	1,000,000	1,000,000	**1,000,000**	120,304,000	4,000	**4,000**

The directors' interests in the ordinary shares of the Company as at 21 January 2022 were the same as those as at 31 December 2021.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

Share options

At the Extraordinary General Meeting of the Company held on 23 December 2021, the shareholders approved the Leader Environmental Technologies Share Option Scheme (the "Scheme"). The Scheme is administered by the Remuneration Committee, comprising three directors, Mak Yen-Chen Andrew, Lim Kuan Meng and Lee Suan Hiang.

Under the Scheme, the Company may grant options to employees of the Company and its subsidiaries holding office of the rank as may be designated by the Remuneration Committee; non-executive directors (including independent directors) of the Company and its subsidiaries; or controlling shareholders or associated of controlling shareholders (as defined in the SGX Listing Manual), to subscribe for ordinary shares of the Company, provided that the following limits on entitlements for participants of the Scheme are not exceeded:

(i) aggregate number of shares available under the Scheme shall not exceed 15% of the total number of all issued Shares (excluding treasury shares and subsidiary holdings);

(ii) aggregate number of shares available to all controlling shareholders and/or their associates (as defined in the SGX Listing Manual) shall not exceed 25% of total number of shares in respect of which the Company may grant options pursuant to the Scheme;

(iii) number of shares available to any individual controlling shareholder or his associate shall not exceed 10% of total number of shares in respect of which the Company may grant options pursuant to the Scheme;

(iv) number of shares available to any individual employee or director shall not exceed 25% of total number of shares in respect of which the Company may grant options pursuant to the Scheme; and

(v) maximum discount under the Scheme, which must be approved by shareholders in a separate resolution, shall not exceed 20%.

Since commencement of the Scheme, there have been no options granted to controlling shareholders of the Company and their associates (as defined in the SGX Listing Manual).

No participants under the Scheme have received 5% or more of the total number of options available under the Scheme since its commencement.

No options had been granted under the Scheme at a discount since its commencement till the end of the financial year.

Subsequent to the reporting date, the Company has made offers to grant 11,600,000 options to employees of the Group, including 2,000,000 options to Mr. Ngoo Lin Fong, Executive Director/Finance Director of the Company, at the exercise price of S$0.052 per share and 750,000 options to Independent Non-Executive Directors at the exercise price of S$0.065 per share. The grant date for both options is 4 March 2022. The option period for the employees is 10 years from the grant date and for the Independent Non-Executive Directors of the Company is 5 years from the grant date.

No options to take up unissued shares of the Company or any subsidiaries have been granted during the financial year.

No shares were issued during the financial year to which this report relates by virtue of the exercise of the options to take up unissued shares of the Company or any subsidiaries.

There were no unissued shares of the Company or any subsidiaries under option at the end of the financial year.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2021

Audit committee

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

Lim Kuan Meng (Chairman)
Mak Yen-Chen Andrew
Lee Suan Hiang

The Audit Committee performs the functions set out in Section 201B(5) of the Companies Act 1967, the SGX Listing Manual and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed the following:

(i) overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the adequacy and effectiveness of the Company's internal control systems, including financial, operational, compliance and information technology internal controls via reviews carried out by the internal auditors;

(ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;

(iii) the quarterly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2021 as well as the independent auditor's report thereon; and

(iv) interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Full details regarding the Audit Committee are provided in the "Corporate Governance Report" section of the annual report.

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712 and 715 of the SGX Listing Manual.

DIRECTORS' **STATEMENT**

For the financial year ended 31 December 2021

Independent auditor

The independent auditor, Foo Kon Tan LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

DR LIN YUCHENG

NGOO LIN FONG

Dated: 31 March 2022

INDEPENDENT AUDITOR'S **REPORT**

To the members of Leader Environmental Technologies Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Leader Environmental Technologies Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statement, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act 1967 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S **REPORT**

To the members of Leader Environmental Technologies Limited

Key Audit Matters (Cont'd)

Key audit matters	**Risk**	**Our responses and work performed**
Revenue recognition for construction contracts and provision for foreseeable losses	The Group is primarily involved in the business of design and construction of environmental protection systems, primarily for industrial wastegas and wastewater treatments. We focus on revenue recognition and provision for foreseeable losses because (i) the accuracy and timing of revenue recognition for construction contracts under the percentage of completion method require the determination of the stage of completion of the project and timing of revenue recognition which involves significant management judgement and use of estimates; and (ii) where it is probable that the total contract costs would exceed the total construction revenue and remaining costs. No provision for foreseeable losses has been recognised for the financial year ended 31 December 2021. The Group's disclosures about revenue recognition and contract assets and contract liabilities and the significant accounting estimates and judgements are included in Notes 2(d), 2(e) and 6 to the financial statements.	<u>Contract costs</u> We obtained an understanding of on-going contracts through discussions with management and examination of contract documentation (including correspondences with customers). In relation to the actual costs incurred, we: • checked the total contract balance and salient information of the project; • assessed the competence and objectivity of the surveying engineers; • agreed the progress of the construction to certified progress reports from engineers; and • performed substantive testing procedures by verifying contracts costs including any variation orders to the underlying documentation. In relation to estimated total contract costs, we: • discussed with the project managers to assess the reasonableness of estimated total contract costs; • evaluated management's underlying assumptions made using our understanding of past completed projects; and • agreed the cost to completion for each contract by substantiating costs that have been committed to quotations from and contracts with suppliers. We compared the contract revenue against the estimated total contract costs to determine project profit and anticipated losses, if any. <u>Revenue</u> We have reviewed and evaluated the accounting policy on revenue recognition, taking into account the performance obligations stipulated in the sales transactions. We have performed walkthroughs of the revenue control process, and tested the design and implementation of key controls identified and ascertained that key controls are operating effectively.

INDEPENDENT AUDITOR'S **REPORT**

To the members of Leader Environmental Technologies Limited

Key Audit Matters (Cont'd)

Key audit matters	**Risk**	**Our responses and work performed**
Revenue recognition for construction contracts and provision for foreseeable losses (Cont'd)		We have tested selected revenue transactions by assessing and evaluating the following steps: Step 1 – Identify the contract(s) with a customer Step 2 – Identify the performance obligations in the contract Step 3 – Determine the transaction price Step 4 – Allocate the transaction price to the performance obligations in the contract Step 5 – Recognise revenue when (or as) the entity satisfies a performance obligation We have assessed the reasonableness of the stage of completion of the contract by verifying against the internal evaluation of the progress of the contract by in-house engineers and acknowledgement by customer. We have evaluated the competency, capabilities and objectivity of a management expert (i.e. in-house engineers). We have assessed the reasonableness of the percentage of completion by cross-checking using the input method of determining the percentage of completion. We have performed arithmetic checks on the calculation of the percentage of completion. We also computed the cumulative construction revenue and the construction revenue for the current financial year and agreed to the accounting records and found no exception. We have requested confirmation to customers to ascertain the rationale of the contract assets for the rights of payment to be unconditional and when such project cost can become a receivable given the fact these projects has been deemed completed according to management assessment. We also considered the adequacy of the disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates.

INDEPENDENT AUDITOR'S **REPORT**

To the members of Leader Environmental Technologies Limited

Key Audit Matters (Cont'd)

Key audit matters	Risk	Our responses and work performed
Impairment of trade receivables, contract assets and retention receivables	The Group is subject to credit risk with significant judgement and accounting estimates used in determining the recoverability and expected credit losses (ECL) of trade and other receivables and contract assets as disclosed in Note 2(d) to the financial statements. The Group's disclosures about revenue recognition, contract assets, trade and other receivables are included in the significant accounting policy in Note 2(e) and Notes 6 and 8 to the financial statements.	We have circularised significant trade receivables and payables balances and significant advances to suppliers. We performed alternative procedures by checking to subsequent receipts, subsequent invoices and subsequent payments for confirmation not received. We have: • discussed with management regarding the level and ageing of receivables and recoverability of amounts due from customers, along with the consistency and appropriateness of receivables, and recoverability of amounts due from customers by assessing recoverability with reference to cash received in respect of debtors and billings raised against the valuation of amounts due from customers. In addition, we have considered the Group's previous experience of bad debt exposure and the individual counterparty credit risk amongst others; • assessed the recoverability of overdue unprovided debt with reference to the historical levels of bad debt expense and credit profile of the counterparties; • tested these balances on a sample basis through agreement to post period end invoicing, post period end cash receipt or agreement to the terms of the contract in place, as appropriate; • considered the consistency of judgements regarding the recoverability of trade receivables made year on year through discussion with management on their rationale and obtaining evidence to support judgement areas; and • considered the adequacy of the disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates.

INDEPENDENT AUDITOR'S **REPORT**

To the members of Leader Environmental Technologies Limited

Key Audit Matters (Cont'd)

Key audit matters	**Risk**	**Our responses and work performed**
Impairment of trade receivables, contract assets and retention receivables (Cont'd)		Due to the extent of recovery of business in the People's Republic of China (PRC) economy in the construction industry, the unemployment rate in the PRC is considered appropriate to be applied: • Where there is no credit impair to be expected, a percentage has been applied to the debt on a general basis. • Where there is a credit impair expected, a percentage has been applied to the specific debt if doubtful on the basis of the extent of the probability of default. • Where there is a credit-impaired and regarded as in default, a full sum of the specific debt will be written off to profit or loss. We have concurred with management's assessment on the basis to which the ECL has been applied. Please refer to Note 31.2 for further analysis.
Impairment of advances paid to trade and non-trade suppliers and a third party, amount due from a former subsidiary, and tender and security deposits	As disclosed in Note 2(d) to the financial statements, the Group is subject to credit risk with significant judgement and accounting estimates used in determining the recoverability and expected credit losses (ECL) of deposits paid to trade and non-trade suppliers if the underlying project is aborted. The Group's disclosures about advances paid to trade and non-trade suppliers and a third party, amount due to a former subsidiary, and tender and security deposits are in Note 8 to the financial statements.	The deposit to trade suppliers are made without the trade supplier invoices obtained at the point before the expenses were incurred. The deposit to trade suppliers will be reclassified and recognised as project costs upon the receipt of trade supplier invoices. We reviewed management's assessment of the commencement of the projects relating to the advances paid to suppliers to the underlying documentation and its recoverability if the project is subsequently cancelled. Payments are made to the trade suppliers for the following reasons: • the items purchased from trade suppliers must be customised to meet the needs of specific projects. Suppliers would require advances in order to commit to the production of these customised items. • some customers impose a requirement on the project bidders to pay deposit to the customer-appointed supplier(s) during the bidding stage or upon signing of the contract so as to ensure that the Group would be capable of providing the required initial capital to facilitate timely delivery of items to project sites and to complete the project on a timely basis. The security in place is monitored by the employee to be accountable to the refund pending on the outcome of the bid.

INDEPENDENT AUDITOR'S **REPORT**

To the members of Leader Environmental Technologies Limited

Key Audit Matters (Cont'd)

Key audit matters	Risk	Our responses and work performed
Impairment of advances paid to trade and non-trade suppliers and a third party, amount due from a former subsidiary and tender and security deposits (Cont'd)		We considered the potential risks and implications associated with deposit paid to trade and non-trade suppliers and we have identified specific procedures to address these risks: (a) We circularised the deposit paid to these suppliers; (b) We reviewed management's assessment of the commencement of the projects relating to the deposit paid to these suppliers to the underlying documentation; (c) For projects that have not materialised and commenced at all, advances paid to trade suppliers totalled to RMB6,343,000 has been written off during the year. They are regarded as project costs at the inception; and (d) We have concurred with management's assessment on the basis to which the ECL has been applied. The advances from a third party and the amount due from a former subsidiary have been reviewed separately as at the reporting date and the outstanding amounts have been recovered in full. We assessed the adequacy of the related disclosures in the notes to the financial statements.

Other information

Management is responsible for the other information. The other information comprises the "Directors' Statement", "Corporate Governance Report", "Operations and Financial Review" and "Financial Highlights" sections of the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S **REPORT**

To the members of Leader Environmental Technologies Limited

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S **REPORT**

To the members of Leader Environmental Technologies Limited

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations 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 Yeo Boon Chye.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 31 March 2022

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

		The Group		The Company	
		2021	2020	2021	2020
	Note	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	3	**48,051**	7,314	**1,177**	17
Intangible assets	4	**1,616**	–	**–**	–
Investment in subsidiaries	5	**–**	–	**86,062**	30,016
		49,667	7,314	**87,239**	30,033
Current Assets					
Contract assets	6	**32,552**	3,697	**–**	–
Inventories	7	**468**	915	**–**	–
Trade and other receivables	8	**30,004**	38,919	**1,248**	215
Prepayments	9	**156**	101	**37**	15
Cash and bank balances	10	**95,103**	50,628	**42,400**	13,737
		158,283	94,260	**43,685**	13,967
Total assets		**207,950**	101,574	**130,924**	44,000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	11	**375,049**	276,699	**375,049**	276,699
PRC statutory common reserve	12	**32,410**	31,748	**–**	–
Merger reserve	13	**(454)**	(454)	**–**	–
Currency translation reserve	14	**(437)**	–	**–**	–
Premium paid on acquisition of non-controlling interests	15	**–**	–	**–**	–
Accumulated losses		**(275,285)**	(280,463)	**(253,677)**	(242,146)
Equity attributable to owners of the Company		**131,283**	27,530	**121,372**	34,553
Non-controlling interests		**16,348**	–	**–**	–
Total equity		**147,631**	27,530	**121,372**	34,553
Non-Current Liabilities					
Bank borrowings	16	**23,592**	–	**–**	–
Lease liabilities	17	**957**	446	**464**	–
Provision for restoration costs	18	**377**	–	**–**	–
		24,926	446	**464**	–
Current Liabilities					
Bank borrowings	16	**2,472**	23,990	**–**	–
Lease liabilities	17	**912**	617	**319**	–
Contract liabilities	6	**–**	1,671	**–**	–
Trade and other payables	20	**10,266**	41,924	**7,590**	7,002
Other liabilities	21	**19,466**	5,396	**1,179**	2,445
Income tax payable		**2,277**	–	**–**	–
		35,393	73,598	**9,088**	9,447
Total liabilities		**60,319**	74,044	**9,552**	9,447
Total equity and liabilities		**207,950**	101,574	**130,924**	44,000

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

CONSOLIDATED STATEMENT OF **PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the financial year ended 31 December 2021

The Group	**Note**	**2021 RMB'000**	**2020 RMB'000**
Revenue	22	**49,855**	13,736
Cost of sales		**(37,178)**	(10,378)
Gross profit		**12,677**	3,358
Finance income	23(a)	**302**	23
Other income	23(b)	**873**	389
Selling and distribution expenses		**(5,446)**	(1,356)
Administrative expenses	23(c)	**(22,624)**	(13,911)
Impairment loss on financial assets and contract assets	23(e)	**(307)**	(46,549)
Impairment loss on financial assets and contract assets no longer required	23(e)	**25,754**	835
Finance costs	23(a)	**(1,100)**	(4,951)
Other expenses	23(d)	**(3,153)**	(2,771)
Profit/(loss) before taxation	23(e)	**6,976**	(64,933)
Taxation	24	**(2,277)**	75
Profit/(loss) after taxation		**4,699**	(64,858)
Other comprehensive loss after tax			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		**(437)**	–
Items that will not be reclassified subsequently to profit or loss			
Currency translation differences		**(291)**	–
Other comprehensive loss after tax		**(728)**	–
Total comprehensive income/(loss) for the year		**3,971**	(64,858)
Profit/(loss) attributable to:			
Owners of the Company		**5,840**	(64,858)
Non-controlling interests		**(1,141)**	–
		4,699	(64,858)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**5,403**	(64,858)
Non-controlling interests		**(1,432)**	–
		3,971	(64,858)
Earnings/(loss) per share			
– Basic and diluted (RMB cents)	25	**0.41**	(4.83)

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For the financial year ended 31 December 2021

	Attributable to owners of the Company								
The Group	**Share capital RMB'000**	**PRC statutory common reserve RMB'000**	**Merger reserve RMB'000**	**Currency translation reserve RMB'000**	**Accumulated losses RMB'000**	**Premium paid on acquisition of non-controlling interests RMB'000**	**Total attributable to owners of the Company RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
At 1 January 2020	224,747	31,748	(454)	–	(215,435)	(170)	40,436	–	40,436
Loss for the year	–	–	–	–	(64,858)	–	(64,858)	–	(64,858)
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	(64,858)	–	(64,858)	–	(64,858)
Issuance of new shares pursuant to the private placement	9,087	–	–	–	–	–	9,087	–	9,087
Issuance of new shares pursuant to the rights issue	44,355	–	–	–	–	–	44,355	–	44,355
Share issue expenses	(1,490)	–	–	–	–	–	(1,490)	–	(1,490)
Disposal of controlling interest in a subsidiary	–	–	–	–	(170)	170	–	–	–
Total transactions with owners	51,952	–	–	–	(170)	170	51,952	–	51,952
At 31 December 2020	**276,699**	**31,748**	**(454)**	**–**	**(280,463)**	**–**	**27,530**	**–**	**27,530**
Profit for the year	**–**	**–**	**–**	**–**	**5,840**	**–**	**5,840**	**(1,141)**	**4,699**
Other comprehensive loss	**–**	**–**	**–**	**(437)**	**–**	**–**	**(437)**	**(291)**	**(728)**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**(437)**	**5,840**	**–**	**5,403**	**(1,432)**	**3,971**
Issuance of new shares pursuant to the rights issue	**99,515**	**–**	**–**	**–**	**–**	**–**	**99,515**	**–**	**99,515**
Share issue expenses	**(1,165)**	**–**	**–**	**–**	**–**	**–**	**(1,165)**	**–**	**(1,165)**
Capital contributions from non-controlling shareholders of subsidiaries (Note 5)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**17,780**	**17,780**
Appropriation of profit to reserve	**–**	**662**	**–**	**–**	**(662)**	**–**	**–**	**–**	**–**
Total transactions with owners	**98,350**	**662**	**–**	**–**	**(662)**	**–**	**98,350**	**17,780**	**116,130**
At 31 December 2021	**375,049**	**32,410**	**(454)**	**(437)**	**(275,285)**	**–**	**131,283**	**16,348**	**147,631**

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the financial year ended 31 December 2021

The Group	Note	2021 RMB'000	2020 RMB'000
Cash Flows from Operating Activities			
Profit/(loss) before taxation		**6,976**	(64,933)
Adjustments for:			
Depreciation of property, plant and equipment	3	**1,910**	1,103
Amortisation of intangible assets	23(e)	**180**	260
Loss on disposal of property, plant and equipment, net	23(e)	**389**	486
Loss on rights transferred in sale and leaseback transaction	23(e)	**78**	–
Property, plant and equipment written off	23(e)	**56**	–
Impairment loss on intangible assets	23(e)	**–**	1,022
Impairment loss on financial assets and contract assets	23(e)	**307**	46,549
Impairment loss on financial assets and contract assets no longer required	23(e)	**(25,754)**	(835)
Gain on disposal of a subsidiary	5(b)	**–**	(3)
Gain on re-measurement of lease liabilities	23(e)	**–**	(17)
Gain on de-registration of subsidiaries	23(e)	**–**	(9)
Finance costs	23(a)	**1,100**	4,951
Finance income	23(a)	**(302)**	(23)
Operating loss before working capital changes		**(15,060)**	(11,449)
(Increase)/decrease in contract assets		**(26,527)**	11,747
Decrease in inventories		**438**	19
Decrease in trade and other receivables		**32,324**	20,791
Increase in prepayments		**(83)**	(58)
Decrease in contract liabilities		**(1,671)**	(4,020)
Decrease in trade and other payables		**(23,703)**	(1,466)
Increase/(decrease) in other liabilities		**13,456**	(5,605)
Cash (used in)/generated from operations		**(20,826)**	9,959
Income tax refund		**–**	75
Net cash (used in)/generated from operating activities		**(20,826)**	10,034
Cash Flows from Investing Activities			
Acquisition of subsidiary, net of cash	5(a)	**(974)**	–
Disposal of a subsidiary, net of cash disposed of	5(b)	**–**	(75)
Acquisition of property, plant and equipment	A	**(45,368)**	(57)
Proceeds from sale and leaseback transaction		**5,000**	–
Proceeds from disposal of property, plant and equipment		**97**	403
Interest income received		**302**	23
Net cash (used in)/generated from investing activities		**(40,943)**	294
Cash Flows from Financing Activities			
Capital contribution from non-controlling shareholders of subsidiaries		**17,780**	–
Proceeds from issuance of ordinary shares via a private placement	11	**–**	9,087
Proceeds from issuance of ordinary shares via rights issue	11	**99,515**	44,355
Share issue expenses	11	**(1,165)**	(1,490)
Proceeds from bank borrowings	B	**27,399**	11,000
Repayments of bank borrowings	B	**(24,826)**	(37,010)
Repayments of lease liabilities	B	**(973)**	(434)
(Repayment of)/proceeds from bills payable, net	B	**(3,000)**	1,475
Interest paid	B	**(1,025)**	(4,915)
Increase in bank deposits pledged	B	**(3,022)**	(1,475)
Release of bank deposits pledged	B	**3,000**	–
(Repayments to)/advances from a related party	B	**(7,270)**	7,000
Net cash generated from financing activities		**106,413**	27,593
Net increase in cash and cash equivalents		**44,644**	37,921
Effect of foreign exchange rate changes on balances held in foreign currencies		**(135)**	–
Cash and cash equivalents at beginning of year		**47,628**	9,707
Cash and cash equivalents at end of year	10	**92,137**	47,628

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the financial year ended 31 December 2021

NOTE:

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

In financial year 2021, the Group acquired property, plant and equipment with an aggregate cost of RMB49,130,000 (2020 – RMB1,218,000), of which RMB41,355,000 relate to the purchase of leasehold land and building. The Group makes cash payments of RMB45,368,000 (2020 – RMB57,000) to acquire property, plant and equipment.

In addition, there are non-cash additions to the Group's property, plant and equipment, and comprise the following:

(i) rights-of-use-assets of RMB1,780,000 (2020 – RMB1,161,000);

(ii) outstanding balances of RMB971,000 (2020 – Nil) and RMB627,000 (2020 – Nil) payable to contractors of property, plant and equipment, adjusted for currency translation differences of RMB18,000 and RMB12,000, as recorded under "Other payables" and "Other liabilities" respectively; and

(iii) provision for restoration costs of RMB384,000 (2020 – Nil) and adjusted for the currency translation differences of RMB7,000 as recorded under "Leasehold improvements".

B Reconciliation of liabilities arising from financing activities

The following is the disclosures of the reconciliation of items for which cash flows have been, or would be, classified as financing activities, excluding equity items:

					Cash flows		
	1 January 2021 RMB'000	Addition during the year RMB'000	Foreign exchange movement RMB'000	Interest expense RMB'000	Repayments/ pledged/ interest paid RMB'000	Proceeds/ release of deposit pledged RMB'000	31 December 2021 RMB'000
Bills payables	3,000	–	–	–	(3,000)	–	–
Bank borrowings	23,990	–	(499)	1,025	(25,851)	27,399	26,064
Lease liabilities	1,063	1,704	–	75	(973)	–	1,869
Bank deposits pledged	(3,000)	–	56	–	(3,022)	3,000	(2,966)
Amount owing to a related party	7,089	1,298*	(21)	–	(7,270)	–	1,096

* relates to settlement of liabilities on behalf by a related party and fee for outsourcing of services charged by a related party.

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the financial year ended 31 December 2021

	1 January 2020 RMB'000	Addition during the year RMB'000	Re-measurement adjustment RMB'000	Interest expense RMB'000	Cash flows Repayments/ pledged/ interest paid RMB'000	Cash flows Proceeds/ advances from RMB'000	31 December 2020 RMB'000
Bills payables	1,525	–	–	–	–	1,475	3,000
Bank borrowings	50,000	–	–	4,915	(41,925)	11,000	23,990
Lease liabilities	782	1,161	(482)	36	(434)	–	1,063
Bank deposits pledged	(1,525)	–	–	–	(1,475)	–	(3,000)
Amount owing to a related party	–	89*	–	–	–	7,000	7,089

* relates to settlement of liabilities on behalf by a related party

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

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

1 General information

The Company is incorporated as a limited liability company and domiciled in Singapore and is listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office of the Company is located at 38 Beach Road, South Beach Tower, #29-11, Singapore 189767, and the principal place of business of the Group is located at 41 Science Park Road, #04-11, The Gemini, Singapore 117610.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

The consolidated financial statements of the Group and statement of financial position of the Company for the financial year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' statement.

2(a) Basis of preparation

These financial statements have been prepared in accordance with the provisions of the Singapore Companies Act 1967 and Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

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

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

On 1 January 2021, the Group and the Company have adopted all the new and revised SFRS(I), SFRS(I) interpretations ("SFRS(I) INT") and amendments to SFRS(I), effective for the current financial year that are relevant to them.

Reference	**Description**
Amendments to SFRS(I)	
SFRS(I) 16	Covid-19 Related Rent Concessions
SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4, SFRS(I) 16	Interest Rate Benchmark Reform – Phase 2

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

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

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

Reference	Description	Effective date (Annual periods beginning on or after)
SFRS(I) 17	Insurance Contracts	1 January 2023
Amendments to SFRS(I)		
SFRS(I) 10, SFRS(I) 1-28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
SFRS(I) 16	Covid-19 Related Rent Concessions beyond 30 June 2021	1 April 2021
SFRS(I) 3	Reference to the Conceptual Framework	1 January 2022
SFRS(I) 1-16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
SFRS(I) 1-37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
SFRS(I) 1-1	Classification of Liabilities as Current or Non-current	1 January 2023
SFRS(I) 17	Insurance Contracts	1 January 2023
SFRS(I) 4	Extension of the Temporary Exemption from Applying SFRS(I) 9	1 January 2023
SFRS(I) 1-8	Definition of Accounting Estimates	1 January 2023
SFRS(I) 1-12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Various SFRS(I)s	Annual Improvements to SFRS(I)s 2018 – 2020	1 January 2022
Various SFRS(I)s	Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies	1 January 2023

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

2(d) Significant accounting estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period in which the estimate is revised and in any future reporting periods affected.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

The areas involving significant judgement and critical accounting estimates and assumptions used are described below.

Significant judgements used in applying accounting policies

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

Income tax (Notes 19 and 24)

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

Acquisition of intangible assets (Note 4)

The Group acquires patents either directly or indirectly through the purchase of entities which own these patents. At the acquisition date, the Group assesses whether the purchase of an entity constitutes a business combination or an asset acquisition. In cases where the acquired entity meets the definition of a business, the Group accounts for the purchase as a business combination. When the acquired entity does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. In making this distinction, the Group identifies and considers the assets purchased and the processes, inputs and workforce transferred, and then assesses the capability of these elements to significantly contribute together to the ability to generate outputs.

Critical accounting estimates and assumptions used in applying accounting policies

Estimation of total contract costs for construction contracts

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

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

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

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

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

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

If the remaining estimated contract costs increase/decrease by 10% from management's estimates, the Group's profit for the year will decrease/increase by approximately RMB3,255,000 (2020 – RMB370,000).

Impairment of property, plant and equipment, right-of-use ("ROU") assets, and intangible assets (Notes 3 and 4)

The Group and the Company assess annually whether property, plant and equipment, right-of-use ("ROU") assets and intangible assets have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment, ROU assets and intangible assets have been determined based on the higher of the value-in-use of the asset and the fair value less costs to sell. The value-in-use calculation requires the Group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of the asset based on such estimates. The fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incidental costs for disposing of the asset. These calculations require the use of judgement and estimates.

Impairment of investment in subsidiaries (Note 5)

Investment in subsidiaries are tested for impairment when there are indicators that the carrying amounts may not be recoverable or indications that an impairment loss recognised in prior periods may no longer exist or may have decreased as at the end of the reporting period. Recoverable amount is defined as the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value-in-use.

Determining whether investment in subsidiaries are impaired require an estimation to the recoverable amounts of the investment in subsidiaries. The recoverable amounts of the investment in subsidiaries are estimated using the "fair value less costs of disposal" approach. Fair value is based on the revalued net assets of subsidiaries. In deriving the revalued net assets of these subsidiaries, the fair values of the underlying assets are estimated based on their expected selling prices and the fair values of the underlying liabilities are based on the estimated cash outflows to settle the obligations. Management has evaluated the recoverability of the investment based on such estimates.

NOTES TO **THE FINANCIAL STATEMENTS**
For the financial year ended 31 December 2021

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

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

Allowance for inventory obsolescence (Note 7)

The Group reviews the ageing analysis of inventories at each reporting date and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The net realisable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories.

If the net realisable value of the inventory decreases by 10% from management's estimates, the Group's profit for the year will decrease by RMB47,000 (2020 – RMB91,000). The carrying amount of the Group's inventory is disclosed in Note 7 to the financial statements.

Expected credit losses (ECL) on contract assets, and trade and other receivables (Notes 6, 8, and 31.2)

As at 31 December 2021, the Group's trade and other receivables (excluding VAT and other tax receivables) and contract assets amounted to RMB25,246,000 (Note 8) and RMB32,552,000 (Note 6) (2020 – RMB38,807,000 and RMB3,697,000) respectively.

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

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

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

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

NOTES TO **THE FINANCIAL STATEMENTS**
For the financial year ended 31 December 2021

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

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

Expected credit losses (ECL) on contract assets, and trade and other receivables (Notes 6, 8, and 31.2) (Cont'd)

The COVID-19 pandemic has caused and may continue to cause significant disruptions to PRC economies and business operations. As a result, assumptions previously used in provision matrices may no longer hold. For this reason, management consider the following:

- Assumptions and inputs adjusted for the effects of COVID-19 were used to measure ECL under COVID-19 situation (including forward-looking information and any additional adjustments or 'overlays').
- Credit risk concentrations that takes into account different effects of COVID-19 on different receivables.
- Carrying amounts of receivables that are credit impaired at the reporting date (such as receivables from debtors that are in significant financial difficulty, or receivables that are more than 90 days past due).
- Critical estimate disclosures which includes, but are not limited to, forward-looking information and how contract assets, trade receivables and retention receivables have been grouped, where appropriate.

As at 31 December 2021, the expected credit losses model has been updated by reflecting the latest available macroeconomic outlook and identified unemployment rate as the key indicators and inputs, where appropriate.

The carrying amount of the Group's and the Company's trade and other receivables and contract assets are disclosed in Note 8 and Note 6 respectively. As at the reporting date, the allowance for impairment for the Group's trade and other receivables and contract assets are RMB23,279,000 (2020 – RMB48,726,000). The Group's and the Company's credit risk exposure for trade and other receivables and contract assets are set out in Note 31.2.

Useful lives of property, plant and equipment and right-of-use ("ROU") assets (Note 3)

Property, plant and equipment and right-of-use ("ROU") assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment and ROU assets to be within 2 to 30 years. The carrying amounts of the Group's property, plant and equipment and ROU assets as at 31 December 2021 is RMB48,051,000 (2020 – RMB7,314,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. If the actual useful lives of the property, plant and equipment and ROU assets differ by 10% from management's estimates, the carrying amounts of the property, plant and equipment and ROU assets of the Group will be approximately RMB174,000 (2020 – RMB100,000) higher or RMB212,000 (2020 – RMB123,000) lower.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

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

Amortisation of intangible assets (Note 4)

Intangible assets, comprising patents, are accounted for using the cost model. The capitalised costs of these intangible assets are amortised on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these intangible assets to be 10 years. After initial recognition, the intangible assets are carried at cost less accumulated amortisation and impairment, if any. In addition, the intangible assets are subject to impairment testing if there are any indicators of impairment, and are written off when, in the opinion of management, no further economic benefits are expected to arise. The carrying amount of the Group's intangible assets, comprising patents, are disclosed in Note 4. In 2021 and 2020, a change of 10% in the amortisation rate of these intangible assets will not lead to significant change in the amortisation expense for the year and their carrying amount at the reporting date.

Estimation of the incremental borrowing rate ("IBR") (Notes 3 and 17)

For the purpose of calculating the ROU assets and the lease liabilities, an entity applies the interest rate implicit in the lease ("IRIIL") and, if the IRIIL is not readily determinable, the entity shall use its IBR applicable to the leased asset. The IBR is the rate of interest that the entity would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. For most of the leases whereby the Group is the lessee, the IRIIL is not readily determinable. Therefore, the Group estimates the IBR relevant to each leased asset by using observable inputs (such as market interest rate and asset yield) when available and then making certain lessee specific adjustments (such as a Group entity's credit rating). The carrying amount of the Group's ROU assets and lease liabilities are disclosed in Notes 3 and 17 respectively. An increase/decrease of 50 basis points in the estimated IBR will decrease/increase the Group's ROU assets and lease liabilities by approximately RMB20,000 (2020 – RMB4,000) respectively.

Provision for restoration costs (Note 18)

The Group has recognised a provision for restoration of leasehold land and building leased by one of its subsidiaries from Jurong Town Corporation. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove plant from the site and the expected timing of those costs. The carrying amount of the provision as at 31 December 2021 is RMB377,000 (2020 – Nil). If the estimated pre-tax discount rate used in the calculation had been 1% higher than management's estimates, the carrying amount of the provision would have been lower by RMB65,000 (2020 – Nil).

2(e) Significant accounting policies

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances. Information on its subsidiaries is given in Note 5 to the financial statements.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

Consolidation (Cont'd)

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

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– de-recognises the assets (including goodwill, if any) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;

– de-recognises the carrying amount of any non-controlling interest;

– de-recognises the cumulative translation differences recorded in equity;

– recognises the fair value of the consideration received;

– recognises the fair value of any investment retained;

– recognises any surplus or deficit in profit or loss;

– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

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

Thus, the Group controls an investee, if and only if, the Group has all of the following:

– power over the investee;

– exposure, or rights or variable returns from its involvement with the investee; and

– the ability to use its power over the investee to affect its returns.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

Consolidation (Cont'd)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

A change in the ownership interest

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill if any), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable SFRS(I)s).

The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under SFRS(I) 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group. Business combination is accounted for using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether it includes, at a minimum, an input and substantive process, and whether the acquired set has the ability to produce outputs.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

Consolidation (Cont'd)

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional 'concentration test' is met, and the acquired set of activities and assets is not a business, if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred for the acquisition of a subsidiary or business combination comprises the fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred also includes any contingent arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

Disposals

When a change in the Group's ownership interest in a subsidiary result in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

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

Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

Asset acquisitions

Acquisition of an asset or a group of assets that does not constitute a business is accounted for by identifying and recognising the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets) and liabilities assumed. The cost of the group of acquired assets and assumed liabilities is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of acquisition, and the initial measurement requirements for each identifiable asset and liability are applied in accordance with their accounting policies. Such a transaction or event does not give rise to goodwill.

Investment in subsidiaries

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

In the Company's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment losses on an individual subsidiary basis. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

Intangible assets

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

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

Patents

Costs relating to patents which are acquired from a third party and internally developed dust elimination technology with pulsating rotary positioning mechanism to clean dust are capitalised and amortised on a straight-line basis over its useful life of 10 years.

Research and development costs

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

Development costs were accounted for using the cost model whereby capitalised costs were amortised on a straight-line basis over their estimated useful life of 6 years. During the financial year, deferred development costs has been written off.

NOTES TO **THE FINANCIAL STATEMENTS**
For the financial year ended 31 December 2021

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

Intangible assets (Cont'd)

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

- demonstration of technical feasibility of the prospective product or processes for sale;
- intention to complete the intangible assets and use or sell it;
- ability to use or sell it;
- the intangible asset will generate probable economic benefits through sale;
- sufficient technical, financial and other resources are available for completion; and
- the intangible asset can be reliably measured.

Property, plant and equipment and right-of use ("ROU") assets and depreciation

Property, plant and equipment and right-of use ("ROU") assets are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is computed using the straight-line method to allocate the depreciable amount of the assets over their estimated useful lives as follows:

Leasehold land and building	20 years, based on lease period
Restoration cost capitalised	20 years, based on lease period
Leasehold improvements	3 – 10 years
Commercial properties	30 years
Machinery and equipment	10 years
Motor vehicles	5 – 10 years
Office equipment	5 – 10 years
Warehouse premise on lease	1 – 3 years, based on remaining lease period, whichever is shorter
Office premises on leases	2 – 3 years, based on remaining lease period, whichever is shorter

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

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

For acquisitions and disposals during the financial year, depreciation is provided after the month of acquisition and to the month of disposal respectively. Fully depreciated property, plant and equipment and ROU assets are retained in the books of accounts until they are no longer in use.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

Property, plant and equipment and right-of use ("ROU") assets and depreciation (Cont'd)

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date as a change in estimates.

An item of property, plant and equipment and ROU assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

Right-of-use of assets under leasing arrangements are presented together with the owned assets of the same class in property, plant and equipment. Details of such leased assets are disclosed in Note 3 to the financial statements. See also accounting policy "Leases".

Leases

Where the Group is the lessee,

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

- *Right-of-use ("ROU") assets*

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

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

- *Lease liabilities*

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

  Lease payments include the following:

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

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

  – Amount expected to be payable under residual value guarantees;

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

Leases (Cont'd)

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

- *Lease liabilities (Cont'd)*

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

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

  For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

  Lease liabilities are measured at amortised cost using the effective interest method. Lease liabilities shall be remeasured when:

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

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

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

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

- *Short-term and low-value leases*

  The Group has elected to not recognised ROU assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low-value assets, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Financial instruments

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

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

Financial instruments (Cont'd)

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

Financial assets

Classification and measurement

The Group classifies its financial assets in the following measurement categories:

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

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

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

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

The Group has not designated any financial assets at fair value through profit or loss and fair value through other comprehensive income.

At initial recognition

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

At subsequent measurement

Debt instruments

Debt instruments mainly comprise of cash and cash equivalents, bank deposits pledged, trade and other receivables and contract assets.

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

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

Financial assets (Cont'd)

Impairment

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

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

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

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

(i) Significant increase in credit risk

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

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

Financial assets (Cont'd)

Impairment ***(Cont'd)***

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

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

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

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

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

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

NOTES TO **THE FINANCIAL STATEMENTS**
For the financial year ended 31 December 2021

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

Financial assets (Cont'd)

***Impairment* (Cont'd)**

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

Financial assets (Cont'd)

***Impairment** (Cont'd)*

(v) Measurement and recognition of expected credit losses

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

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

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

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

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

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

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

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

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

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

Financial assets (Cont'd)

Recognition and derecognition

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

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

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

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

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are transferred to trade receivables when the consideration for performance obligations are billed. Contract assets are included in current assets as they are expected to be realised in the normal operating cycle. Contract assets are subject to impairment review for credit risk in accordance with the expected credit loss model.

Trade receivables

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

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

Contract liabilities

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits which are readily convertible to cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of pledged bank deposits.

Inventories

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

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

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

Share capital

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

Financial liabilities

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

Financial liabilities at amortised cost

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

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

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

Financial liabilities (Cont'd)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Trade and other payables and other liabilities

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

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

Financial guarantees

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

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

(a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

(b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

Borrowings

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

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

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

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

Borrowings (Cont'd)

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

Provisions

Provisions are recognised when the Group have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

The provision for restoration costs arises from the restoration work upon expiry of the lease of the 20-year leasehold land and building. The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

Changes in the estimated timing or amount of the expenditure or discount rate for asset dismantlement, removal and restoration costs are adjusted against the cost of the related property, plant and equipment, unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in profit or loss immediately.

The management reviews the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Employee benefits

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

Pension obligations

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

NOTES TO **THE FINANCIAL STATEMENTS**
For the financial year ended 31 December 2021

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

Employee benefits (Cont'd)

Employee leave entitlements

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

Key management personnel

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

Income taxes

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

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

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

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

Deferred income tax is measured:

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

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

Current and deferred income taxes are recognised as income or expense in the profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

Value-added tax ("VAT")

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

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

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

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

Related parties

A related party is defined as follows:

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

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

(ii) has significant influence over the Company; or

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

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

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) the entity, or any member of a group which is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

Impairment of non-financial assets

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

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

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

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

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

Any impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

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

Government grant

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

Revenue recognition

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

Revenue excludes value-added taxes ("VAT"), where applicable, and is arrived at after deduction of trade discounts.

<u>Construction of specialised equipment</u>

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

The Group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date in so far as to the construction of the specialised asset is concerned. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction of the specialised equipment. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ("input method"). Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

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

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

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

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

NOTES TO **THE FINANCIAL STATEMENTS**
For the financial year ended 31 December 2021

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

Revenue recognition (Cont'd)

Construction of specialised equipment (Cont'd)

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

Sale of parts

The Group sells finished parts to customers. Revenue from the sale of finished parts is recognised at a point in time when control of the goods has transferred to the customer and all criteria of acceptance have been satisfied. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

No element of financing is deemed present as sales are normally made with a credit term of 30 days upon issuance of invoice. The finished parts sold come with a warranty period ranging from 24 to 30 months.

Design and technical services

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

Interest income

Interest income is recognised on a time-apportioned basis using the effective interest rate method.

Functional currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in Chinese Renminbi ("RMB"), which is also the functional currency of the Company. All financial information presented in RMB has been rounded to the nearest thousand ("RMB'000").

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting period are recognised in the profit or loss.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

Conversion of foreign currencies (Cont'd)

Transactions and balances (Cont'd)

However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

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

Group entities

The results and financial positions of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the end of reporting period;

(ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at average exchange rates; and

(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

Operating segments

For management purposes, operating segments are organised based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers are directly accountable to the Chief Executive Officer who regularly review the segment results in order to allocate resources to the segments and to assess segment performance.

Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees, if any.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

3 Property, plant and equipment

The Group	Leasehold land and building RMB'000	Leasehold improvements RMB'000	Commercial properties RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Warehouse premise on lease RMB'000	Office premises on lease RMB'000	Total RMB'000
Cost									
At 1 January 2020	–	–	7,749	1,163	4,159	805	989	–	14,865
Additions	–	–	–	–	–	57	–	–	57
Additions – new leases	–	–	–	–	–	–	–	1,161	1,161
Re-measurement adjustment	–	–	–	–	–	–	(465)	–	(465)
Disposals/written off	–	–	–	–	(2,684)	–	–	–	(2,684)
Disposal of a subsidiary	–	–	–	–	(89)	(20)	–	–	(109)
At 31 December 2020	**–**	**–**	**7,749**	**1,163**	**1,386**	**842**	**524**	**1,161**	**12,825**
Additions	**–**	**5,441**	**–**	**–**	**368**	**186**	**–**	**–**	**5,995**
Additions – new leases	**41,355**	**–**	**–**	**–**	**–**	**–**	**–**	**1,780**	**43,135**
Acquisition of a subsidiary	**–**	**–**	**–**	**–**	**–**	**52**	**–**	**–**	**52**
De-recognition of ROU asset	**–**	**–**	**–**	**–**	**–**	**–**	**(524)**	**–**	**(524)**
Disposals/written off	**–**	**–**	**(7,749)**	**(120)**	**(857)**	**(291)**	**–**	**–**	**(9,017)**
Currency translation differences	**(777)**	**(93)**	**–**	**–**	**–**	**–**	**–**	**–**	**(870)**
At 31 December 2021	**40,578**	**5,348**	**–**	**1,043**	**897**	**789**	**–**	**2,941**	**51,596**
Accumulated depreciation									
At 1 January 2020	–	–	1,913	784	2,751	567	220	–	6,235
Depreciation	–	–	242	102	258	85	239	177	1,103
Disposals/written off	–	–	–	–	(1,794)	–	–	–	(1,794)
Disposal of a subsidiary	–	–	–	–	(24)	(9)	–	–	(33)
At 31 December 2020	**–**	**–**	**2,155**	**886**	**1,191**	**643**	**459**	**177**	**5,511**
Depreciation	**517**	**95**	**105**	**91**	**60**	**106**	**65**	**871**	**1,910**
Acquisition of a subsidiary	**–**	**–**	**–**	**–**	**–**	**6**	**–**	**–**	**6**
De-recognition of ROU asset	**–**	**–**	**–**	**–**	**–**	**–**	**(524)**	**–**	**(524)**
Disposals/written off	**–**	**–**	**(2,260)**	**(101)**	**(733)**	**(254)**	**–**	**–**	**(3,348)**
Currency translation differences	**(10)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(10)**
At 31 December 2021	**507**	**95**	**–**	**876**	**518**	**501**	**–**	**1,048**	**3,545**
Net book value									
At 31 December 2021	**40,071**	**5,253**	**–**	**167**	**379**	**288**	**–**	**1,893**	**48,051**
At 31 December 2020	–	–	5,594	277	195	199	65	984	7,314

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

3 Property, plant and equipment (Cont'd)

During the financial year ended 31 December 2021, the Group has provided for restoration cost of RMB384,000 (Note 18) and recorded under "Leasehold improvements" due to its obligation to reinstate the leasehold land and building to its original state at the end of the lease maturity.

In financial year 2021, the Group has pledged its leasehold property to certain bank to secure the bank loan to partly finance the outright lease payments of the leasehold land and building, which is for the use of membrane manufacturing facility belonging to a subsidiary (Note 16).

In financial year 2020, the Group had pledged its four units of commercial properties to a bank to secure the banking facility of RMB24 million (Note 16).

The Group	**2021 RMB'000**	**2020 RMB'000**
Depreciation expenses are allocated to:		
Cost of sales	**156**	347
Selling and distribution expenses	**22**	99
Administrative expenses [Note 23(c)]	**1,732**	657
	1,910	1,103

The Company	**Leasehold improvements RMB'000**	**Office equipment RMB'000**	**Office premises on lease RMB'000**	**Total RMB'000**
Cost				
At 1 January 2020	–	11	–	11
Additions	–	20	–	20
At 31 December 2020	**–**	**31**	**–**	**31**
Additions	**490**	**37**	**969**	**1,496**
Written off	**–**	**(11)**	**–**	**(11)**
At 31 December 2021	**490**	**57**	**969**	**1,516**
Accumulated depreciation				
At 1 January 2020	–	11	–	11
Depreciation	–	3	–	3
At 31 December 2020	**–**	**14**	**–**	**14**
Depreciation	**95**	**11**	**230**	**336**
Written off	**–**	**(11)**	**–**	**(11)**
At 31 December 2021	**95**	**14**	**230**	**339**
Net book value				
At 31 December 2021	**395**	**43**	**739**	**1,177**
At 31 December 2020	–	17	–	17

3 Property, plant and equipment (Cont'd)

Right-of-use assets

Nature of the Group's leasing activities

(i) Commercial properties

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

In 2021, the Group entered into a sale and purchase agreement to dispose its commercial properties, which comprised 4 office units located at 吉林省长春市经济技术开发区临河街5445号圣豪汇商1301 to 1304号房, to an unrelated buyer for a consideration of RMB5.0 million. At the same time, the Group has entered into a sale and leaseback arrangement with the unrelated buyer to lease one of the 4 office units, 1303号房, for an annual rental of RMB100,000 payable in advance on half-yearly basis.

Following the sale and leaseback arrangement, the Group had derecognised the commercial properties and recognised a right-of-use asset of RMB329,000, recorded under "office premises on lease", and lease liabilities of RMB280,000 (Note 17) for the office unit leased.

(ii) Warehouse premise on lease

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

The lease agreement was modified on 1 May 2020 arising from the reduction of rental floor area.

The lease had expired on 30 April 2021 and was not renewed. Therefore, the right-of-use on the warehouse was de-recognised in 2021.

(iii) Office premises on lease

The Group leases four (2020 – two) office premises for back office operations of the PRC subsidiaries which include one for the newly incorporated subsidiary in Anhui province, PRC and one arising from the sale and leaseback arrangement for the office in Changchun, Jilin [Note 3(i)]. In addition, the Group also leases one (2020 – Nil) office for back office operation in Singapore to support the PRC subsidiaries.

(iv) Leasehold land and building

During the financial year ended 31 December 2021, the Group's subsidiary made upfront payments of RMB41,355,000 (2020 – Nil) from its internal resources of RMB13,956,000 and a loan disbursement of RMB27,399,000 directly from certain bank to Jurong Town Corporation to secure the right-of-use asset of the 20-year leasehold land and building for the use of membrane manufacturing facility.

The subsidiary is subject to externally imposed bank covenant as it needs to maintain at all times a tangible net worth of not less than S$6.0 million (approximately RMB28.3 million).

NOTES TO **THE FINANCIAL STATEMENTS**
For the financial year ended 31 December 2021

3 Property, plant and equipment (Cont'd)

Right-of-use assets (Cont'd)

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

Saved as disclosed above, there is no externally imposed restriction or covenant on these lease arrangements on the commercial properties and office premises.

(a) *Carrying amounts*

The Group	2021 RMB'000	2020 RMB'000
Leasehold land and building	**40,071**	–
Commercial properties	**–**	5,594
Warehouse premise	**–**	65
Office premises	**1,893**	984
	41,964	6,643

(b) *Depreciation charge during the year*

The Group	2021 RMB'000	2020 RMB'000
Leasehold land and building	**517**	–
Commercial properties	**105**	242
Warehouse premise	**65**	239
Office premises	**871**	177
	1,558	658

(c) *Interest expense*

The Group	2021 RMB'000	2020 RMB'000
Interest expense on lease liabilities (Note 17)	**75**	36

(d) *Lease payment not capitalised in lease liabilities*

The Group	2021 RMB'000	2020 RMB'000
Lease expense – short term leases	**393**	242

(e) Total cash outflows for all the leases in 2021 for the Group was RMB1,366,000 (2020 – RMB676,000).

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

4 Intangible assets

The Group	Patents RMB'000	Deferred development costs RMB'000	Total RMB'000
Cost			
At 1 January 2020 and 31 December 2020	**2,978**	**6,641**	**9,619**
Acquisition of a subsidiary [Note 5(a)]	**1,796**	**–**	**1,796**
Written off	**(2,978)**	**(6,641)**	**(9,619)**
At 31 December 2021	**1,796**	**–**	**1,796**
Accumulated amortisation			
At 1 January 2020	1,696	6,641	8,337
Amortisation for the year	260	–	260
At 31 December 2020	**1,956**	**6,641**	**8,597**
Amortisation for the year	**180**	**–**	**180**
Written off	**(1,956)**	**(6,641)**	**(8,597)**
At 31 December 2021	**180**	**–**	**180**
Accumulated impairment			
At 1 January 2020	–	–	–
Impairment loss for the year [Note 23(d)]	1,022	–	1,022
At 31 December 2020	**1,022**	**–**	**1,022**
Written off	**(1,022)**	**–**	**(1,022)**
At 31 December 2021	**–**	**–**	**–**
Net book value			
At 31 December 2021	**1,616**	**–**	**1,616**
At 31 December 2020	–	–	–

Amortisation expense of RMB180,000 (2020 – RMB260,000) has been charged to administrative expenses [Note 23(c)].

Patents

The patents of RMB2,608,000 belonging to a subsidiary incurred in 2014 relates to internally developed new dust elimination technology with pulsating rotary positioning mechanism to clean dust and this invention patent is registered successfully on 10 December 2014 with a 20-year validity period. Due to the continuous technological advancement in this fast-changing air pollution industry, amortisation is accelerated over a 10-year period instead. The patent has been fully impaired in financial year 2020 and derecognised during the financial year.

In January 2021, the Group's wholly-owned subsidiary, United Greentech (Guangzhou) Co., Ltd., acquired 100% of the issued share capital of Bituo Environmental Technologies (Tianjin) Co., Ltd. (碧拓环境技术(天津)有限公司) ("Bituo"), which carries the rights to two patents for sludge treatment technologies. These patents have the capability to enhance the Group's ability to tender and secure sludge treatment projects. The patents are amortised over a 10-year period and have a remaining useful life of 108 months (2020 – Nil) as at 31 December 2021.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

4 Intangible assets (Cont'd)

Deferred development costs

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

5 Investment in subsidiaries

The Company	2021 RMB'000	2020 RMB'000
Investment in subsidiaries – unquoted equity shares, at cost		
– At 1 January	**192,622**	162,606
– Additions	**56,046**	30,016
– At 31 December	**248,668**	192,622
Less: allowance for impairment of investment in subsidiaries		
– At 1 January	**(162,606)**	(154,606)
– Allowance made	**-**	(8,000)
– At 31 December	**(162,606)**	(162,606)
Net investment in subsidiaries – unquoted equity shares	**86,062**	30,016

Allowance for impairment

In financial year 2020, the Company made further allowance for impairment on the remaining carrying amount of its investment in the subsidiary, Jilin Anjie Environmental Engineering Co., Ltd. of RMB8.0 million. In financial year 2019, the recoverable amounts of the investment in the subsidiaries are determined based on value-in-use ("VIU") approach. Cash flow projections used in the VIU calculations are based on financial budgets approved by the management covering a two-year period. Cash flows beyond the two-year period are extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate for the subsidiaries business in China. The cash flow projections represent expected income less related costs and are based on past experience and expectations for the construction of environmental protection industry in general.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2021

5 Investment in subsidiaries (Cont'd)

Allowance for impairment (Cont'd)

The equity value or recoverable amount is calculated as shown below:

	Jilin Anjie Environmental Engineering Co., Ltd 2020 RMB'000
Equity value	(3,560)[(1)(2)]
Less: Cost of investment	(8,000)
(Deficit)/surplus	(11,560)
Key assumptions	
Perpetual growth rate	* [(1)]
Weighted average cost of capital (WACC)	* [(1)]

(1) No new projects expected to be undertaken in the next twelve months where all assets assumed to be realised in the next twelve months and all liabilities will be settled by the Group.

(2) Arising from the reduced business, the equity value of the subsidiary for current year is based on fair value less costs of disposal.

These assumptions were used for the analysis of the investment in this subsidiary in China. The management determined budgeted profit margin based on past performance and its expectations of market developments. The weighted average growth rates used were consistent with forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments in which the subsidiary operates.

In financial year 2021, the management reassesses the carrying amount of its investment in a subsidiary – Jilin Anjie Environmental Engineering Co., Ltd for indication of whether the extent of full impairment made is appropriate. On the basis that there is no new industrial wastegas projects secured and undertaken by the subsidiary during the year and the recoverable amount of the investment has been determined to be in a net liability position based on the management accounts as at 31 December 2021, there is no expected reversal of impairment at the reporting date.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

5 Investment in subsidiaries (Cont'd)

The Company has the following subsidiaries as at 31 December 2021 and 2020:

Name	Country of incorporation/ principal place of business	Issued and fully paid share capital RMB	Registered capital RMB	Percentage of ownership interest and voting rights held 2021 %	2020 %	Principal activities
Held by the Company						
Jilin Anjie Environmental Engineering Co., Ltd. ("Anjie Environmental")[1,2]	The People's Republic of China	160,000,000	160,000,000	**100.0**	100.0	Research and development, design, manufacture and installation of environmental protection systems and provision of technical consulting and support services of environmental protection technologies and systems
United Greentech Holdings Pte. Ltd. ("United Greentech")[2,3,6,7]	Singapore	65,244,811 (SGD13,600,000)	65,244,811 (SGD13,600,000)	**100.0**	100.0	Investment holding
Nanosun Membrane Pte. Ltd.("Nanosun Membrane") [2,8,9]	Singapore	34,694,623 (SGD7,200,000)	34,694,623 (SGD7,200,000)	**60.0**	–	Manufacture and production of membrane fibres and products
Held by United Greentech Holdings Pte. Ltd.						
United Greentech (Guangzhou) Co., Ltd. ("Greentech Guangzhou")[2,3,4]	The People's Republic of China	69,500,000	207,630,000	**100.0**	100.0	Investment holding
United Kaida Greentech (Shandong) Co., Ltd ("Greentech Shandong")[2,8,10]	The People's Republic of China	5,902,800	30,000,000	**72.0**	–	Investment holding
AIWater (Anhui) Co., Ltd. ("AIWater")[2,8,11]	The People's Republic of China	10,000,000	65,000,000	**70.0**	–	Investment and development of artificial intelligent technology in water treatment system
Held by United Greentech (Guangzhou) Co., Ltd						
United Greentech (Tianjin) Co., Ltd. ("Greentech Tianjin")[2,3,5]	The People's Republic of China	42,500,000	70,000,000	**100.0**	100.0	Municipal sludge treatment and management, industrial wastewater treatment and recycling, and other environmental related projects.
Bituo Environmental Technologies (Tianjin) Co., Ltd. ("Bituo")[2,13]	The People's Republic of China	1,371,685	25,897,600 (USD4,000,000)	**100.0**	–	Patents owner of continuous hydrolysis technology for municipal sludge treatment projects
Held by United Kaida Greentech (Shandong) Co., Ltd						
United Greentech (Yishui) Co., Ltd. ("Greentech Yishui")[2,8,12]	The People's Republic of China	5,000,000	120,000,000	**46.8**[14]	–	Investment in animal manure, sludge and wastewater treatment projects

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

5 Investment in subsidiaries (Cont'd)

1 The entity is audited by Da Xin Certified Public Accountants LLP, Jilin Branch, the People's Republic of China.

2 Audited by Foo Kon Tan LLP for consolidation purposes.

3 The entities are incorporated in FY2020.

4 On 29 December 2020, the Group has subscribed and contributed in cash a sum of RMB29 million in Greentech Guangzhou. The paid-up capital in Greentech Guangzhou was registered with the local Administration of Industry and Commerce in China on 4 January 2021. Subsequently, further capital injections of RMB40.5 million were made during the financial year.

5 On 4 January 2021, the Group has contributed in cash a sum of RMB25 million in Greentech Tianjin. The paid-up capital in Greentech Tianjin was registered with the local Administration of Industry and Commerce in China on 5 January 2021. Subsequently, United Greentech made capital contributions of RMB17.5 million into Greentech Tianjin.

6 On 7 January 2021, the Company has converted the advances paid to United Greentech amounting to RMB25,095,570 (S$5,100,000) into equity by way of issuance of 5,100,000 ordinary shares at RMB4.92 (S$1) per share to the Company. Subsequently, the Company made further capital injections of RMB35.2 million (S$7.5 million) into United Greentech.

7 On 16 February 2021, United Greentech had changed its name to "United Greentech Holdings Pte. Ltd.".

8 The entities are incorporated in FY2021.

9 In FY2021, the Company has made capital contributions of RMB20.8 million (S$4.32 million) into Nanosun Membrane, representing 60% interest in the subsidiary.

10 In FY2021, United Greentech made capital contributions of RMB5.0 million into Greentech Shandong. Greentech Shandong has not called up the share capital contributions from the non-controlling shareholders amounting to RMB1.0 million.

11 In FY2021, United Greentech injected capital contributions of RMB7.0 million into AIWater, being 70% shareholding of the subsidiary.

12 In FY2021, Greentech Shandong made capital contributions of RMB5.0 million into Greentech Yishui. Greentech Yishui has not called up share capital contributions from the non-controlling shareholders amounting to RMB2.7 million.

13 In FY2021, Greentech Guangzhou had acquired 100% equity interest of Bitou for a consideration RMB1.372 million.

14 United Greentech holds 72% interest in Greentech Shandong and Greentech Shandong holds 65% in Greentech Yishui. Therefore, the Group's effective ownership interest held in Greentech Yishui is 46.8%.

Non-controlling interests

Details of non-wholly owned subsidiaries that have material non-controlling interests ("NCI") to the Group are set out below:

	Proportion of ownership interest and voting rights held by NCI		Loss for the year allocated to NCI		Total comprehensive loss for the year allocated to NCI		NCI accumulated at the reporting date	
	2021	2020	2021	2020	2021	2020	2021	2020
	%	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Nanosun Membrane Pte. Ltd.	40	–	(775)	–	(1,066)	–	12,811	–
Other subsidiaries with immaterial NCI			(366)	–	(366)	–	3,537	–
			(1,141)	–	(1,432)	–	16,348	–

In financial year 2021, the Group had received capital contributions of RMB17,780,000 (2020 – Nil) from non-controlling shareholders of newly incorporated subsidiaries, namely – Nanosun Membrane Pte. Ltd., United Kaida Greentech (Shandong) Co., Ltd. and AIWater (Anhui) Co., Ltd.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

5 Investment in subsidiaries (Cont'd)

Non-controlling interests (Cont'd)

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests are set out below:

	Nanosun Membrane Pte. Ltd. 2021 RMB'000
Non-current assets	44,928
Current assets	17,047
Current liabilities	(5,977)
Non-current liabilities	(23,970)
Net assets	32,028
Revenue	–
Expense	(1,938)
Loss for the year	(1,938)
Other comprehensive loss for the year	(728)
Total comprehensive loss for the year	(2,666)
Loss attributable to:	
– owners of the Company	(1,163)
– NCI	(775)
	(1,938)
Total comprehensive loss attributable to:	
– owners of the Company	(1,600)
– NCI	(1,066)
	(2,666)
Net cash outflows from operating activities	(13,121)
Net cash outflows from investing activities	(44,321)
Net cash inflows from financing activities	58,465
Net increase in cash and cash equivalents	1,023

Nanosun Membrane Pte. Ltd. is newly incorporated in financial year 2021 and there are no comparative figures for the said subsidiary in financial year 2020.

5(a) Acquisition of a subsidiary

On 11 January 2021, the Group acquired Bituo Environmental Technologies (Tianjin) Co., Ltd. ("Bituo"). The assets of Bituo largely consists of patents, receivables and cash and cash equivalent without substantial processes. Substantially all of the fair value of the gross assets acquired is concentrated in patents, which represents a group of similar identifiable assets.

The Group applied the concentration test and the acquisition of Bituo has been assessed and accounted for as an acquisition of assets in the financial statements.

The total consideration, fully paid in cash, at the acquisition date for the acquisition of Bituo was RMB1,372,000.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

5 Investment in subsidiaries (Cont'd)

5(a) Acquisition of a subsidiary (Cont'd)

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	2021 RMB'000
Intangible assets – patents	**1,796**
Plant and equipment	**46**
Trade and other receivables	**530**
Cash and cash equivalents	**398**
Trade and other payables	**(1,398)**
Total identifiable net assets acquired	**1,372**
Total purchase consideration	**1,372**
	–
Cash outflow on acquisition:	
Cash consideration paid	**(1,372)**
Less: Cash and cash equivalents acquired	**398**
Net cash outflow on acquisition	**(974)**

5(b) Disposal of a subsidiary

There is no disposal of subsidiary during the financial year. On 31 December 2020, the Group disposed of its 99.9% owned subsidiary, Jilin Anjie New Energy Group Co., Ltd ("Anjie New Energy").

Details of the disposal are as follows:

The Group	**2020 RMB'000**
Property, plant and equipment	76
Trade and other receivables	25,659
Cash and cash equivalents	75
Total assets	25,810
Trade and other payables	(22,036)
Other liabilities	(3,777)
Total liabilities	(25,813)
Net liabilities derecognised	(3)
Less: Non-controlling interest	–
Net liabilities disposed of	(3)
Cash outflow arising from disposal:	
Net liabilities disposed of (as above)	(3)
Gain on disposal	3
Sales proceeds*	–
Less: Cash and cash equivalents in subsidiary disposed of	(75)
Less: Proceeds receivable*	–
Net cash outflow on disposal	(75)

* The consideration for the sales was RMB1, taking into account the negative net assets of the disposed subsidiary, and tax consequences, if any.

The gain on disposal of subsidiary is recorded within "other income" in profit or loss.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

6 Contract assets and liabilities

The Group	**2021 RMB'000**	**2020 RMB'000**
Contract assets		
– Specialised equipment construction contracts	**2,317**	3,697
– Industrial wastewater project	**30,235**	–
	32,552	3,697
Specialised equipment construction contracts	**7,919**	11,627
Industrial wastewater project	**30,235**	–
	38,154	11,627
Less: loss allowance [Note 31.2]		
– At 1 January	**(7,930)**	(3,287)
– Impairment loss for the year [Note 23(e)]	**–**	(4,643)
– Impairment loss no longer required [Note 23(e)]	**2,328**	–
– At 31 December	**(5,602)**	(7,930)
Contract assets – total	**32,552**	3,697

Contract assets

The contract assets relate primarily to the Group's right to recognise revenue for percentage of work completed but not billed at the reporting date on its industrial wastewater and wastegas contracts. Upon fulfilling certain agreed performance milestones with customers or commissioning and handing over of projects to customers, the amounts recognised as contract assets are reclassified to trade receivables when the rights become unconditional. The information regarding the credit exposures are disclosed in Note 31.2.

The Group's contract assets increased by RMB28.9 million (2020 – decreased by RMB16.4 million) during the financial year 2021 which is due to the substantial completion of the industrial wastewater project, whereas, the decrease in financial year 2020 was in line with the overall decrease in business activities.

The expected credit loss recognised on contract assets is disclosed in Note 31.2.

The Group	**2021 RMB'000**	**2020 RMB'000**
Contract liabilities		
– Specialised equipment construction contracts	**–**	1,671

Contract liabilities

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

The Group's contract liabilities decreased by RMB1.7 million (2020 – RMB4.0 million) during the financial year 2021 as work activities relating to certain projects were performed.

NOTES TO **THE FINANCIAL STATEMENTS**
For the financial year ended 31 December 2021

6 Contract assets and liabilities (Cont'd)

Contract liabilities (Cont'd)

(i) Revenue recognised in relation to contract liabilities

The Group	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in the contract liabilities balance as at 1 January	**1,671**	2,861

(ii) Unsatisfied performance obligations

The Group	2021 RMB'000	2020 RMB'000
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 31 December	**2,476**	2,953

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

7 Inventories

The Group	2021 RMB'000	2020 RMB'000
Raw materials, at cost	**468**	915
Cost of inventories included in cost of sales	**960**	3,978

During the financial year ended 31 December 2021, the inventories of a subsidiary amounting to RMB915,000 has been disposed as scrapped material and a net loss of RMB665,000 has been recognised in the profit or loss [Note 23(d)].

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

8 Trade and other receivables

		The Group		The Company	
		2021	2020	2021	2020
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables (Gross)	31.2	**910**	406	**–**	–
Allowance for impairment	31.2	**(406)**	(406)	**–**	–
Trade receivables (Net)		**504**	–	**–**	–
Retention receivables	31.2	**4,702**	2,214	**–**	–
Grant receivables		**204**	46	**162**	46
Other receivables					
– Amount due from a former subsidiary		**–**	18,090	**–**	–
– Amounts due from subsidiaries		**–**	–	**1,002**	135
– Advances to trade suppliers	31.2	**2,608**	10,261	**–**	–
– Advances to non-trade suppliers	31.2	**582**	488	**–**	–
– Advances to a third party	31.2	**–**	3,900	**–**	–
– Advances to a related party	27	**8,247**	–	**–**	–
– Tender and security deposits	31.2	**8,069**	3,223	**–**	–
– Advances to employees	31.2	**11**	310	**–**	–
– VAT and other tax receivables		**4,758**	112	**–**	–
– Others		**319**	275	**84**	34
		24,594	36,659	**1,086**	169
Total		**30,004**	38,919	**1,248**	215

The Group

Trade receivables for the industrial wastewater project in Shijiazhuang and sales of parts are non-interest bearing and their credit terms are generally within 30 days, whereas, the trade receivables for the past secured projects are 150 days' terms and longer. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

In financial year 2020, the amount due from a former subsidiary relates to a sale and purchase agreement entered by Anjie Environmental with an unrelated third party for the disposal of 99.9% owned subsidiary in Anjie New Energy for a consideration of RMB1. The purchaser agreed to assume the assets as well as to accept the liabilities of Anjie New Energy except for the intercompany balances owing to Anjie Environmental to the extent of RMB18.1 million as to the settlement of debt. The amount due from a former subsidiary was settled in financial year 2021.

Advances to a related party relate to the procurement of systems, equipment and machinery and engineering, installations and testing works to be performed by a non-controlling shareholder of a subsidiary in respect of the membrane manufacturing facility.

Subsequent to the reporting date, the bulk of the advances to a related party were used to make payment for the procurement of systems, equipment and machinery, and were delivered to the premise, pending the installation and commissioning to be placed in use.

NOTES TO **THE FINANCIAL STATEMENTS**
For the financial year ended 31 December 2021

8 Trade and other receivables (Cont'd)

The Group (Cont'd)

Retention receivables relate to amounts ranging from 3% to 20% (2020 – 5% to 10%) of the contract sums or agreed amount with customers, withheld by customers normally for a period of one year or more as a form of warranty against defects in the construction projects. Specific impairment has been provided on retention receivables amounting to RMB1.8 million (2020 – RMB1.6 million) during the financial year given the fact that there remains a probability of default.

The movement in the retention receivables is as follow:

The Group	2021 RMB'000	2020 RMB'000
Retention receivables	**6,466**	3,805
Allowance for impairment (Note 31.2)	**(1,764)**	(1,591)
	4,702	2,214

The advances to trade suppliers relate to advance payments made to trade suppliers of raw materials for contracts scheduled for the following financial year.

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

The Group	2021 RMB'000	2020 RMB'000
Advances to trade suppliers	**17,439**	25,406
Allowance for impairment (Note 31.2)	**(14,831)**	(15,145)
	2,608	10,261

The advances to trade suppliers of the Jilin subsidiary are mainly made without the trade supplier invoices obtained at the point before the expenses were incurred. The advances to trade suppliers will be reclassified and recognised as project costs upon the receipt of trade supplier invoices. Advances are made to trade suppliers for the following reasons:

- the items purchased from trade suppliers must be customised to meet the needs of specific projects. Suppliers would require advances in order to commit to the production of these customised items.
- some customers impose a requirement on the project bidders to make advances to the customer-appointed supplier(s) during the bidding stage or upon signing of the contract so as to ensure that the Group would be capable of providing the required initial capital to facilitate timely delivery of items to project sites and to complete the project on a timely basis.

In addition, advances to trade suppliers of RMB1.0 million (2020 – Nil) relate to amount paid for the delivery of systems, equipment and machinery in relation to the membrane manufacturing facility.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

8 Trade and other receivables (Cont'd)

The Group (Cont'd)

The movement in the advances to non-trade suppliers, not related to contract obligations is as follows:

The Group	**2021 RMB'000**	**2020 RMB'000**
Advances to non-trade suppliers	**1,083**	855
Allowance for impairment (Note 31.2)	**(501)**	(367)
	582	488

The movement in the advances to a third party is as follow:

The Group	**2021 RMB'000**	**2020 RMB'000**
Advances to a third party	**-**	26,315
Allowance for impairment (Note 31.2)	**-**	(22,415)
	-	3,900

In financial year 2020, the advances to a third party of RMB26.3 million comprised deposits for 2 proposed projects belonging to a subsidiary. Below summarise the deposits to this third party:

The Group	**2021 RMB'000**	**2020 RMB'000**
Project		
Wastewater treatment – Proposed project 1	–	215
Wastewater treatment – Proposed project 2	–	26,100
Total	–	26,315

There was no indication of commencement since the past three years. The said advances are therefore regarded to be amount owing by a third party. The COVID-19 pandemic further delayed the progress of the discussion.

To mitigate the credit risk exposure, the Group requested and received a further sum of RMB11.3 million in financial year 2020. Another RMB3.9 million was received in January 2021. The remaining outstanding of RMB22.4 million, which is more than 3 years, is regarded credit impaired. On this basis, the management of the Group impaired in full for this debt default in 2020. The contract has been terminated in early 2021.

The advances to a third party of RMB26.3 million was fully settled in accordance with the settlement agreement in financial year 2021. Therefore, a reversal of impairment of RMB22.4 million is recognised in the profit or loss in 2021 [Note 23(e)].

NOTES TO **THE FINANCIAL STATEMENTS**
For the financial year ended 31 December 2021

8 Trade and other receivables (Cont'd)

The Group (Cont'd)

The movement in the tender and security deposits is as follow:

The Group	2021 RMB'000	2020 RMB'000
Tender and security deposits	**8,244**	4,095
Allowance for impairment (Note 31.2)	**(175)**	(872)
	8,069	3,223

The tender and security deposits comprise mainly of the following:

The Group	2021 RMB'000	2020 RMB'000
(i) industrial wastewater project C	**–**	1,600
(ii) Industrial wastewater project in Shijiazhuang	**8,069**	–

In financial year 2020, the Group had made a tender deposit of RMB1.6 million for the tender of Shijiazhuang project, which was refunded in financial year 2021 upon the completion of the tender process.

The performance bond of RMB8,069,000 (2020 – Nil) will be refunded to the Group once the project is expected to be completed and handed over in financial year 2022.

The Group	2021 RMB'000	2020 RMB'000
Total impairments made	**17,677**	40,796

The Company

The amounts due from subsidiaries are non-trade in nature, unsecured and non-interest bearing, repayable on demand and is to be settled in cash when the entities' cash flow permits.

9 Prepayments

	The Group		The Company	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Prepaid operating expense	**156**	101	**37**	15

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2021

10 Cash and bank balances

	The Group		The Company	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	**1**	1	**–**	–
Bank balances	**92,136**	47,627	**42,400**	13,737
Bank deposits pledged	**2,966**	3,000	**–**	–
	95,103	50,628	**42,400**	13,737
Less: Bank deposits pledged	**(2,966)**	(3,000)		
Cash and cash equivalents as presented in the consolidated statement of cash flows	**92,137**	47,628		

The Group's bank balances bear interest at interest rates ranging between 0.01% and 1.61% (2020 – average interest rate of 0.3%) per annum.

As at 31 December 2021, the bank deposits pledged of RMB2,966,000 represent funds earmarked in a debt service reserve account as mandated by a bank to secure the bank borrowings (Note 16) for the purpose of financing purchase of leasehold land and building in relation to the membrane manufacturing facility.

As at 31 December 2020, the bank deposits pledged of RMB3,000,000 was to secure the bills payable facility of RMB3,000,000 (Note 20).

11 Share capital

	No. of ordinary shares		Amount	
The Company	2021	2020	2021	2020
			RMB'000	RMB'000
Issued and fully paid ordinary shares, with no par value				
Balance at beginning of year	**1,326,976,200**	617,209,000	**276,699**	224,747
Shares issued pursuant to private placement	**–**	120,000,000	**–**	9,087
Shares issued pursuant to rights issue	**207,902,160**	589,767,200	**99,515**	44,355
Share issuance expenses	**–**	–	**(1,165)**	(1,490)
Balance at end of year	**1,534,878,360**	1,326,976,200	**375,049**	276,699

On 4 August 2021, the Company allotted and issued 207,902,160 new ordinary shares ("rights issue") at an issue price of S$0.10 per share, pursuant to its rights issue undertaken by the Company on the basis of 1 rights shares for every 2 existing ordinary shares of the Company. Total consideration received, net of share issuance expenses of S$243,398 (RMB1,165,058), amounted to S$20,546,818 (RMB98,350,132) which was to provide funds for the Group's operations and investment projects in environmental related businesses.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

11 Share capital (Cont'd)

On 29 May 2020, the Company has allotted and issued 120,000,000 new ordinary shares ("placement shares") at an issue price of S$0.015 per share, pursuant to its private placement undertaken by the Company. The gross proceeds from the placement amounted to S$1,800,000 (RMB9,087,239). Total consideration received amounted to S$1,706,013 (RMB8,594,483), net of share issuance expenses of S$93,987 (RMB492,756) for the working capital purposes. The newly issued shares rank pari passu in all respects with the previously issued shares.

On 3 September 2020, the Company has allotted and issued 589,767,200 new ordinary shares ("rights issue") at an issue price of S$0.015 per share, pursuant to its renounceable underwritten rights issue undertaken by the Company on the basis of 4 rights shares for every 5 existing ordinary shares of the Company. The gross proceeds from the rights issue amounted to S$8,846,510 (RMB44,354,632). Total consideration received amounted to S$8,647,689 (RMB43,357,785), net of share issuance expenses of S$198,821 (RMB996,847) which is to provide funds for the expansion of the Group's operations. The newly issued shares rank pari passu in all respects with the previously issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

12 PRC statutory common reserve

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

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

The Group	**2021 RMB'000**	**2020 RMB'000**
Balance at beginning of year	**31,748**	31,748
Appropriation of profit to reserve	**662**	–
Balance at end of year	**32,410**	31,748

13 Merger reserve

The Group

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

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

14 Currency translation reserve

The Group	2021 RMB'000	2020 RMB'000
Balance at beginning of year	**–**	–
Currency translation differences	**(728)**	–
Non-controlling interest's share of currency translation reserve	**291**	–
Balance at end of year	**(437)**	–

Currency translation reserve represents exchange differences arising from the translation of the financial statements of operation whose functional currency is different from that of the Group.

15 Premium paid on acquisition of non-controlling interests

The Group	2021 RMB'000	2020 RMB'000
Balance at beginning of year	**–**	170
De-consolidation upon disposal of interest in a subsidiary	**–**	(170)
Balance at end of year	**–**	–

This represented the difference between the consideration paid and the carrying amount of additional equity interest of a subsidiary acquired from non-controlling interests.

16 Bank borrowings

The Group	2021 RMB'000	2020 RMB'000
Non-current		
Bank loans	**23,592**	–
Current		
Bank loans	**2,472**	23,990
	26,064	23,990

In financial year 2021, a new 10-year loan facility of RMB27,399,000 is secured from a bank to partly finance the outright lease payments of the leasehold land and building belonging to a subsidiary for purpose of the membrane manufacturing facility (Note 3). The term loan is secured by:

(i) legal mortgage of leasehold property at 8 Tuas West Avenue Singapore (Note 3);

(ii) corporate guarantees for all money owing to be provided by the Company and non-controlling shareholder of the subsidiary; and

(iii) bank deposit of RMB2,966,000 (Note 10) earmarked in a debt service reserve account with the bank to make payments in the event of disruption of cash flows to the extent that the repayments cannot be made.

The bank loan is subjected to floating interest of 1% per annum above 3-month Singapore Inter-Bank Offer Rate ("3M SIBOR") for the first two years, and 3.48% per annum above 3M SIBOR thereafter.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

16 Bank borrowings (Cont'd)

The subsidiary is subject to externally imposed bank covenant as it needs to maintain at all times a tangible net worth of not less than S$6.0 million (approximately RMB28.3 million). During the financial year ended 31 December 2021, there are no known instances of any breaches of bank covenants by the subsidiary.

In financial year 2020, the Group has short-term loan facility of RMB24 million, repayable on varying dates, with the earliest date being 19 February 2021 and the latest date being 31 March 2021. The short term loan has been fully repaid in 2021. This term loan facility was mainly secured by corporate guarantees from Leader Environmental Technologies Limited and personal guarantees provided by Mr. Lin Baiyin, the then Executive Director of the Company and his spouse and partially secured by the commercial properties held by the subsidiary – Anjie Environmental (Note 3).

The table below analyses the maturity profile of the Group's bank borrowings based on contractual undiscounted cash flows:

	2021		2020	
	Carrying amount RMB'000	Contractual cash flows RMB'000	Carrying amount RMB'000	Contractual cash flows RMB'000
Amount repayable in:				
Less than one year	**2,472**	**2,964**	23,990	24,580
Between one to five years	**10,390**	**11,855**	–	–
More than five years	**13,202**	**13,830**	–	–
	23,592	**25,685**	–	–
	26,064	**28,649**	23,990	24,580

The effective weighted average interest rate for the secured bank loans is 1.97% (2020 – 10.31%) per annum.

The interest rates of the Group's bank borrowings are repriced on quarterly basis. The carrying amounts of bank borrowings approximate their fair values.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

17 Lease liabilities

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

	The Group		The Company	
	2021 RMB'000	**2020 RMB'000**	**2021 RMB'000**	**2020 RMB'000**
Balance at beginning of year	**1,063**	782	**–**	–
Additions – new leases	**1,704**	1,161	**942**	–
Re-measurement adjustment	**–**	(482)	**–**	–
Interest expense [Note 23(a)]	**75**	36	**25**	–
Payment of lease liabilities	**(973)**	(434)	**(184)**	–
Balance at end of year	**1,869**	1,063	**783**	–
Undiscounted lease payment due:				
– Year 1	**977**	657	**343**	–
– Year 2	**715**	366	**343**	–
– Year 3	**274**	95	**133**	–
	1,966	1,118	**819**	–
Less: Unearned interest	**(97)**	(55)	**(36)**	–
Lease liabilities	**1,869**	1,063	**783**	–
Presented as:				
Current	**912**	617	**319**	–
Non-current	**957**	446	**464**	–
	1,869	1,063	**783**	–

In financial year 2021, the Group entered into a sale and leaseback arrangement of an office unit with the unrelated buyer for an annual rental of RMB100,000 payable in advance on half yearly basis [see Note 3(i)].

Following this arrangement, the Group had recognised lease liabilities of RMB280,000 and a right-of-use asset of RMB329,000, which included a prepayment of RMB49,000 arising from the fair value of the consideration for the sale of the office unit below its the fair value.

In financial year 2020, there was a re-measurement adjustment in lease liabilities arising from modification of the lease agreement to downsize the rented area, with a corresponding decrease in right-of-use assets of RMB465,000 (Note 3) and a gain on re-measurement of RMB17,000 [Note 23(b)] was recognised in the profit or loss.

As at 31 December 2021, the Group's short-term lease commitments at the reporting date are not substantially dissimilar to those giving rise to the Group's short-term lease expense for the year.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

18 Provision for restoration costs

Provision for restoration costs is the estimated costs of restoring the leasehold land and building, which are capitalised and included in the cost of the property, plant and equipment. The provision is expected to be utilised at the end of the lease term.

The movement of the provision for restoration costs is as follows:

The Group	2021 RMB'000	2020 RMB'000
Balance at beginning of year	**–**	–
Provision for the year (Note 3)	**384**	–
Currency translation differences	**(7)**	–
Balance at end of year	**377**	–
Presented as:		
Non-current	**377**	–

19 Deferred tax liabilities

On 22 February 2008, the State Administration of Taxation of China issued a circular Caishui 2008 No.001, which imposes withholding tax on distribution of dividends from post 1 January 2008 profits to foreign investors. Accordingly, no deferred tax liabilities arise from undistributed profits of the Company's PRC subsidiary accumulated up till 31 December 2007. Provision for deferred tax liabilities however, would be required on profits accumulated from 1 January 2008 onwards.

Withholding tax pertains to the PRC withholding tax on the portion of the distributable profits derived by the Group's subsidiary in the PRC, Anjie Environmental, in the current financial year which is expected to be distributed out as dividends to its shareholders.

<u>Unrecognised tax loss</u>

At the end of the financial year, the PRC subsidiaries have unrecognised tax losses that are available for offset against future taxable profits of the companies in the Group in which the losses arose, for which no deferred tax assets are recognised as there are no certainties that future taxable profits will be available against which the unused tax losses can be utilised, and the use of these tax losses are also subject to the agreement of the tax authorities and compliance with the provisions of the tax legislation of the respective countries in which the companies operate. All tax losses will expire after five years from the year of assessment they relate to.

In financial year 2020, the unabsorbed losses of RMB7.5 million relating to Anjie New Energy is no longer available for offset as the subsidiary is disposed to an unrelated third party.

The unrecognised tax losses will expire as follows:

The Group	2021 RMB'000	2020 RMB'000
Year 2022	**2,414**	2,414
Year 2024	**797**	797
Year 2025	**4,398**	4,398
Year 2026	**9,256**	–
	16,865	7,609

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19 Deferred tax liabilities (Cont'd)

Anjie Environmental

There is no utilisation of losses brought forward from previous year as the subsidiary, Anjie Environmental is in loss making position since financial year 2018.

Greentech Guangzhou and Bituo

The above unabsorbed losses include prior year tax losses of Greentech Guangzhou and Bitou totalled to RMB1,236,000 which will expire in year 2026.

Greentech Tianjin

The operating loss relating to Greentech Tianjin of RMB1,154,000 which was brought forward from previous year is utilised against the taxable profit generated in financial year 2021. Arising from the utilisation of the loss, Greentech Tianjin has no unrecognised loss to be carried forward to the next financial year.

Nanosun Membrane

Subject to agreement with Tax Authority, Nanosun Membrane has unutilised tax losses of RMB1,287,000 (SGD 268,000) available for offset against future taxable profits provided that the provisions of tax legislation are complied with. The related tax benefits of RMB219,000 (SGD 46,000) have not been recognised in the consolidated financial statements.

20 Trade and other payables

	The Group		The Company	
	2021 RMB'000	**2020 RMB'000**	**2021 RMB'000**	**2020 RMB'000**
Trade payables	**6,657**	29,013	**–**	–
Bills payables (secured – Note 10)	**–**	3,000	**–**	–
Other payables	**1,962**	2,099	**274**	89
VAT and other tax payables	**529**	582	**–**	–
Amounts due to a related party (Note 27)	**1,096**	7,089	**–**	–
Amounts due to subsidiaries	**–**	–	**7,316**	6,845
Amounts due to directors	**22**	141	**–**	68
Net trade and other payables	**10,266**	41,924	**7,590**	7,002

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

The Group	**2021 RMB'000**	**2020 RMB'000**
Suppliers		
(i) 抚顺恒益科技滤材有限公司	**161**	5,190
(ii) 鞍钢集团工程技术有限公司	**2,219**	7,069
(iii) 吉林丰源电力环保科技有限公司	**106**	2,371
	2,486	14,630

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

20 Trade and other payables (Cont'd)

The Group

There is a back-to-back arrangement entered by the subsidiary with the supplier, 鞍钢集团工程技术有限公司 that certain retention receivables of RMB2.2 million is to be recovered from a customer from the steel industry before the subsidiary pays the supplier of the equivalent sum due.

Trade payables are normally settled on 30 – 90 days' terms (2020 – 90 days' terms). The profile of the liability owing to contractors and suppliers for the services rendered and supply of goods to the projects are in a way match to the timing of receipts and the extent of completion of the projects as stipulated in the contracts. Such liabilities are only due for payment when the extent of the project completion is accepted and acknowledged by the customer of the Group.

The amount due to a related party is non-trade in nature, unsecured, non-interest bearing, repayable on demand and is to be settled in cash when the Group's cash flow permits. In financial year 2020, the related company refers to Yarra Food (Shandong) Co., Ltd. a wholly-owned subsidiary of Yarra Food Pte. Ltd., in which a director's immediate family is a shareholder and the amount due to Yarra Food (Shandong) Co., Ltd. of RMB7,089,000 has been repaid in financial year 2021. In financial year 2021, the related party refers to Nanosun Pte. Ltd., a non-controlling shareholder of a subsidiary.

The amount due to directors is non-trade in nature, unsecured, non-interest bearing, repayable on demand and is to be settled in cash when the Group's cash flow permits.

The Company

The amounts due to subsidiaries are non-trade in nature, unsecured, non-interest bearing, repayable on demand and is to be settled in cash when the Company's cash flow permits.

21 Other liabilities

	The Group		The Company	
	2021 RMB'000	**2020 RMB'000**	**2021 RMB'000**	**2020 RMB'000**
Accrued purchases	**16,569**	2,053	**–**	–
Accrued salary and related expenses	**1,322**	2,033	**339**	1,114
Accrued operating expenses	**916**	1,266	**840**	1,331
Accrued capital expenditure	**615**	–	**–**	
Accrued welfare expenses	**44**	44	**–**	–
	19,466	5,396	**1,179**	2,445

Accrued purchases mainly pertain to unbilled invoices from the suppliers in respect of the equipment and systems received for the industrial wastewater project.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

22 Revenue

The Group derives revenue from transfer of goods and services over time and at a point in time as follows:

The Group	2021 RMB'000	2020 RMB'000
Over time:		
Contract revenue	**49,603**	13,736
At a point in time:		
Sales of parts	**252**	–
	49,855	13,736

Revenue from transfer of goods and services above is derived from the PRC.

23(a) Finance income and costs

The Group	2021 RMB'000	2020 RMB'000
Finance income:		
Interest income from bank balances	**302**	23
Finance costs:		
Interest expense on lease liabilities (Note 17)	**(75)**	(36)
Interest expense on bank borrowings	**(1,025)**	(4,915)
	(1,100)	(4,951)

23(b) Other income

The Group	Note	2021 RMB'000	2020 RMB'000
Government grant – Jobs Support Scheme & Jobs Growth Incentive	23(e)	**712**	133
Gain on disposal of a subsidiary	5(b),23(e)	**-**	3
Gain on disposal of property, plant and equipment	23(e)	**-**	34
Gain on re-measurement of lease liabilities	23(e)	**-**	17
Gain on de-registration of subsidiaries	23(e)	**-**	9
Others		**161**	193
		873	389

NOTES TO THE FINANCIAL STATEMENTS
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23(c) Administrative expenses

The Group	Note	2021 RMB'000	2020 RMB'000
Employees' salaries and related costs		**11,688**	5,575
Directors' fees and remunerations		**3,056**	2,638
Depreciation of property, plant and equipment	3	**1,732**	657
Amortisation of intangible assets	4	**180**	260
Professional fees		**2,704**	2,076
Short-term lease expenses		**367**	154
Transportation expenses		**184**	228
Outsourcing of services	27	**466**	–
Travelling and entertainment expenses		**1,001**	1,625
Others		**1,246**	698
		22,624	13,911

23(d) Other expenses

The Group	Note	2021 RMB'000	2020 RMB'000
Bad debts written off	23(e)	**3**	46
Impairment loss on intangible assets	4,23(e)	**–**	1,022
Exchange loss		**1,830**	1,236
Property, plant and equipment written off	23(e)	**56**	–
Loss on disposal of property, plant and equipment	23(e)	**389**	520
Loss on rights transferred in sale and leaseback transaction	23(e)	**78**	–
Loss on sale of scrapped materials	7	**665**	–
Bad debts recovered	23(e)	**–**	(150)
Others		**132**	97
		3,153	2,771

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

23(e) Profit/(loss) before taxation

The Group	Note	2021 RMB'000	2020 RMB'000
Profit/(loss) before taxation has been arrived at after charging/(crediting):			
Audit fee:			
– auditors of the Company		**874**	803
– other auditors		**13**	21
Non-audit fee:			
– auditors of the Company		**49**	–
– other auditors		**17**	54
Loss on disposal of property, plant and equipment, net	23(b), 23(d)	**389**	486
Loss on rights transferred in sale and leaseback transaction	23(d)	**78**	–
Property, plant and equipment written off	23(d)	**56**	–
Depreciation of property, plant and equipment	3	**1,910**	1,103
Amortisation of intangible assets	4	**180**	260
Bad debts written off	23(d)	**3**	46
Impairment loss on intangible assets	4,23(d)	**-**	1,022
Allowance for impairments:			
– contract assets	6	**-**	4,643
– trade receivables		**-**	497
– retention receivables		**173**	145
– advances to trade suppliers		**-**	9,039
– advances to non-trade suppliers		**134**	217
– tender and security deposits		**-**	1,474
– advances to third parties		**-**	30,515
– advances to employees		**-**	19
	31.2	**307**	46,549
Allowance for impairments no longer required:			
– contract assets	6	**(2,328)**	–
– retention receivables		**-**	(101)
– advances to trade suppliers		**(314)**	(414)
– advances to non-trade suppliers		**-**	(320)
– tender and security deposits		**(697)**	–
– advances to a third party	8	**(22,415)**	–
	31.2	**(25,754)**	(835)
Employees' compensations*	26	**16,133**	10,567
Bad debts recovered	23(d)	**-**	(150)
Government grant – Jobs Support Scheme & Jobs Growth Incentive	23(b)	**(712)**	(133)
Gain on disposal of a subsidiary	5(b), 23(b)	**-**	(3)
Gain on re-measurement of lease liabilities	23(b)	**-**	(17)
Gain on de-registration of subsidiaries	23(b)	**-**	(9)

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

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24 Taxation

The Group	2021 RMB'000	2020 RMB'000
Current taxation	**2,277**	–
Overprovision of current taxation in respect of prior year	**–**	(75)
Tax expense/(credit)	**2,277**	(75)

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

The Group	2021 RMB'000	2020 RMB'000
Profit/(loss) before taxation	**6,976**	(64,933)
Tax at the domestic rates applicable to the countries concerned(1)	**1,744**	(16,233)
Difference in foreign tax rate	**1,111**	563
Tax effect on non-deductible expenses	**316**	12,207
Tax effect on non-taxable income	**(6,474)**	(246)
Effect of loss not available for offset against future profits	**2,059**	1,197
Effect of loss not recognised as deferred tax assets – the subsidiaries (Note 19)	**3,809**	2,535
Utilisation of deferred tax asset previously not recognised	**(261)**	(23)
Overprovision of current taxation in respect of prior year	**–**	(75)
Others	**(27)**	–
Tax expense/(credit)	**2,277**	(75)

1 The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The nature of income that are not taxable is as follows:

The Group	2021 RMB'000	2020 RMB'000
Allowance written back – no tax deduction claimed in prior year	**6,439**	129
Bad debts recovered – no tax deduction claimed in prior year	**–**	117
Others	**35**	–
	6,474	246

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

The Group	2021 RMB'000	2020 RMB'000
Purchases not supported by value added tax invoices	**2**	22
Entertainment expenses incurred but restricted for tax purposes	**66**	271
Impairment loss on intangible assets	**–**	256
Allowance for impairments on financial assets and contract assets	**77**	11,637
Depreciation expense on leasehold land and building	**88**	–
Amortisation of intangible assets – patents	**45**	–
Others	**38**	21
	316	12,207

NOTES TO **THE FINANCIAL STATEMENTS**
For the financial year ended 31 December 2021

25 Earnings/(loss) per share

The earnings/(loss) per share is calculated based on the consolidated profit/(loss) attributable to ordinary shareholders of the Company divided by the weighted average number of shares in issue of shares during the financial year. The basic and diluted earnings/(loss) per share of the Group are the same as there were no potential dilutive ordinary shares outstanding as at 31 December 2021 and 2020.

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

The Group	**2021**	**2020**
Profit/(loss) attributable to owners of the Company (RMB'000)	5,840	(64,858)
Weighted average number of ordinary shares	1,421,529,064	1,342,448,161*
Basic earnings/(loss) per share (RMB cents)	0.41	(4.83)
As previously reported		
Weighted average number of ordinary shares		1,061,041,565
Basic loss per share (RMB cents)		(6.11)

* The weighted average number of ordinary shares and loss per share has been adjusted to reflect the effects of the Rights shares issued on 4 August 2021.

26 Employee benefits

The Group	**2021 RMB'000**	**2020 RMB'000**
Employee benefits expenses (including directors)		
Directors' fees	**862**	620
Salaries, bonuses and other short-term benefits	**13,321**	9,265
Contribution to defined contribution plans	**1,950**	682
	16,133	10,567

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

27 Significant related party transactions

In relation to the related party information disclosed elsewhere in the financial statements, the following are significant transactions with related parties at mutually agreed amounts:

The Group	Note	2021 RMB'000	2020 RMB'000
Advances paid to a related party for the procurement of equipment, systems and machinery, design and engineering services*	8	**8,247**	–
Outsourcing of services from a related party*	23(c)	**466**	–
Advances from a related party	20	**–**	(7,000)
Settlement of liabilities by a related party*	20	**(1,107)**	(89)
Loan from a related party*		**2,267**	–
Capitalisation of loan from a related party into share capital of a subsidiary*		**(2,267)**	–
Advances from a director#		**13,878**	–

* The related party refers to Nanosun Pte. Ltd. ("Nanosun"), a non-controlling shareholder of Nanosun Membrane Pte. Ltd. ("Nanosun Membrane"). By virtue of Nanosun Membrane being a key subsidiary of the Group, transactions between Nanosun and Nanosun Membrane will be disclosed as related party transactions.

\# The advances from a director were fully repaid during the financial year.

<u>Compensation of directors and key management personnel</u>

The remunerations of directors and other members of key management during the year were as follows:

The Group	2021 RMB'000	2020 RMB'000
<u>Directors' remunerations</u>		
– Directors' fees	**862**	620
– Salaries, bonuses and other short-term benefits	**2,756**	2,109
– Contributions to defined contribution plans	**195**	101
<u>Key management personnel (other than directors)</u>		
– Salaries, bonuses and other short-term benefits	**5,369**	3,059
– Contributions to defined contribution plans	**575**	216
	9,757	6,105

The Group's key management in FY2021 mainly comprises Chief Executive Officer, Chief Financial Officer, Chief Technical Officer, Deputy Chief Technical Officer, General Manager and Deputy General Managers. The remuneration of directors and key executives are reviewed by the Remuneration Committee having regard to the performance of individuals and market trend.

NOTES TO **THE FINANCIAL STATEMENTS**

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28 Other matters – letter of undertaking

The Company has given letter of undertaking to provide financial support for the following subsidiaries which had aggregate net tangible deficits of RMB439,000 (2020 – RMB6,662,000) and aggregate net current liabilities of RMB17,470,000 (2020 – RMB13,514,000) as at 31 December 2021 to enable them to continue to operate as a going concern and to meet their respective obligations as and when they fall due:

(i) Bituo Environmental Technologies (Tianjin) Co., Ltd.

(ii) United Greentech Holdings Pte. Ltd.

29 Financial guarantees

In financial year 2021, the Company has provided a financial guarantee to a bank for a loan of RMB27.4 million granted to certain subsidiary to finance partly the outright lease payments of the leasehold land and building for the purpose of the membrane manufacturing facility. The leasehold property is pledged to the bank and the bank balances of RMB3.0 million is earmarked in a debt service reserve account to make payments in the event of disruption of cash flows to the extent that the repayments cannot be made. After taking into considerations the pledge and the earmarked bank balances, the Company is exposed to liability of RMB16.4 million, which is capped at 60% based on its shareholding interest of the subsidiary. As at the reporting date, the banking facility utilised stood at RMB15.6 million.

In financial year 2021, the Group's 60% owned subsidiary, Nanosun Membrane Pte. Ltd. ("Nanosun Membrane") has provided a financial guarantee to its related company, Nanosun Pte. Ltd, which owned 40% of Nanosun Membrane, to secure a bank facility of up to S$2.0 million (approximately RMB9.4 million) from a bank to finance the membrane manufacturing facility in Nanosun Membrane. As at the reporting date, the banking facility utilised was S$2.0 million (approximately RMB9.4 million).

In financial year 2020, the Company has provided financial guarantees to a bank for credit facilities totalling RMB24.0 million granted to certain subsidiary for which the Company is exposed to liability which is capped at RMB24.0 million. As at the reporting date, the banking facilities utilised stood at RMB24.0 million.

As at 31 December 2020 and 2021, the fair values of the financial guarantees determined based on the expected loss arising from the risk of default are negligible.

30 Operating segments

For management purposes, the Group is organised into the following reportable operating segments as follows:

(i) Industrial wastegas treatment segment mainly provides treatment solutions for the elimination of dust and desulphurisation from the emission of industrial wastegas. The Group also offered denitrification which relates to treatment solutions for the elimination of nitrogen oxides from the emission of wastegas;

(ii) Industrial wastewater treatment segment provides treatment solutions for the removal and reduction of pollutants in the wastewater, mainly to lower the chemical oxygen (COD) and biochemical oxygen (BOD) from the emission of industrial wastewater;

NOTES TO **THE FINANCIAL STATEMENTS**

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30 Operating segments (Cont'd)

(iii) Sales of parts; and

(iv) Manufacturing of high-performance NANO-hybrid membrane products and equipment.

There are no operating segments that have been aggregated to form the above reportable operating segments. For entities which are not generating revenue, their operating expenses are grouped under "others".

Other operations include the manufacturing of high-performance NANO-hybrid membrane products as the manufacturing segment has yet to commence operation and does not meet any of the quantitative thresholds for determining reportable segments in financial year 2021.

The Chief Executive Officer monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as set out below, is measured differently from operating profit or loss in the consolidated financial statements.

Group financing is allocated to operating segments according to the revenue generated.

The chief operating decision maker reviews the results of the segment using segment's EBITDA and profit/(loss) after taxation. Segment assets, liabilities, non-current assets and other expenses are not disclosed as they are not regularly provided to the chief operating decision maker.

<u>The Group</u>

(a) By business

			2021		
The Group	**Dust elimination RMB'000**	**Industrial wastewater RMB'000**	**Sales of parts RMB'000**	**Others RMB'000**	**Total RMB'000**
Revenue					
Sales to external customers	**872**	**48,731**	**252**	**–**	**49,855**
Results					
Segmental results	**(2,637)**	**1,839**	**(10)**	**(14,775)**	**(15,583)**
Impairment loss on financial assets and contract assets	**(177)**	**(130)**	**–**	**–**	**(307)**
Impairment loss on financial assets and contract assets no longer required	**2,734**	**23,020**	**–**	**–**	**25,754**
EBITDA*	**(80)**	**24,729**	**(10)**	**(14,775)**	**9,864**
Depreciation and amortisation	**(170)**	**(588)**	**(7)**	**(1,325)**	**(2,090)**
Interest expense	**(359)**	**(511)**	**–**	**(230)**	**(1,100)**
Interest income	**21**	**263**	**1**	**17**	**302**
(Loss)/profit before taxation	**(588)**	**23,893**	**(16)**	**(16,313)**	**6,976**
Taxation	**–**	**(2,277)**	**–**	**–**	**(2,277)**
(Loss)/profit for the year	**(588)**	**21,616**	**(16)**	**(16,313)**	**4,699**

NOTES TO **THE FINANCIAL STATEMENTS**
For the financial year ended 31 December 2021

30 Operating segments (Cont'd)

The Group (Cont'd)

(a) By business (Cont'd)

The Group	2020 Dust elimination RMB'000	Industrial wastewater RMB'000	Others RMB'000	Total RMB'000
Revenue				
Sales to external customers	2,469	11,267	–	13,736
Results				
Segmental results	(3,281)	(1,043)	(8,604)	(12,928)
Impairment loss on financial assets and contract assets	(28,907)	(17,642)	–	(46,549)
Impairment loss on financial assets and contract assets no longer required	373	462	–	835
EBITDA	(31,815)	(18,223)	(8,604)	(58,642)
Depreciation and amortisation	(1,015)	(168)	(180)	(1,363)
Interest expense	(4,096)	(837)	(18)	(4,951)
Interest income	16	5	2	23
Loss before taxation	(36,910)	(19,223)	(8,800)	(64,933)
Taxation	62	13	–	75
Loss for the year	(36,848)	(19,210)	(8,800)	(64,858)

(b) Geographical information

No geographical information is provided on the Group's revenue as the Group's revenue and profits are derived primarily from customers in the PRC.

Non-current assets information based on geographical location is as follows:

The Group	2021 RMB'000	2020 RMB'000
Singapore	**46,105**[(1)]	17
The PRC	**3,562**[#]	7,297
	49,667	7,314

included the intangible assets – patents amounting to RMB1,616,000 (2020 – Nil)

(1) included non-current assets of RMB44,928,000, belonging to a subsidiary, whose operation will be classified under a new operating segment – manufacturing of high performance membrane when it commences production

(c) Information about major customers

Revenue of RMB47.5 million is derived from a single PRC customer and is attributable to the industrial wastewater segment for the year ended 31 December 2021. In financial year 2020, the revenue from three major customers amounted to RMB4.2 million, RMB3.7 million and RMB2.0 million respectively, arising from sales by the dust elimination and industrial wastewater segments.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

31 Financial risk management objectives and policies

The Group and the Company financial risk management policies set out the Group's and the Company's overall business strategies and its risk management philosophy. The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks included credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's and the Company's financial performance through a system of internal controls set by the management.

The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

31.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their bank balances and borrowings. The Group and the Company do not enter into derivative financial instruments contracts to hedge interest rate risk. The Group's and the Company's policy is to obtain the most favourable interest rates available.

The Group's IBOR exposures to non-derivative financial liabilities as at 31 December 2021 included secured bank borrowings indexed to SIBOR. The Group is still in the process of communication with the counterparties for all the SIBOR indexed exposures and specific changes have yet been agreed.

Sensitivity analysis for interest rate risk

At the end of reporting period, if the interest rates had been 50 (2020 – 50) basis points higher/lower with all other variables held constant, the Group's profit/(loss) for the year would have been RMB248,000 higher/lower (2020 – RMB118,000 lower/higher), arising mainly as a result of higher/lower interest income on bank balances. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility compared to prior years.

31.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade and other receivables, contract assets and retention receivables. The Group adopts the policy of dealing only with:

– Customers of appropriate credit standing and history, and obtaining sufficient collateral where appropriate to mitigate credit risk; and

– High credit quality counterparties rating by external credit rating companies.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

31.2 Credit risk (Cont'd)

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

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

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

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

(c) after the installation and commissioning of equipment and systems, the issue of the project completion report by the Group and acceptance by customers which usually include the issue of a detailed inspection report by the Environmental Protection Quality Inspection Station, between 90% and 95% of the contract value; and

(d) retention sum of generally between 5% and 10% of the contract value withheld by the customer for a one-year period against any defects. For more complex projects, the retention sum could increase to 20% of the contract value.

Majority of the secured contracts to-date were under the above payment terms. Depending on negotiations with the customers, the other contracts also provide for payment terms based on fixed number of instalments, and specified amounts and dates for each of the instalment payments; or payment terms which are based on fixed agreed amounts for each of the progressive payments payable upon completion of each stage or milestone of a contract. In addition, depending on negotiations with and requests from the customers, some of the contracts also provide for retention receivables to be based on an agreed sum with the customers and/or the defects liability period to be extended to two years, or defects liability period of certain components of the systems (such as the fabric filter bags) to be extended to up to three years.

For small scale projects which are relatively less complex, the credit term extended to the customers for the advance payments and progress claims is generally 60 to 90 days from the date of issuance of the notification of payment and progress billings respectively. For large scale projects which require more than a year to complete or projects which are technically more complex, longer credit terms of up to 150 days to the customers will be extended as more time is required by the customers to process the payments.

Going forward, the Group has reviewed its credit policy and will work closely with customers on their payments. As a result, the Group has tightened its policy for new projects to be undertaken. For the industrial wastewater project in Shijiazhuang and sales of parts, the credit terms granted to customers are generally 30 days after the issuance of invoices.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

31.2 Credit risk (Cont'd)

Measures to curtail credit risk

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

Previously, the Group's policy is to provide financial guarantees only to wholly owned subsidiaries. The maximum exposure of the Company in respect of the intra-group financial guarantee at the reporting date is the facility drawn down by the subsidiary in the amount of RMB24 million in financial year 2020 (see Note 16).

In financial year 2021, the Group has redefined its policy so as to grow its environmental related businesses, and provides corporate guarantee to a 60% owned subsidiary in Singapore to secure a bank loan of RMB27,399,000 (2020 – Nil) to partly finance the outright lease payments for the leasehold land and building mainly for the purpose of membrane manufacturing facility. Accordingly, the Group's exposure, after taking into considerations the pledge and the earmarked bank balances, is capped at 60% of the loan amount, being its shareholding interest in the subsidiary.

At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee. The Group and the Company exposure to credit risks arise primarily from trade and other receivables, contract assets, deposits pledged to bank and bank balances.

For trade receivables, the Group and the Company adopt the policy of dealing only with customers of appropriate credit history and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group and the Company adopt the policy of dealing only with high credit quality counterparties. Bank balances are deposits with reputable banks.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

31.2 Credit risk (Cont'd)

Measures to curtail credit risk (Cont'd)

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

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

Expected credit losses

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

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

12-month ECL loss rates are adjusted based on the unemployment rate in the PRC given the economic uncertainty as to the collectability of debt is concerned.

Arising from the impact of COVID-19 pandemic, a forward-looking adjusted loss rate of 5.48% has been applied, which derived from the 3-year average China unemployment rate of 5.17%, adjusted using the scalar factors of 1.06. The scalar factors are based on the China Bond Default Rate forecast and industry outlook at historical patterns. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

31.2 Credit risk (Cont'd)

Expected credit losses (Cont'd)

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

In measuring the expected credit losses, trade receivables, retention receivables and contract assets are grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. Advances to employees, advances to trade and non-trade suppliers, advances to third parties and tender and security deposits are grouped based on shared credit risk characteristics.

Impairment losses on financial assets and contract assets recognised in profit or loss were disclosed in Note 23(e).

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

	Trade receivables, contract assets and retention receivables			
The Group	**12-month ECL RMB'000**	**Lifetime ECL – not credit impaired RMB'000**	**Lifetime ECL – credit impaired RMB'000**	**Total RMB'000**
2021				
Balance as at 1 January	**115**	**5,612**	**4,200**	**9,927**
Loss allowance recognised in profit or loss during the year on:				
– Originated	**–**	**–**	**5,632**	**5,632**
– Reversal of unutilised amount	**–**	**(9)**	**(2,319)**	**(2,328)**
– Changes in credit risk	**144**	**(5,603)**	**–**	**(5,459)**
Balance as at 31 December	**259**	**–**	**7,513**	**7,772**
2020				
Balance as at 1 January	212	1,470	3,231	4,913
Loss allowance recognised in profit or loss during the year on:				
– Originated	–	–	1,108	1,108
– Reversal of unutilised amount	–	–	(101)	(101)
– Changes in credit risk	35	4,142	–	4,177
Disposal of a subsidiary	(132)	–	(38)	(170)
Balance as at 31 December	115	5,612	4,200	9,927

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

31.2 Credit risk (Cont'd)

Expected credit losses (Cont'd)

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

	Advances to trade and non-trade suppliers, employees, and third parties, and tender and security deposits			
2021	**12-month ECL RMB'000**	**Lifetime ECL – not credit impaired RMB'000**	**Lifetime ECL – credit impaired RMB'000**	**Total RMB'000**
Balance as at 1 January	**27**	**14,299**	**24,473**	**38,799**
Loss allowance recognised in profit or loss during the year on:				
– Originated	**–**	**–**	**2,704**	**2,704**
– Reversal of unutilised amount	**–**	**(697)**	**(22,729)**	**(23,426)**
– Changes in credit risk	**(27)**	**(2,543)**	**–**	**(2,570)**
Balance as at 31 December	**–**	**11,059**	**4,448**	**15,507**
2020				
Balance as at 1 January	1,180	10,511	2,499	14,190
Loss allowance recognised in profit or loss during the year on:				
– Originated	–	–	22,708	22,708
– Reversal of unutilised amount	–	–	(734)	(734)
– Changes in credit risk	(1,134)*	19,690	–	18,556
Disposal of a subsidiary	(19)	(15,902)	–	(15,921)
Balance as at 31 December	27	14,299	24,473	38,799

* included a sum of RMB491,000 belonging to a disposed subsidiary

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

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

31.2 Credit risk (Cont'd)

Expected credit losses (Cont'd)

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

	Trade receivables, contract assets and retention receivables			
The Group	**Weighted average loss rate %**	**Gross carrying amount RMB'000**	**Impairment loss allowance RMB'000**	**Credit impaired**
2021				
Category: performing	**5.48**	**4,724**	**259**	**No**
Category: doubtful	**–**	**–**	**–**	**No**
Category: in default	**100.00**	**7,513**	**7,513**	**Yes**
		12,237^	**7,772**	
2020				
Category: performing	5.20	2,234	115	No
Category: doubtful	60.29	9,308	5,612	No
Category: in default	100.00	4,200	4,200	Yes
		15,742^	9,927	

^ excluded subsequent receipts of receivables balances at year-end and receivables with good credit rating totalling to RMB33,293,000 (2020 – RMB96,000)

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

	Advances to trade and non-trade suppliers, employees, and third parties, and tender and security deposits			
The Group	**Weighted average loss rate %**	**Gross carrying amount RMB'000**	**Impairment loss allowance RMB'000**	**Credit impaired**
2021				
Category: performing	**–**	**–**	**–**	**No**
Category: doubtful	**85.10**	**12,995**	**11,059**	**No**
Category: in default	**100.00**	**4,448**	**4,448**	**Yes**
		17,443^	**15,507**	
2020				
Category: performing	5.20	515	27	No
Category: doubtful	51.47	27,783	14,299	No
Category: in default	100.00	24,473	24,473	Yes
		52,771^	38,799	

^ excluded subsequent receipts of receivables balances at year-end and receivables with good credit rating totalling to RMB9,334,000 (2020 – RMB4,210,000)

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

31.2 Credit risk (Cont'd)

Expected credit losses (Cont'd)

The Company

The Company is not exposed to significant expected credit losses on its bank balances and trade and other receivables. The Company has issued financial guarantee to bank for borrowing of its subsidiary. These guarantees are subject to the impairment requirements of SFRS(I) 9. The Company has assessed that its subsidiaries have the financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from these guarantees.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's net trade receivables at the end of the reporting period is as follows:

	31 December 2021		31 December 2020	
The Group	**RMB'000**	**% of total**	**RMB'000**	**% of total**
By industry sector				
Construction	**411**	**81.5**	–	–
Heat supply	**59**	**11.8**	–	–
Others	**34**	**6.7**	–	–
	504	**100.0**	–	–

As at 31 December 2021 and 2020, none of the trade receivables individually exceed 5% of the Group's total assets.

31.3 Liquidity risk

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

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

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

31.3 Liquidity risk (Cont'd)

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

The Group	**Note**	**On demand or within 1 year RMB'000**	**Within 2 to 5 years RMB'000**	**More than 5 years RMB'000**	**Total RMB'000**
2021					
Non-derivative financial liabilities					
Bank borrowings	16	**2,964**	**11,855**	**13,830**	**28,649**
Lease liabilities	17	**977**	**989**	**–**	**1,966**
Provision for restoration costs		**–**	**–**	**556**	**556**
Trade and other payables (excluding VAT and other tax payables)	20	**9,737**	**–**	**–**	**9,737**
Other liabilities	21	**19,466**	**–**	**–**	**19,466**
Total undiscounted financial liabilities		**33,144**	**12,844**	**14,386**	**60,374**
Corporate guarantee		**–**	**9,425**	**–**	**9,425**
		33,144	**22,269**	**14,386**	**69,799**
2020					
Non-derivative financial liabilities					
Bank borrowings	16	24,580	–	–	24,580
Lease liabilities	17	657	461	–	1,118
Trade and other payables (excluding VAT and other tax payables)	20	41,342	–	–	41,342
Other liabilities	21	5,396	–	–	5,396
Total undiscounted financial liabilities		71,975	461	–	72,436

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

31.3 Liquidity risk (Cont'd)

The Company	Note	On demand or within 1 year RMB'000	Within 2 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
2021					
Non-derivative financial liabilities					
Lease liabilities	17	**343**	**476**	**–**	**819**
Trade and other payables	20	**7,590**	**–**	**–**	**7,590**
Other liabilities	21	**1,179**	**–**	**–**	**1,179**
Total undiscounted financial liabilities		**9,112**	**476**	**–**	**9,588**
Corporate guarantee		**1,483**	**6,234**	**7,921**	**15,638**
		10,595	**6,710**	**7,921**	**25,226**
2020					
Non-derivative financial liabilities					
Trade and other payables	20	7,002	–	–	7,002
Other liabilities	21	2,445	–	–	2,445
Total undiscounted financial liabilities		9,447	–	–	9,447
Corporate guarantee		23,990	–	–	23,990
		33,437	–	–	33,437

Except for bank borrowings and lease liabilities, balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

The Group and the Company ensure that there are adequate funds to meet all its obligations in a timely and cost-effective manner. The Management aims at maintaining flexibility in funding by keeping committed credit facilities as disclosed in Note 16.

The Group's negative operating cash flow for the financial year 2021 was RMB20.8 million. Management is of the view that the Group and the Company will have sufficient cash resources to repay its liabilities including the bank loans when due through exploring availability of external financing, implementing measures to actively monitor the collections from trade receivables, utilisation of advances paid to suppliers for projects commencing in the coming financial year and/or recovery of amounts from these suppliers for projects that are not likely to commence, tightening its costs and only commencing projects when the management is confident of the customer's ability to finance the projects and make repayments as follows:

(i) The fund raising of RMB98.4 million from the rights issue in financial year 2021 is used to finance the new Public-Private-Partnership project in Bazhou City valued at RMB114.75 million. There is on-going collection from the Shijiazhuang project with RMB2.8 million received in January 2022 and RMB10 million is expected to be received by the first half of 2022.

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

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

31.4 Foreign currency risk

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

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

The Group and the Company holds cash and bank balances denominated in foreign currencies (mainly in SGD) for working capital purposes. There is no formal hedging policy with respect to foreign currency exposure. Exposure to foreign currency risk is monitored on an on-going basis and the Group endeavours to keep the net exposure at an acceptable level.

The carrying amount of financial assets and financial liabilities of the Group and the Company, which are denominated in Singapore dollar ("SGD"), is as follows:

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
The Group	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets				
Trade and other receivables* (excluding VAT and other tax receivables)	**423**	81	**937**	215
Cash and bank balances	**47,770**	14,550	**42,400**	13,737
	48,193	14,631	**43,337**	13,952
Financial liabilities				
Bank borrowings	**(26,064)**	–	**–**	–
Provision for restoration costs	**(377)**	–	**–**	–
Lease liabilities	**(783)**	–	**(783)**	–
Trade and other payables	**(2,393)**	(89)	**(274)**	(89)
Other liabilities	**(1,908)**	(2,469)	**(1,179)**	(2,446)
	(31,525)	(2,558)	**(2,236)**	(2,535)
Net currency exposure on financial assets and liabilities	**16,668**	12,073	**41,101**	11,417

* Excludes advances to trade suppliers and related party for goods and services to be received and rendered.

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For the financial year ended 31 December 2021

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

31.4 Foreign currency risk (Cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the SGD against RMB, with all other variables held constant, of the Group's and the Company's profit/(loss) after tax and equity:

	2021		2020	
	Profit after taxation RMB'000	Equity RMB'000	Loss for the year RMB'000	Equity RMB'000
The Group				
SGD against RMB				
– strengthened by 1% (2020 – 1%)	**125**	**125**	(121)	121
– weakened by 1% (2020 – 1%)	**(125)**	**(125)**	121	(121)

	2021		2020	
	Loss for the year RMB'000	Equity RMB'000	Loss for the year RMB'000	Equity RMB'000
The Company				
SGD against RMB				
– strengthened by 1% (2020 – 1%)	**(411)**	**411**	(114)	114
– weakened by 1% (2020 – 1%)	**411**	**(411)**	114	(114)

31.5 Market price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

The Group and the Company does not hold any quoted or marketable financial instruments, hence, is not exposed to any movements in market prices.

32 Capital risk management objectives and policies

The Group's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as going concern;

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

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

(d) To provide an adequate return to shareholders

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

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

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure, taking into consideration the future capital requirements of the Group capital efficiency, prevailing and projected revenue, projected operating cash flows and projected capital expenditures. The Group currently does not adopt any formal dividend policy.

Gearing has a significant influence on the Group's capital structure and the Group monitor capital using a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as the sum of bank borrowings, lease liabilities, provision for restoration costs, trade and other payables and other liabilities less cash and cash equivalents. With the business environment in China still posing a challenge to the Group, management is conscious of the need to be prudent in its investment in environmental projects.

The Group has recently secured a large-scale Public-Private-Partnership project in Bazhou City valued at RMB114.75 million. Once the sludge treatment plant is constructed, the operations and maintenance services rendered will provide the Group with stable and recurring income for the next 30 years. The project financing is supported by a loan from certain bank. It is also sourcing for potential projects with minimum capital requirements. The Group hopes that its prudent approach, coupled with the timely executions and deliveries of the existing and new contracts plus new potential contracts to be secured in the coming months, it will help to further strengthen its cash and cash equivalents of the Group.

Total capital is calculated as equity plus net debt.

The Group	**Note**	**2021 RMB'000**	**2020 RMB'000**
Bank borrowings	16	**26,064**	23,990
Lease liabilities	17	**1,869**	1,063
Provision for restoration costs	18	**377**	–
Trade and other payables	20	**10,266**	41,924
Other liabilities	21	**19,466**	5,396
Less: Cash and cash equivalents	10	**(92,137)**	(47,628)
Net debt		**(34,095)**	24,745
Equity attributable to owners of the Company		**131,283**	27,530
Less: PRC statutory common reserve	12	**(32,410)**	(31,748)
Total capital		**98,873**	(4,218)
Capital and net debt		**64,778**	20,527
Gearing ratio		**–**	120.6%

There are no changes in the Group's approach to capital management during the year. With the Rights Issue exercise which was completed in 3Q2021, the Group has substantially reduced its gearing ratio from 120.6% to nil in 2021. Hence, it has sufficient headroom to take on more debts to grow its environmental businesses.

Saved as disclosed in Note 16, the Company and its other subsidiaries are not subject to externally imposed capital requirements.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

33 Fair value measurement

SFRS(I) 13 define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In estimating the fair value of an asset or a liability, the Group and the Company takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

The carrying amount of financial assets and financial liabilities with a maturity of less than one year is assumed to approximate their fair values.

The Group and the Company do not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

33.1 Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statements of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 : unobservable inputs for the asset or liability

There is no financial assets and financial liabilities measured at fair value as at 31 December 2021 and 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

34 Financial Instruments

Accounting classifications of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

		The Group		The Company	
	Note	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Financial assets					
Trade and other receivables* (excluding VAT and other tax receivables)	8	**14,391**	24,646	**1,248**	215
Advances to a third party	8	**–**	3,900	**–**	–
Cash and bank balances	10	**95,103**	50,628	**42,400**	13,737
		109,494	79,174	**43,648**	13,952
Financial liabilities					
Bank borrowings	16	**26,064**	23,990	**–**	–
Lease liabilities	17	**1,869**	1,063	**783**	–
Provision for restoration costs	18	**377**	–	**–**	–
Trade and other payables (excluding VAT and other tax payables)	20	**9,737**	41,342	**7,590**	7,002
Other liabilities	21	**19,466**	5,396	**1,179**	2,445
		57,513	71,791	**9,552**	9,447

* Excludes advances to trade suppliers and related party for goods and services to be received and rendered.

35 Commitments

The commitments to be undertaken by the Group are as follows:

The Group	2021 RMB'000	2020 RMB'000
Supply of specialised equipment for Shijiazhuang project	**1,500**	–
Build-Operate-Transfer project in respect of municipal sludge treatment in Jinghai District, Tianjin City	**56,200**	–
Joint investment with local government of Yishui County	**119,340**	–

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2021

36 Events after reporting date

(a) Subsequent to the reporting date, the Company has made offers to grant 11,600,000 options to employees of the Group, including 2,000,000 options to Mr. Ngoo Lin Fong, Executive Director/Finance Director of the Company, at the exercise price of S$0.052 and 750,000 options to Independent Non-Executive Directors at the exercise price of S$0.065. The grant date for both options is 4 March 2022. The option period for the employees is 10 years from the grant date and for the Independent Non-Executive Directors of the Company is 5 years from the grant date.

(b) Subsequent to the reporting date, Nanosun Membrane Pte Ltd, a subsidiary of the Group, was granted trade financing facilities of up to S$2.0 million (approximately RMB9.4 million) by a financial institution.

SHAREHOLDINGS **STATISTICS**

As at 14 March 2022

Class of Shares	:	Ordinary shares
Number of Ordinary Shares in issue	:	1,534,878,360
Number of Treasury Shares held	:	Nil
Number of Subsidiary Holdings held	:	Nil
Number of Ordinary Shareholders	:	1,372
Voting Rights	:	1 vote for 1 share

Analysis of Shareholdings

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	1	0.07	80	0.00
100 – 1,000	65	4.74	25,650	0.00
1,001 – 10,000	238	17.35	1,807,150	0.12
10,001 – 1,000,000	1,004	73.18	116,412,500	7.58
1,000,001 and above	64	4.66	1,416,632,980	92.30
	1,372	100.00	1,534,878,360	100.00

Based on information available to the Company as at 14 March 2022, 59.91% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Top 20 Shareholders List

No.	Name of Shareholder	No. of Shares Held	%
1	LIN YUCHENG	414,779,500	27.02
2	DBS NOMINEES PTE LTD	171,217,720	11.16
3	PAN SHUHONG	165,000,000	10.75
4	OCBC SECURITIES PRIVATE LTD	108,356,200	7.06
5	RAFFLES NOMINEES (PTE) LIMITED	80,852,360	5.27
6	CITIBANK NOMINEES SINGAPORE PTE LTD	54,381,080	3.54
7	DB NOMINEES (SINGAPORE) PTE LTD	44,380,400	2.89
8	ZHUO JINGMING	30,880,900	2.01
9	UOB KAY HIAN PTE LTD	28,720,520	1.87
10	ZHANG YULONG OR XU YAN	26,524,000	1.73
11	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	22,472,880	1.46
12	TEO YI-DAR (ZHANG YIDA)	21,179,900	1.38
13	PHILLIP SECURITIES PTE LTD	19,587,900	1.28
14	NGOO LIN FONG	18,717,000	1.22
15	KGI SECURITIES (SINGAPORE) PTE. LTD	16,100,000	1.05
16	YEO CHUNG SUN	15,000,000	0.98
17	IFAST FINANCIAL PTE LTD	14,179,800	0.92
18	ANG KAY TIONG	10,300,000	0.67
19	ABN AMRO CLEARING BANK N.V.	10,086,400	0.66
20	MA XUYONG	9,739,900	0.63
		1,282,456,460	83.55

SHAREHOLDINGS **STATISTICS**

As at 14 March 2022

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Registrar of Substantial Shareholders as at 14 March 2022)

	No. of Shares		
	Direct Interests	**Deemed Interests**	**%**
Lin Yucheng	414,779,500	–	27.02
Pan Shuhong[1]	165,000,000	3,199,000	10.96

(1) Pan Shuhong is deemed to be interested in 3,199,000 Shares held through her nominee, OCBC Securities Private Limited.

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **Leader Environmental Technologies Limited** (the "Company") will be held by way of electronic means on Thursday, 28 April 2022 at 3.00 pm (Singapore time) to transact the following businesses:

ORDINARY BUSINESS:

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2021 together with the Auditors' reports thereon. **(Resolution 1)**

2. To re-elect Mr Lim Kuan Meng, who is retiring by rotation in accordance with Regulation 104 of the Company's Constitution, as Director of the Company. **[See Explanatory Note (i)]** **(Resolution 2)**

3. To re-elect Mr Ngoo Lin Fong, who is retiring by rotation in accordance with Regulation 114 of the Company's Constitution, as Director of the Company. **[See Explanatory Note (ii)]** **(Resolution 3)**

4. To note the retirement of Mr Lin Baiyin, who is retiring by rotation in accordance with Regulation 104 of the Company's Constitution, as Director of the Company. Mr Lin Baiyin does not wish to stand for re-election. **[See Explanatory Note (iii)]**

5. To approve the sum of S$225,000 (FY2021: S$180,000) as Directors' fees in respect of the Independent Non-Executive Directors and Non-Independent Non-Executive Director for the financial year ending 31 December 2022, and to pay the Director's fees in arrears on a quarterly basis over the financial year 2022. **(Resolution 4)**

6. To re-appoint Messrs Foo Kon Tan LLP as the external auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

SPECIAL BUSINESS:

To consider and, if thought fit, to pass with or without modification, the following resolutions as Ordinary Resolutions:

7. **Authority to allot and issue shares** **(Resolution 6)**

That pursuant to Section 161 of the Companies Act 1967 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

NOTICE OF **ANNUAL GENERAL MEETING**

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of Shares to be issued (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to the Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) subject to such manner of calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of issued Shares shall be based on the total number of issued Shares in the capital of the Company (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:

    (i) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

    (ii) any subsequent bonus issue or consolidation or subdivision of Shares;

(3) subject to such calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

    (a) new shares arising from the conversion or exercise of any convertible securities which were issued and are outstanding or subsisting at the time of the passing of this Resolution;

    (b) new shares arising from vesting of share awards which were issued and are outstanding or subsisting at the time of the passing of this Resolution; and

    (c) any subsequent bonus issue, consolidation or subdivision of shares; and, in sub-paragraph (1) above and this sub-paragraph (2), "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST;

NOTICE OF **ANNUAL GENERAL MEETING**

(4) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(5) unless revoked or varied by the Company in a general meeting, such authority as conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting ("**AGM**") of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (iv)]

8. To transact any other business that may be transacted at the AGM.

By Order of the Board

Lim Poh Yeow
Lai Foon Kuen
Joint Company Secretaries
Date: 11 April 2022

NOTICE OF **ANNUAL GENERAL MEETING**

EXPLANATORY NOTES:

(i) Mr Lim Kuan Meng, if re-elected, will remain as the Chairman of Audit Committee and a member of the Nominating Committee and Remuneration Committee respectively. The Board considers Mr Lim Kuan Meng to be independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. Mr Lim Kuan Meng has no relationship with the Company, its related corporations, its substantial shareholders or its officers. Detailed information of Mr Lim Kuan Meng can be found on pages 42 – 48 of the Annual Report.

(ii) Mr Ngoo Lin Fong, if re-elected, will remain as the Executive Director/Finance Director and a member of the Nominating Committee of the Company. Mr Ngoo Lin Fong was appointed as the Executive Director/Finance Director on 15 November 2021. Detailed information of Mr Ngoo Lin Fong can be found on pages 42 – 48 of the Annual Report.

(iii) Upon the retirement of Mr Lin Baiyin, he will relinquish his position as Non-Independent Non-Executive Director of the Company at the conclusion of the Annual General Meeting.

(iv) Resolution 6 in item 7, if passed, will empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding fifty per centrum (50%) of the total number of issued shares excluding treasury shares and subsidiary holdings in the capital of the Company, of which up to twenty per centrum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) may be issued other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares excluding treasury shares and subsidiary holdings in the capital of the Company at the time that Resolution 6 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 6 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

Notes:

1. In view of the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended from time to time) and the Company's efforts to minimize physical interactions and COVID-19 transmission risk to a minimum, the Annual General Meeting ("**Meeting" or "AGM**") of the Company will be held by way of electronic means and members of the Company will NOT be allowed to attend the AGM in person. Printed copies of this Notice will not be sent to members. Accordingly, this Notice will be sent to members by electronic means via publication on the Company's corporate website at the URL http://www.leaderet.com under "Annual Report 2021", and is also made available on the SGXNet at the URL https://www.sgx.com/securities/company-announcements.

2. Alternative arrangements

   The following are the alternative arrangements which have been put in place for the AGM:

   2.1 "Live" audio-visual webcast and "live" audio-only stream

   Shareholders and investors holding shares in the Company through relevant intermediaries (as defined in Section 181 of the Companies Act) ("Investors") (including CPF Investors and SRS Investors) will be able to (i) watch these proceedings through a "live" audio-visual webcast via their mobile phones, tablets or computers, or (ii) listen to these proceedings through a "live" audio-only stream.

   In order to do so, Shareholders and Investors must follow the following steps:

   (a) Those who wish to watch the "live" audio-visual webcast or listen to the "live" audio only stream must pre-register by 3.00 p.m. on 25 April 2022, by clicking on the following link and submitting the online registration form: https://conveneagm.sg/leaderagm2022.

   (b) They are required to complete and submit the online registration form for authentication purposes.

   (c) Upon authentication of their status, Shareholders and Investors will receive an email confirmation by 27 April 2022 and will be able to access the webcast and audio feed of the AGM proceedings using their login credentials created during pre-registration.

   (d) Those who do not receive an email by 3.00 p.m. on 27 April 2022, but who have registered by the registration deadline, should contact our Share Registrar, M&C Services Private Limited, for assistance at (65) 62280530 or gpb@mncsingapore.com.

   2.2 Prior submission of questions

   Shareholders may submit questions or matters related to the resolutions to table for approval at the AGM to the Chairman of the Meeting, in advance of the AGM by 3.00 p.m. on 20 April 2022 so that they may be addressed prior to or during the AGM proceedings in the following manner:

   (a) via the pre-registration website at the following link: https://conveneagm.sg/leaderagm2022; or

   (b) by email to the following email: queries@leaderet.com

NOTICE OF **ANNUAL GENERAL MEETING**

Shareholders who submit questions via email must provide the following information:

(i) the Shareholder's full name (as per NRIC/passport);

(ii) the Shareholder's correspondence address; and

(iii) the manner in which the Shareholder holds the shares in the Company (eg: CDP or SRS)

The Company will address all substantial and relevant questions submitted in advance of the AGM at least 48 hours prior to the closing date and time for the lodgement of proxy forms by way of an announcement released on SGX-NET by 22 April 2022.

The Company will publish the responses to the substantial and relevant questions on SGX website prior to the AGM. ("Responses to Q&A") The Company will endeavour to address any (i) subsequent clarifications sought (ii) follow-up questions or (iii) subsequent substantial and relevant questions which are received after its Responses to Q&A prior or at the AGM.

Shareholders will not be able to ask questions at the AGM "live" during the audio-visual webcast or audio-only stream. The Company will publish the minutes of the AGM on SGX website within one month after the date of the AGM and the minutes will include the responses to the substantial and relevant questions which are addressed during the AGM, if any.

2.3 Voting by proxy only

Shareholders and Investors will not be able to attend the AGM in person or vote online at the AGM. Shareholders (whether individual or corporate) must vote by proxy only and appoint only the Chairman of the Meeting to act as proxy and direct the vote at the AGM. A member (whether individual or corporate) appointing the Chairman of the Meeting as proxy must give specific instructions as to his/her/its manner of voting, or abstentions from voting, in the instrument appointing the Chairman of the Meeting ("Proxy Form"), failing which the appointment will be treated as invalid.

All Shareholders are encouraged to complete, sign and return the Proxy Form through any one of the following means:

(a) by sending a scanned pdf copy by email to gpb@mncsingapore.com or

(b) by post or by depositing a physical copy to the Company's Share Registrar, M&C Services Private Limited, at 112 Robinson Road #05-01, Singapore 068902

in each case, not later than 3.00 p.m. on 26 April 2022 (being 48 hours before the time fixed for the AGM) (or at any adjournment thereof), and failing which, the Proxy Form will not be treated as valid.

In view of the current Covid-19 situation and the related safe distancing measures which may make it difficult for members to submit completed Proxy Forms by post, members are strongly encouraged to submit completed Proxy Forms electronically via email.

CPF Investors and SRS Investors who wish to appoint the Chairman of the Meeting as their proxy should approach their respective agent banks or SRS Operator to submit their votes no later than 18 April 2022, being seven (7) working days before the date of the AGM. CPF Investors and SRS Investors should not directly appoint the Chairman as proxy to direct the vote. The Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them. If the member is a corporation, the instrument appointing the proxy must be given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.

3. The Chairman of the Meeting, as proxy, need not be a member of the Company.

4. In the case of Shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

5. The Company shall be entitled to, and will, treat any valid instrument appointing the Chairman of the Meeting which was delivered by a member to the Company before 3.00 p.m. on 26 April 2022 as a valid instrument appointing the Chairman of the Meeting as the member's proxy to attend, speak and vote at the Meeting if: (a) the member had indicated how he/she/it wished to vote for or vote against or abstain from voting on each resolution; and (b) the member has not withdrawn the appointment

6. If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

Personal data privacy:

By submitting an instrument appointing the Chairman of the Meeting to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of the appointment of Chairman of the Meeting as proxy appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Photographic, sound and/or video recordings of the Meeting may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the Meeting. Accordingly, the personal data of a member of the Company (such as his name) may be recorded by the Company for such purpose.

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

ANNUAL GENERAL MEETING
PROXY FORM

Important:
1. The Annual General Meeting ("AGM") will be held by way of electronic means pursuant to the COVID-19) (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. Alternative arrangements relating to attendance at the AGM by way of electronic means (including arrangements by which the meeting can be electronically accessed via live audio visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the Notice of AGM dated 11 April 2022 which has been uploaded on SGXNET on the same day.
3. A member will not be able to attend the AGM in person. For investors who have used their CPF monies to buy the Shares, this report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
4. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________________ (Name with NRIC/Passport No/Registration No)

of ______________________________ (Address)
being a member/members of Leader Environmental Technologies Limited (the "Company") hereby appoint the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company ("AGM"), to be held by electronic means on Thursday, 28 April 2022 at 3.00 p.m. and at any adjournment thereof.

		Number of Votes		
No.	**Resolutions relating to:**	**For***	**Against***	**Abstain***
1	Adoption of the Directors' Statement and audited Financial Statements for the financial year ended 31 December 2021 together with the Auditors' report thereon.			
2	Re-election of Mr Lim Kuan Meng as a Director of the Company.			
3	Re-election of Mr Ngoo Lin Fong as a Director of the Company.			
4	Approval of proposed Directors' fees in respect of the Independent Non-Executive Directors and Non-Independent Non-Executive Director of S$225,000/- for the financial year ending 31 December 2022, and the payment thereof on a quarterly basis in arrears.			
5	Re-appointment of Messrs Foo Kon Tan LLP as external auditors of the Company.			
6	Authority for Directors to allot and issue shares pursuant to Section 161 of the Companies Act, 1967.			

* *If you wish to appoint the Chairman of the Meeting as your proxy to exercise all your votes, please indicate your vote "For" or "Against" or "Abstain" with a "√" within the boxes provided. Alternatively, if you wish to exercise some and not all of your votes "For" and Against" the resolution and/or to abstain from voting in respect of the resolutions, please indicate the number of votes "For", the number of votes "Against" and/or the number 'Abstain" in the boxes provided for the resolutions.*

Dated this __________ day of ____________________ 2022

TOTAL NUMBER OF SHARES IN:	
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Shareholder(s) or
Common Seal of Corporate Shareholder

Notes

1. Please insert the total number of Shares you hold. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the register of Shareholders of our Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the register of Shareholders, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the register of Shareholders. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares in the capital of the Company held by you.

2. In view of the Company's efforts to minimize physical interactions and COVID-19 transmission risk to a minimum, a member of the Company will not be able to attend the AGM in person. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in this Proxy Form, failing which the appointment will be treated as invalid. The proxy form may be accessed on the SGX website.

3. The Chairman of the Meeting, as proxy, need not be a member of the Company.

4. This instrument appointing the Chairman of the Meeting as proxy must:

   (a) if sent personally or by post, be lodged at the office of the Company's Share Registrar, M&C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902; or

   (b) if submitted by email, be received by the Company's Share Registrar, M&C Services Private Limited at gpb@mncsingapore.com,

   in either case, by 3.00 p.m. on 26 April 2022 (being not less than 48 hours before the time appointed for holding the AGM) (or at any adjournment thereof) and in default the instrument of proxy shall not be treated as valid.

   A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. **In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members of the Company to submit completed proxy forms by post, members of the Company are strongly encouraged to submit completed proxy forms electronically via email.**

5. For any member who acts as an intermediary pursuant to Section 181(6) of the Companies Act, Cap. 50, who is either:

   (a) a banking corporation licensed under the Banking Act 1970 or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   (b) a capital markets services licence holder which provides custodial services for securities and holds shares in that capacity; and

   (c) Central Provident Fund ("CPF") Board established by the Central Provident Fund Act 1953, in respect of shares purchased on behalf of CPF investors.

   Investors whose shares are held with relevant intermediaries including CPF and SRS investors, who wish to appoint the Chairman of the Meeting as proxy, should approach their respective intermediaries such as CPF Agent Banks or SRS Operators to submit their votes at least 7 working days before the date of the AGM. CPF and SRS investors should not directly appoint the Chairman as proxy to direct the vote.

6. The instrument appointing the Chairman of the Meeting must be under the hand of the appointor or of his attorney duly authorised in writing or where it is executed by a corporation, it must be executed either under its common seal, executed as a deed in accordance with the Companies Act or under the hand of an officer or attorney duly authorised. Where the instrument appointing the Chairman of the Meeting is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof shall if required by law, be duly stamped must be lodged with the instrument at the registered office of the Company at 38 Beach Road #29-11 South Beach Tower, Singapore 189767.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act 1967.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

By submitting an instrument appointing a proxy/(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2022.

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Leader Environmental Technologies Limited

(Company Registration No.: 200611799H)

SINGAPORE OFFICE

41 Science Park Road #04-11

The Gemini, Singapore 117610

CHINA OFFICES

No. 6 Guang Yuan Dong Road Bo Hui Street

Block E Unit 608, Tian He District, Guangzhou, China

No. 3 Youyi North Road, Blk 2-2 Youcheng Famous Palace

Hexi District, Tianjin, China