LEADER ENVIRONMENTAL TECHNOLOGIES LIMITED

COMMITTED TO SUSTAINABLE GROWTH

ANNUAL REPORT 2023

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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)
Executive Director

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

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

Dr Ng Wun Jern (伍文桢博士)
Independent Non-Executive Director

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

AUDIT COMMITTEE

Lim Kuan Meng *(Chairman)*
Mak Yen-Chen Andrew
Lee Suan Hiang
Dr Ng Wun Jern (Appointed on 26 February 2024)

NOMINATING COMMITTEE

Lee Suan Hiang *(Chairman)*
Lim Kuan Meng
Ngoo Lin Fong
Dr Ng Wun Jern (Appointed on 26 February 2024)

REMUNERATION COMMITTEE

Mak Yen-Chen Andrew *(Chairman)*
Lim Kuan Meng
Lee Suan Hiang
Dr Ng Wun Jern (Appointed on 26 February 2024)

PRINCIPAL PLACE OF BUSINESS AND CONTACT NUMBERS

41 Science Park Road #04-11
The Gemini Singapore 117610
Telephone: (65) 6950 7700

JOINT COMPANY SECRETARIES

Dominic Tan Wei Yao, CA, CPA (Aust.)
Lai Foon Kuen

REGISTERED OFFICE

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

SHARE REGISTRAR

Tricor Barbinder Share Registration Services
9 Raffles Place #26-01
Republic Plaza I
Singapore 048619

AUDITORS

Foo Kon Tan LLP
Public Accountants and Chartered Accountants
1 Raffles Place, #04-61 One Raffles Place
Tower 2, Singapore 048616
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
China Minsheng Bank
Development Bank of Singapore Limited
United Overseas Bank Limited
RHB Bank Berhad

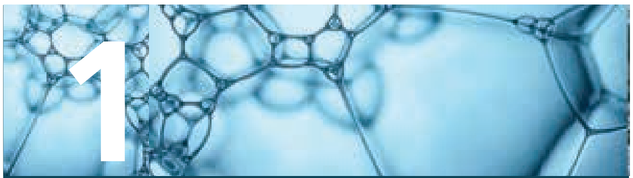
CORPORATE **PROFILE**

Leader focuses on 4 key business segments namely, AIWater management system, municipal/oily sludge treatment, high performance membrane manufacturing and greentech investments.

Leader is a high-tech environmental technology provider with strong competitive edge and offering a full spectrum of services including technical consulting, system integration, equipment and product supply, project investment and facility operation and maintenance.

Leader capitalizes on the technical expertise of our team and our technological assets to develop innovative concepts and advanced high-tech systems. We focus on integrating customers' requirements with our systems and delivering excellent service for all our customers.

OUR BUSINESS FOCUS



AIWater Management System

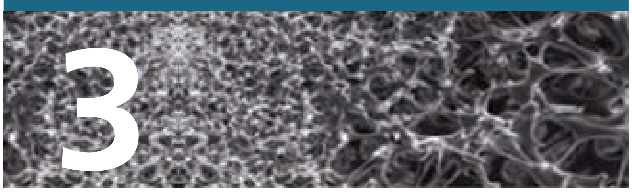
- Integrated artificial intelligence (AI) technology and modeling for wastewater process data prediction and risk management
- Integrated concentration gradient theory, cross section control theory and intelligent expert system for wastewater process optimization, energy and chemical cost savings

Municipal/Oily Sludge Treatment

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

High Performance Membrane

- Manufacturing of high-performance NanoTi-PVDF membrane products, mainly for water treatment to generate "clean" water for reuse
- High strength, high flux, anti-fouling and superior chemical tolerance membranes



Greentech Investments

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

CORPORATE PROFILE

AIWATER MANAGEMENT SYSTEM

Leveraging on vast experience and industry expertise of the technical and operation team in Wastewater Treatment Plant ("WWTP") operations, AIWater integrated **Concentration Gradient Concept, Machine Learning Model, Digital Twin with AI** and **Big Data** to develop the following proprietary solutions for WWTP management.

1

AI Sensing:
- High precision analysis of COD/TP/TN
- Single-step installation

2

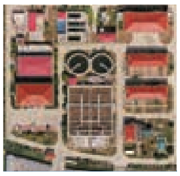
AI Prediction:
- Big Data driven, LSTM model
- Mechanism, ML, Self-learning triple core

3

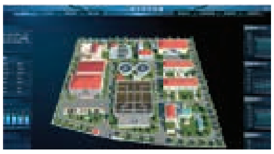
AI Control:
- Optimal Control by MPC System
- Compliant, Stable, Cost-effective Optimization

4

AI Equipment:
- Multi-source fusion analysis
- Abnormal, failure predictive maintenance



Physical Plant



Digital Twin

AI & Big Data

SLUDGE TREATMENT

➢ Currently only a fraction of the sludge are adequately treated
➢ Major portion of inadequately treated waste sludge is often then landfilled

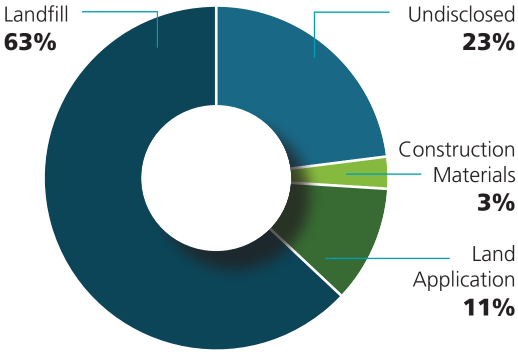
Number of Wastewater Treatment Plants (2019):
5240

Wastewater Treatment Capacity:
228 million m³/d

Annual Sludge Produced:
>60 million tons

Forecasted Sludge Production by 2025
90 million tons

SLUDGE DISPOSAL METHOD

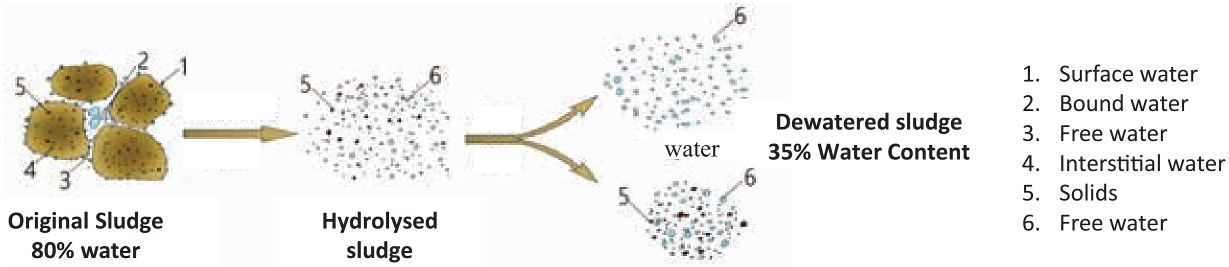


MORE THAN 5200 WASTEWATER TREATMENT PLANTS IN CHINA

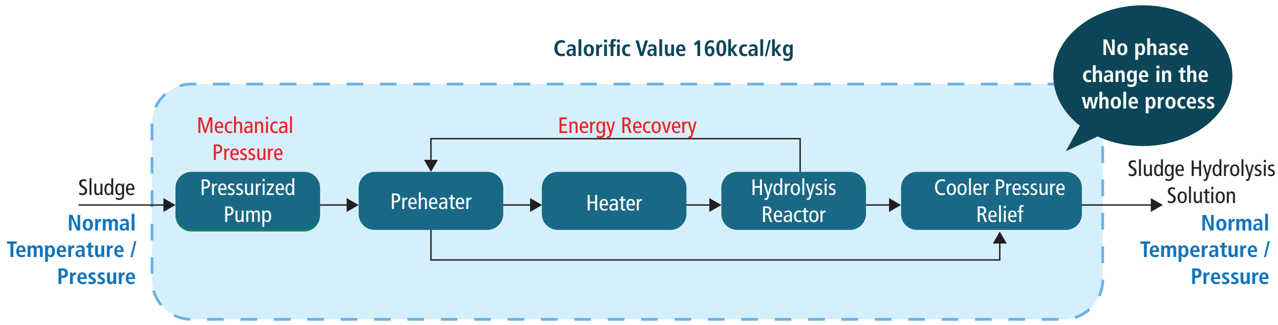
140 Sludge Treatment Projects
34 Heat Drying & Incineration Treatment Projects
23 Anaerobic Digestion Projects

CORPORATE **PROFILE**

OUR PROPRIETARY TECHNOLOGY – CONTINUOUS THERMAL HYDROLYSIS



Conventional activated sludge process treats wastewater and generates excess sludge which contains large numbers of microbial cells. Extracellular polymeric substances (EPS) binding the cells in flocs results in interstitial water. This coupled with cellular water makes it difficult to dewater sludge by mechanical methods without chemicals. LET's CTH process disrupts the sludge and cellular structures at 220-240oC and 3-5MPa and so releasing both waters. Sludge can then be dewatered to about 35% moisture without use of chemicals.



The **CTH process** begins and ends at room temperature and operates continuously for 24 hours. Sludge undergoes pressurization, heating and cooling. During this process, cells in the sludge are completely hydrolyzed, and properties changed fundamentally. Viscosity of the EPS is substantially reduced, resulting in a liquid with good flow characteristics and due to the pressure, water stays in a liquid state throughout the process, no phase change occurs and latent heat of vaporization is not consumed. The CTH and dehydration process requires **zero chemical addition at low energy consumption**.

OILY SLUDGE TREATMENT

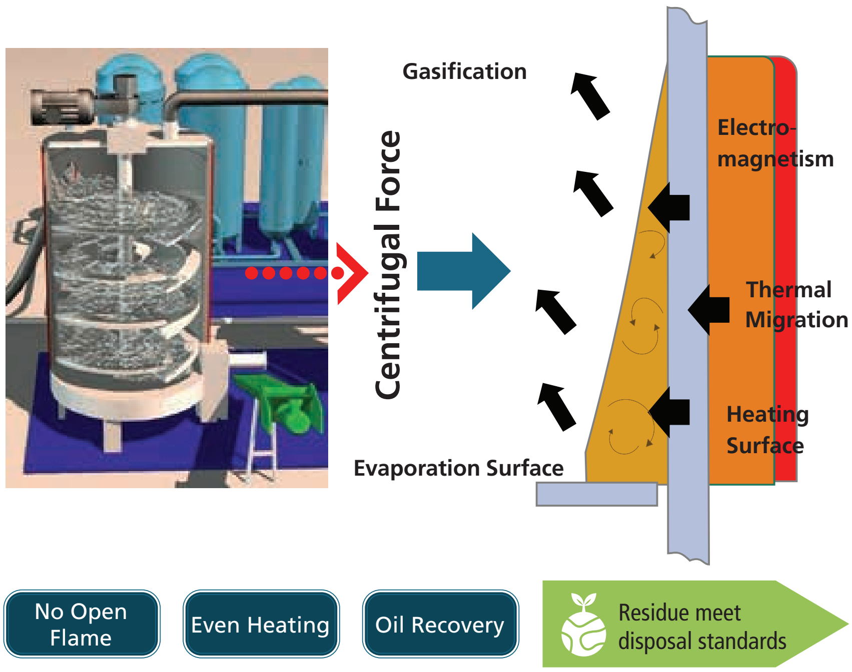
Thermal desorption technology refers to heating oily sludge under oxygen free conditions to a predetermined temperature, separating volatile hydrocarbons from other organic matter, and condensing the resulting gases into liquid hydrocarbons for recycling. The remaining solid residue is heated to a higher temperature to ensure that its oil content is less than 0.3%, and heavy metal components in the sludge are stabilised in the residue. Since the thermal desorption reaction occurs under oxygen free condition, no toxic or harmful substances such as dioxins are emitted.

Current mainstream thermal desorption technology uses fuel heating method, which is suitable for treatment stations for onshore oil and gas. However, this method requires a large equipment footprint, and the smoke from the open flame heating and combustion needs to be properly treated, which poses significant environmental and safety risks. Therefore, it is not suitable for use on offshore oil platforms, floating production and storage vessels.

In order to fully address the challenge of treatment and disposal of oily sludge during offshore oil exploration and development, Leader has independently developed an **Electromagnetic Induction Thermal** desorption device for oily sludge. This device has the significant advantages of being flexible in operation and scale, efficient, safe, and thorough, making it suitable for the treatment and disposal of oily sludge on offshore oil platforms and floating production and storage vessels. It provides a solution for **mass reduction, detoxification and disposal** of oily sludge from offshore oil facilities.

CORPORATE **PROFILE**

PRINCIPLE OF ELECTROMAGNETIC INDUCTION PYROLYSIS TECHNOLOGY



1. Oily sludge contacts with the heating surface of the vessel by centrifugal force
2. Oily sludge with <u>high liquid content</u> contacts with the heating surface first
3. Heat exchange efficiency is improved through rapid rotation and mixing by the blades
4. Intelligent Variable Frequency Control is used to accurately manipulate process conditions
5. Oxygen barrier analysis and desorption
6. There are almost <u>no</u> exhaust gases and pollutant emissions

HIGH PERFORMANCE MEMBRANE

NTi
NanoTi-PVDF Membrane

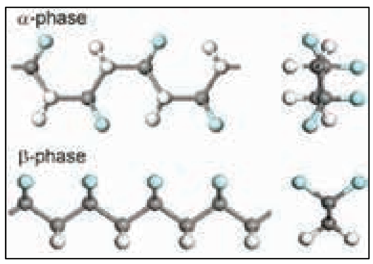
Organic Polymer – PVDF

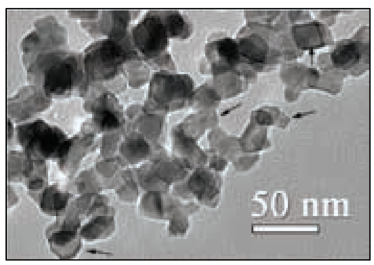
- Heat Resistance
- Chemical Stability
- Radiation Resistance
- Great Mechanical Property

NanoTi Crystal

- Permanent Hydrophilicity
- Anti-Oxidation
- Chemical Stability
- Catalyst of Free Radical Reaction

NanoTi-PVDF membrane obtains both the advantages of polymeric material PVDF and nano titanium crystal. NTi introduces titanium crystals on the membranes surfaces to obtain the excellent properties both from organic polymers and nano titanium crystals. The permanent hydrophilicity introduced by NanoTi crystals is the breakthrough for the bottleneck of the industry which is membrane performance decrease due to fouling.



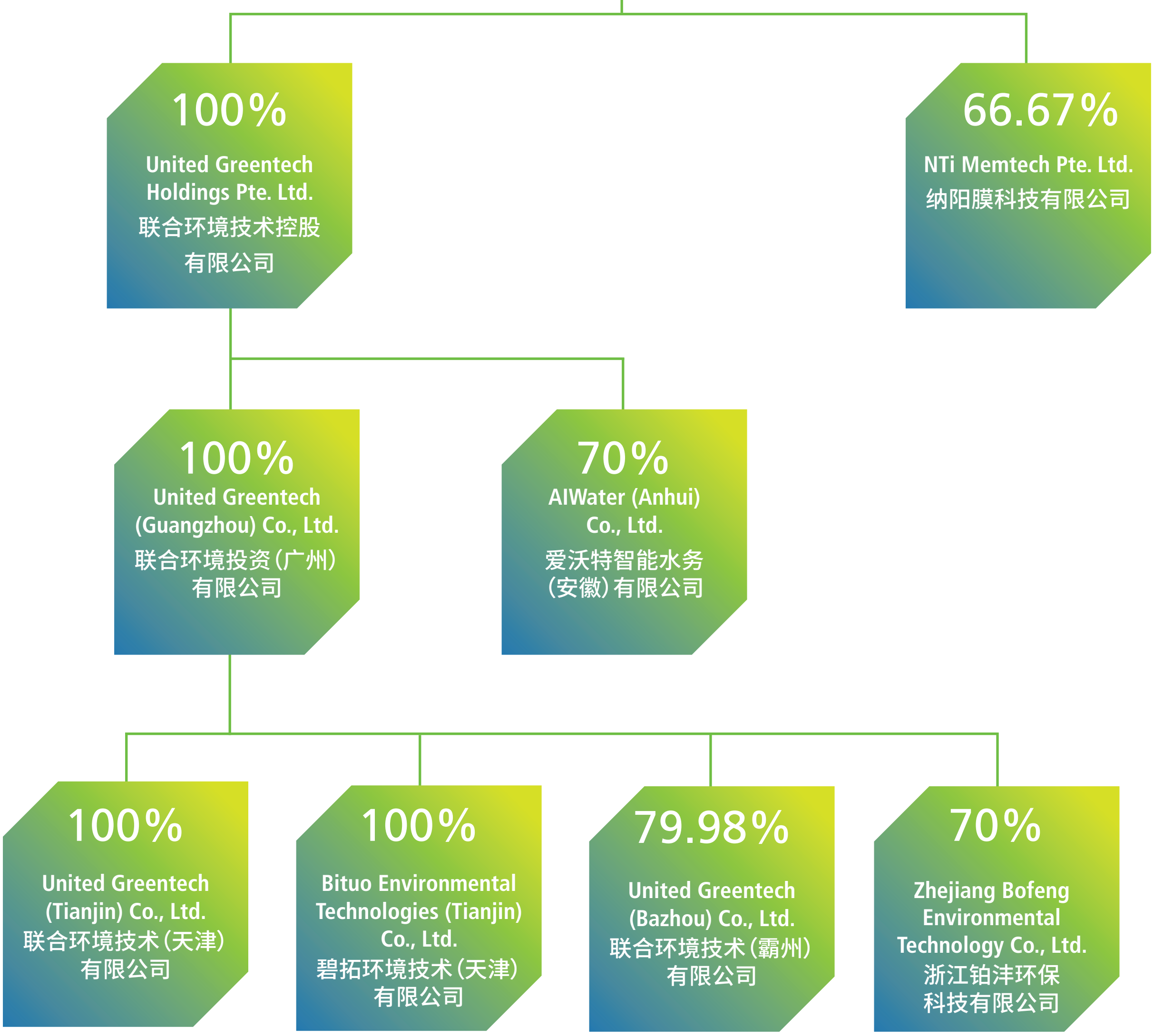


PROPRIETARY **TECHNOLOGIES**

Our focus on research and development activities to develop, improve and enhance competencies provides the foundation for sustainable growth.

GROUP STRUCTURE

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



CHAIRMAN'S STATEMENT

DR LIN YUCHENG
Executive Chairman

CHAIRMAN'S STATEMENT

2023 was a year marked by the Group's strategic push towards strengthening its foothold in the market with Leader's proprietary Artificial Intelligence Water ("AIWater") technology, along with focus on municipal and oily sludge treatment.

We entered 2023 contending with China's weak economic recovery as it emerges from the impact of its stringent COVID-19 restrictions, which had caused our Group's business activities to be sluggish. Nonetheless, we had worked on streamlining the Group's business activities, and ended the year with good progress and laying the basis for a strong 2024. We had focused on developing our team and enhancing its expertise to ensure consistently high level of support for our customers' operations can be delivered.

AIWATER

The Group has developed its AIWater technology by integrating artificial intelligence ("AI") with digital twin technology to achieve AI sensing, prediction, and control of equipment for management of wastewater treatment plants ("WWTPs"). Our AIWater system optimizes WWTP operations to achieve lower carbon and more cost-effective operation while maintaining process stability and legal compliance of the discharge. The Group has successfully deployed AIWater at 8 plants in China, and achieved documented reductions in electricity and chemicals consumption, and overall operating costs coupled with lower carbon emissions.

Our transformation into a technology-driven company is further evidenced 15 AIWater projects secured in China to treat 1.5 million ton/day of municipal and industrial wastewater. A majority of these projects were secured under the model of Environment Resource Management Contracts ("ERMCs") for tenures ranging from 6 to 10 years during which the Group will earn a share of the cost savings arising following implementation of AIWater at the existing WWTPs. These ERMCs will provide the Group with long-term recurring incomes with minimal capital investments.

China generates more than 220 million tons of municipal wastewater and 60 million tons of industrial wastewater daily. We believe that our AIWater is unique and a leading technology to effectively improve the performance and cost-effectiveness of existing wastewater treatment plants without much additional capital investment, and has potential in China's quest to reduce its carbon footprint.

MUNICIPAL SLUDGE TREATMENT

In the area of municipal sludge treatment, the Group's proprietary Continuous Thermal Hydrolysis ("CTH") and pyrolysis technologies can reduce investment and operating costs substantially by up to 70% while reducing carbon emissions by approximately 50% as compared with traditional sludge drying technology followed by landfilling or incineration. The Group is actively marketing and deploying its CTH and pyrolysis technologies and has secured a project with contract value of RMB22.5 million in Taiwan to design and supply equipment to treat 80 ton/day of sludge. There are currently more than 4,500 municipal sewage treatment plants in China generating more than 60 million tons of sludge annually. We believe that our CTH and pyrolysis technologies could provide cost-effective solutions to address the sludge issue in China.

The Company, partnered with Nanyang Technological University ("NTU") and was awarded a grant of S$3.9 million to conduct a demonstration project of the Company's CTH and pyrolysis technologies for sludge treatment at the Changi wastewater treatment facility. The Company, with this project, is preparing itself to address the Singapore and ASEAN markets.

OILY SLUDGE TREATMENT

In 2023, we added oily sludge treatment to our technology and equipment offerings. Conventional treatment of oily sludge uses the heating process (with fuel consumption) for onshore oil and gas facilities. This, occupies large area and poses fire safety concerns, making it unsuitable for offshore oil platforms and floating production storage and offloading ("FPSO") vessels. Leader addresses the challenging operating environment with our Electromagnetic

CHAIRMAN'S STATEMENT

Induction Pyrolysis ("EIP") technology and equipment for treatment of oily drill cuttings arising from drilling operations at offshore oil platforms. We believe this breakthrough technology and equipment is an advanced and safer approach for treatment of offshore oily drill cuttings which replaces the current practice of transporting the cuttings back to land for onshore treatment. Our technology not only offers more effective processing, but also effectively avoids the environmental and technical risks associated with moving pollutants off-site for treatment. We believe our EIP technology will have potential to be deployed at oilfields in China, Southeast Asia, the Middle East, and the North Sea for oily sludge treatment on offshore drilling platforms.

HIGH PERFORMANCE MEMBRANE PRODUCTS

The Group has positioned itself at the forefront of membrane manufacturing and application with introduction of its Ti Membrane. This was developed with membrane fabrication which successfully integrated Ti nano crystals onto the polymer and so providing superior fouling and water treatment performance control. The Group's membrane production line is ready to take orders from customers for the enhanced membrane.

In July 2023, the Group had completed the issuance of the USD15 million convertible bonds ("CB"). With these cash proceeds, the Group can grow its AIWater, sludge and membrane business segments.

PROGRESSING ONWARDS

Technology continues to be our driving and defining force for sustainable growth of our business. We see great market potential for our AIWater, CTH municipal sludge treatment, and EIP oily sludge treatment technologies. With this committed focus on investing and developing decarbonization and green technologies, Leader will continue its transformation into a green technology driven and asset-light business model as compared with the traditional capital-intensive investment in projects mode.

With the concerted effort of our team in seeking new heights in our quest to bring greatest value to our stakeholders, we seek to deliver exceptional value in all that we undertake, beyond conventional boundaries.

APPRECIATION

All that we have achieved in 2023 were made possible by the commitment and dedication of our people. I would like to take this opportunity to express my gratitude for the continued support and trust from our shareholders, customers, management team and employees.

On behalf of the Board, I would also like to express my heartfelt appreciation to Independent Non-Executive Director, Mr Mak Yen-Chen Andrew. He will retire on 29 April 2024 after serving more than 13 years with the Company. We would like to express our appreciation for his invaluable contributions and I wish him all the best in his future endeavours.

At the same time, I am pleased to welcome Emeritus Professor Ng Wun Jern as the new Independent Non-Executive Director appointed to the Board. The Group can tap on his valuable experience as we work towards our strategic goals.

In 2024 we look to realise the results of the groundwork done in 2023 and will continue our work to provide innovative solutions that will bring value to the industry while meeting environmental conservation goals.

Dr Lin Yucheng
Executive Chairman

BALANCING GROWTH WITH **STABILITY**

Through building competencies in technologies and our people, coupled with deep understanding of the industry needs.

OPERATIONS & FINANCIAL REVIEW

REVENUE

In FY2023, the decrease in the revenue of RMB22.9 million or 41.0% was mainly attributed to the (i) lower engineering revenue of RMB26.9 million mainly arising from lower revenue recognised in respect of the sludge treatment project in Bazhou as compared to FY2022, partly offset by higher treatment income, recognised from operation, maintenance and technical services rendered through our Artificial Intelligence Water Management projects, of RMB4.0 million.

PROFITABILITY

Cost of sales constituted 68.3% and 73.0% of its revenue in FY2022 and FY2023 respectively. Cost of sales decreased by RMB14.1 million or 36.9% which was in line with the decrease in revenue.

In view of the above, overall gross profit decreased by RMB8.8 million or 49.7%, and gross profit margin decreased from 31.7% in FY2022 to 27.0% in FY2023. The reduced gross profit margin was mainly due to lower project margin earned in first half of FY2023.

OPERATING INCOME AND OPERATING EXPENSES

Finance income increased from RMB0.5 million in FY2022 to RMB1.6 million in FY2023. The increase was mainly due to higher interest earned from the Group's cash held in fixed deposits in a Singapore bank.

Other income decreased by RMB3.4 million in FY2023, from RMB4.6 million in FY2022 to RMB1.2 million in FY2023 mainly due to lower government grants & support received in FY2023 after the COVID-19 pandemic.

Fair value gain on convertible bonds arose due to the revaluation of the embedded derivative of the convertible bond amounting to RMB22.0 million.

The increase in selling and distribution expenses by RMB0.6 million, from RMB1.0 million in FY2022 to RMB1.6 million in FY2023 was mainly due to increase in marketing related costs to drive marketing efforts to secure future projects.

Administrative expenses increased by RMB14.9 million in FY2023, from RMB37.1 million in FY2022 to RMB52.0 million in FY2023. The increase was due mainly to increased payroll and related costs arising from additional headcount to expand the engineering and treatment segments of the Group. In addition, there were higher professional fees incurred of RMB0.8 million arising from the issuance of convertible bonds ("CB") and higher research and development expenses of RMB3.9 million.

Finance costs increased by RMB7.6 million in FY2023 due to higher interest expense arising from the issuance of convertible bonds. While the convertible bonds bear zero-coupon interest, the Group imputed interest rates to fair value the liability component of the convertible bonds under SFRS(I) 9.

Impairment on financial assets and contract assets increased by RMB15.0 million in FY2023, from RMB1.6 million in FY2022 to RMB16.6 million in FY2023. The increase in impairment loss for FY2023 was mainly due to revised assumptions applied in the Group's 12-month expected credit loss model to reflect the increase in credit risk arising from the Group's contract assets from the Bazhou project. In FY2022, the Group recorded an impairment of RMB1.6 million of which no impairment losses was recognised for the Bazhou project as the Public-Private-Partnership was still on-going in prior year.

Impairment loss on property, plant and equipment increased by RMB6.5 million mainly due to write downs made to leasehold building, machineries and equipment in the membrane business segment.

Share of results of associated company decreased by RMB1.3 million in FY2023, from a gain of RMB0.5 million in FY2022 to a loss of RMB0.8 million in FY2023. This arose due to the associated company expensing off certain contract assets as the joint venture with the local government did not go as planned. The associated company was subsequently dissolved in November 2023.

Income tax expense decreased by RMB1.5 million from RMB1.8 million in FY2022 to RMB0.3 million in FY2023. This is due to lower chargeable income in FY2023 as the Group of subsidiaries are mostly loss-making in FY2023 as compared to a higher chargeable income in FY2022 from results registered by three PRC subsidiaries.

OPERATIONS & FINANCIAL REVIEW

The effective tax rate was less than its statutory rate of 25% due mainly to certain tax exemptions on income, unabsorbed losses utilized and operating losses from other subsidiaries of the Group.

In view of above, the Group reported a loss after taxation for the financial year ended 31 December 2023 of RMB53.0 million as compared to a loss after taxation of RMB19.3 million in FY2022.

FINANCIAL POSITION

Total Group assets as at 31 December 2023 increased by RMB42.4 million, from RMB212.0 million in FY2022 to RMB254.4 million in FY2023 due to higher non-current assets of RMB0.6 million and higher current assets of RMB41.8 million respectively.

The increase in non-current assets was due to (i) the capitalisation of construction in progress cost arising from a sludge treatment plant of RMB16.0 million; (ii) additions in fixed assets, net of disposals, of RMB2.6 million offset by (iii) impairment of certain fixed assets and routine depreciation of RMB14.4 million; (iv) additions in intangibles of RMB0.4 million from capitalised software development costs, net of amortisation of RMB0.2 million; (v) currency translation differences of RMB2.3m, (vi) derecognition of right-of-use assets of RMB0.3 million and (vii) dissolution of investment in an associated company of RMB5.8 million as the joint venture entered into by United Greentech (Yishui) Co., Ltd did not proceed as planned.

The increase in currents assets of RMB41.8 million was due to higher (i) bank balances, deposits and cash for working capital of RMB49.6 million from convertible bonds proceeds, (ii) higher inventory balances of RMB0.8 million arising from materials procured for membrane segment business, (iii) trade receivables, VAT & other tax receivables of RMB9.8 million in line with increase in business activities in second half of FY2023.

This increase was partially offset by a decrease in (i) security deposits of RMB8.0 million which was reclassified to net off against trade receivables invoiced to a customer upon delivery of the project (ii) contract assets of RMB4.4 million due to reclassification to trade receivables upon customer acceptance (iii) advances to trade and non-trade suppliers, prepayments and other receivables RMB6.0 million in aggregate. Subsequent to year end, the Group had invoiced and collected cash receipts of RMB11.0 million from the Shijiazhuang project.

Total liabilities increased by RMB88.6 million, from RMB73.1 million in FY2022 to RMB161.7 million in FY2023. Non-current liabilities increased by RMB85.8 million due to an increase in convertible bond of RMB88.8 million and increase in provision for restoration cost & other liabilities of RMB0.3 million partially offset by lower (i) leases of RMB1.6 million which was in line with the decrease in ROU assets; (ii) net repayment of term loan of RMB1.7 million.

Current liabilities increased by RMB2.8 million, from RMB47.1 million in FY2022 to RMB49.9 million in FY2023 due to increase in (i) other liabilities of RMB1.3 million mainly due to increase in accrued capital expenditure arising from the sludge treatment under construction, (ii) bank borrowings of RMB1.4 million due to a new loan secured by a PRC subsidiary, (iii) trade and other payables of RMB0.2 million in line with increase in business activities in 2HY2023; (iv) lower lease liabilities of RMB0.5 million; and (v) higher income tax payable of RMB0.3 million arising from current year tax provision.

Total equity decreased by RMB46.1 million due to total comprehensive loss of RMB40.9 million during the financial year and decrease in non-controlling interests of RMB3.4 million as a result of capital contributions made, net of its share of total comprehensive loss of RMB10.6 million. This decrease was partly offset by the increase in the recognition of share-based payment on the employee stock options of RMB2.0 million.

CASH FLOW POSITION

Net cash used in operating activities was RMB50.8 million as compared with RMB33.7 million in the same period last year mainly due to higher working capital requirements.

Net cash used in investing activities was RMB4.4 million due to acquisitions of property, plant and equipment and intangible assets amounting to RMB10.5 million and RMB0.1 million respectively and cash outflow arising from disposal of a subsidiary of RMB0.2 million. The decrease was partly offset by interest income of RMB1.4 million and proceeds of dissolution of an associate of RMB5.0 million.

Net cash generated from financing activities was RMB103.8 million due to proceeds from issuance of convertible bonds of RMB105.8 million, capital contributions from non-controlling shareholders of RMB3.9 million and proceeds from bank borrowings of RMB9.5 million, partly offset by an increase in bank deposits pledged of RMB1.0 million, repayments of bank borrowings of RMB10.9 million, repayments of lease liabilities of RMB1.8 million and interest paid of RMB1.7 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.

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 of CITIC Envirotech Ltd (CEL, formerly known as United Envirotech Ltd) and prior to that, he was the Audit Manager at Deloitte & Touche LLP.

He has more than 26 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

LIM KUAN MENG

Lead Independent Non-Executive Director

Mr Lim is currently the Managing Partner of Pinnacle Partnership LLP and JB Chua & Co. Running 2 practices with a staff strength of 15 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 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.

Currently he is also an independent non-executive director of Triyards Holdings Ltd (in process of liquidation), serving in the post of Chairman of Audit Committee and an independent non-executive director of NauticAWT Limited serving in the post of Chairman of Remuneration Committee. Mr Lim holds a Bachelor of Accountancy (Merit) from the Nanyang Technological University and is a member of the Institute of Singapore Chartered Accountants.

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.

BOARD OF DIRECTORS

DR NG WUN JERN

Independent Non-Executive Director

Dr Ng Wun Jern was trained in Civil Engineering, Water Resources Engineering, Chemistry, and Biotreatment Processes. He is an Institute of Engineers fellow, chartered engineer, and registered professional engineer. Dr Ng was Dean of Engineering at the National University of Singapore and Nanyang Technological University, and Nanyang Environment & Water Research Institute (NEWRI) founding director.

Dr Ng's R&D and applications in wastewater treatment, sludge management, and energy recovery resulted in 600 publications including trade secrets and patents and 130 wastewater treatment facilities. Aside from spinoff companies, Dr Ng served as Chairman of a major consulting firm and as scientific advisor to multi-national, venture capital, PE funds, accelerator companies, Ministry of Sustainability & Environment, and the Singapore Government.

Dr Ng had been named among the top 25 environmental engineering thought leaders and top 2% research scientists worldwide. He had received the ASEAN Engineering, Outstanding University Researcher, and Chevalier dans l'Ordre des Palmes Academiques Awards before 2000, appointed Tan Chin Tuan Centennial Professor in 2008, and elected to Fellow Singapore Academy of Engineering in 2012. In 2017, he received the IES Prestigious Engineering, Singapore Energy, ASEAN Engineering Excellence, and President's Technology Awards. In 2018, he was among the top 100 scientists in Asia and received the Nanyang Award – Humanitarian Work. He was appointed President's Chair Professor in Civil & Environmental Engineering at NTU in 2019, Distinguished Professor at Universiti Kebangsaan Malaysia in 2020 and conferred Emeritus Professor at NTU in 2022.

MAK YEN-CHEN ANDREW

Independent Non-Executive Director

Mr Andrew Mak is a practising lawyer with more than 28 years of experience in legal practice. He is currently a consultant with Fortis Law Corporation. 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. He is also familiar with corporate governance. Outside of Singapore, he also consults for Chien Yeh Co., Ltd. (the Bangkok office of Taiwanese law practice Chien Yeh Law Offices) as a foreign consulting attorney.

He is an independent director of Far East Group Limited and H2G Green Limited (both companies 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. He is a Senior Accredited Director, accredited by the Singapore Institute of Directors.

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).

KEY MANAGEMENT TEAM

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 31 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 JERRY LIU JIANLIN

Deputy CEO

Dr Jerry Liu is responsible for technology innovation, research & development, product deployment and technical services, as well as operation and company management.

Dr Liu majored in environmental engineering, obtaining Ph.D. from Nanyang Technological University, Singapore. He has over 30 years of work experience and profession in the water and environmental industry where he assumed various technical and leadership roles with large international company and state-owned company in manufacturing, asset management, engineering project and technology development.

Dr Liu has been granted more than 20 patents and received several awards for his outstanding contributions in technology development. He has published many papers in renowned literature journals and delivered speeches at international conferences such as IWA, IDA and SIWW.

KEY MANAGEMENT TEAM

MR OLIVER WU

Deputy CEO

Mr Oliver Wu spearheads the planning and management of the Group's business development and operations to optimize market share and profitability.

Mr Wu has more than 30 years of experience in the environmental industry. In his previous roles, he led a consortium for project bidding and business development in international markets including South America, Middle East and North America and has also directed the JV, M&A and strategic alliances with leading MNCS from USA, Canada and Korea, etc.

Mr Wu was an Assistant Professor and Consultant at the Environmental Engineering Institute of Zhejiang University, China for 11 years upon graduating with Masters and Bachelor of Chemical Engineering from Zhejiang University. He also holds an EMBA from Tsinghua University, China.

MR DOMINIC TAN

Group Financial Controller

Mr Dominic Tan oversees the functions of group finance, financial reporting and internal controls matters for the Group.

Mr Tan has more than 11 years of financial reporting & accounting experience and was previously with Deloitte & Touche LLP as a Senior Audit Manager. Prior to joining the Group, he was the Financial Controller of Wearnes Automotive Singapore overseeing the full spectrum of retail finance operations.

Mr Tan holds a Bachelor degree in Commerce (Accounting and Finance) from the University of Western Australia. He is a member of the Institute of Singapore Chartered Accountants and CPA Australia.

KEY
MANAGEMENT TEAM

DR YAN HUAIGUO

CTO

As the Chief Technology Officer (CTO), 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 Ph.D. in Environmental Engineering from Tianjin University, China and previously worked at North China Municipal Engineering Design and Research Institute and CITIC Envirotech Ltd.

DR HUANG WEIWEI

Chief Scientist

Dr Huang Wei Wei is responsible for the Research & Development (R&D) in Artificial Intelligence (AI) technology for water and energy management.

Dr Huang has more than 15 years of experience in R&D in AI and robotics. His research experience includes decision-making for autonomous vehicle and machine learning for energy optimization. He was the winner of A*STAR (Agency for Science, Technology and Research Singapore) Borderless Award in 2015. He is the Principal Investigator of the 2030 National Key R&D Program of China.

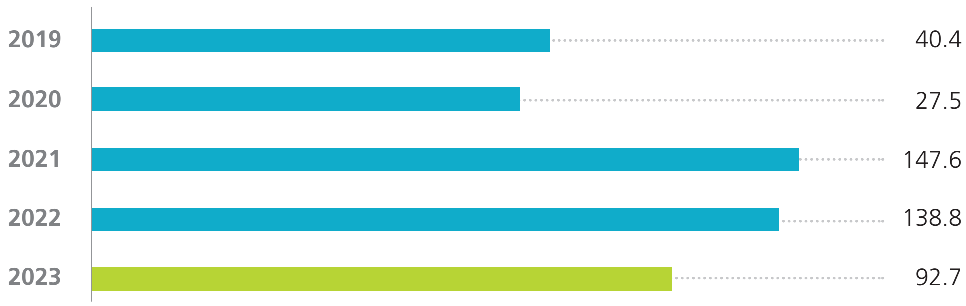
Dr Huang was a Senior Research Scientist at Nanyang Technological University and Research Scientist II at Institute for Infocomm Research A*STAR for 5 years. Dr Huang graduated with Bachelor of Automation from the University of Science and Technology of China. He received his Ph.D. in Mechanical Engineering from National University of Singapore in 2010 and post-doctoral in Computer Science from Carnegie Mellon University, USA from 2012-2013.

OUR **PEOPLE**

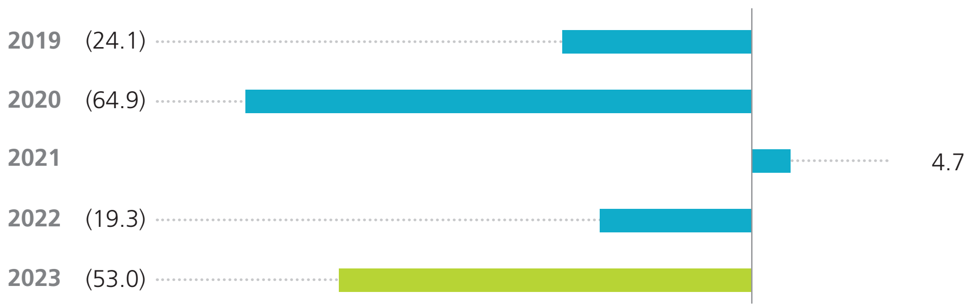
Building a diverse and inclusive workplace where our people can thrive and flourish to develop and actualize talent.

FINANCIAL HIGHLIGHTS

NET ASSETS (RMB' MILLION)

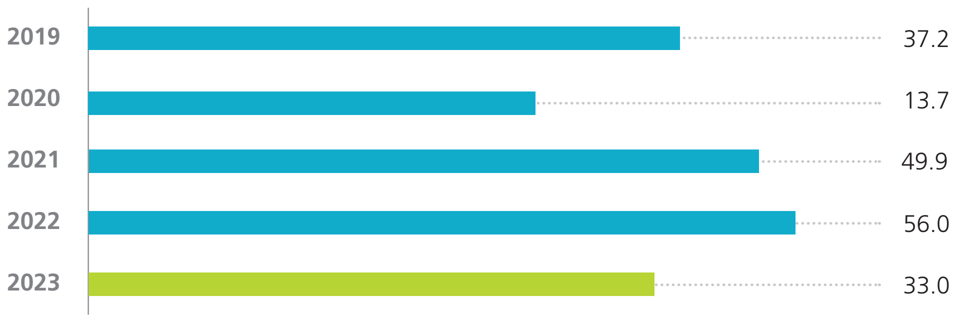


PROFIT/(LOSS) AFTER TAX (RMB' MILLION)



REVENUE (RMB' MILLION)

TOTAL



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 2023 ("FY2023"), 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 Company is headed by an effective Board and its primary function is to protect shareholders' interests, establish policies for management, provide oversight of the Company's affairs, and making decisions about important issues that the Company faces.

During FY2023, apart from its statutory responsibilities, the Board also performed the following roles:

– 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 newly-appointed director will receive a formal letter of appointment together with relevant information which includes director’s 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. On 26 February 2024, the Group appointed a new Independent Director, Dr Ng Wun Jern.

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 FY2023, the Directors were provided with updates by professionals at Board meetings on regulatory changes, continuing listing obligations and changes in financial reporting standards and issues which have a direct impact on financial statements. In addition, the Management regularly updates the Directors on the business activities and developments of the Group during Board and Board committee meetings.

CORPORATE GOVERNANCE REPORT

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;

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

viii. Sustainability Report.

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 carries out the role of Chief Executive Officer ("CEO"). He shall discharge his duties and responsibilities at all times, and in the best interests of the Group. Dr Lin Yucheng, the Group's Executive Chairman, focuses on leading the Board and on strategic directions as well as overseeing the Group's business. He is assisted by Mr Ngoo Lin Fong, the Group's Executive Director/Finance Director.

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 two 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.

CORPORATE GOVERNANCE REPORT

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					
	Board	**Audit**	**Nominating**	**Remuneration**	**Annual General Meeting**	**Extraordinary General meeting**
Number of meetings held	3	4	1	1	1	1
Dr Lin Yucheng	3	3*	1*	1*	1	–
Mr Ngoo Lin Fong	3	4*	1	1*	1	1
Mr Mak Yen-Chen Andrew^	3	4	1*	1	1	1
Mr Lim Kuan Meng	3	4	1	1	1	1
Mr Lee Suan Hiang	3	4	1	1	1	1
Dr Ng Wun Jern#	–	–	–	–	–	–

* By Invitation

^ Mr Mak Yen-Chen Andrew, Independent Non-Executive Director of the Company will retire at the conclusion of the Annual General Meeting to be convened on 29 April 2024.

Dr Ng Wun Jern was only appointed on 26 February 2024.

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.

Directors are also provided with insights 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 other major transaction or business proposal outside of the ordinary course of business in FY2023.

CORPORATE GOVERNANCE REPORT

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. During FY2023, Mr Lim Poh Yeow resigned as one of the joint Company Secretaries and he is replaced by Mr Dominic Tan.

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

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
Mr Lim Kuan Meng	Lead Independent Non-Executive Director
Mr Lee Suan Hiang	Independent Non-Executive Director
Mr Mak Yen-Chen Andrew	Independent Non-Executive Director (Retiring on 29 April 2024)
Dr Ng Wun Jern	Independent Non-Executive Director (Appointed on 26 February 2024)

Mr Mak Yen-Chen Andrew will retire as an Independent Non-Executive Director on 29 April 2024 after serving more than 9 years in the Company.

Provision 2.1 – Board Independence

The Group endeavours to maintain a strong and independent element on the Board. Where the Chairman is not independent, the requirement of the Code is that at least the independent directors make up a majority of the Board. During FY2023, the Board comprised three Independent Non-Executive Directors and two Executive Directors. As at the date of this report, the Board comprises four Independent Non-Executive Directors and two Executive Directors. After the retirement of Mr Mak Yen-Chen Andrew on 29 April 2024, the Board will comprise three Independent Non-Executive Directors and two Executive Directors. The foregoing compositions demonstrate compliance with the independence requirements by the Board since Independent Non-Executive Directors 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 (i) for FY2023, each of Mr Lim Kuan Meng, Mr Lee Suan Hiang and Mr Mak Yen-Chen Andrew is non-executive and independent; and (ii) as at the date of this report, each of Mr Lee Suan Hiang, Mr Mak Yen-Chen Andrew, Mr Lim Kuan Meng and Dr Ng Wun Jern 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.

CORPORATE GOVERNANCE REPORT

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 Board has examined its size and is satisfied that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Group, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board committees. The Nominating Committee is of the view that no individual or small group of individuals dominates the Board's decision-making process. Non-executive directors also made up a majority of the Board. In compliance with Listing Rule 210(5)(c), the Board has at least two non-executive directors who are independent and free of any material business or financial connection with the Company.

The Board periodically examines its size to ensure that it is of an appropriate number for effective decision-making, taking into account the scope and nature of the operations of the Group.

Board Diversity Policy

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

On 26 February 2024, the Company appointed Dr Ng Wun Jern as an independent director. Dr Ng is the Emeritus Professor with the School of Civil and Environmental Engineering at Nanyang Technological University. He has extensive experience in the field of environmental engineering and holds a PhD from Birmingham University and has conducted post-doctoral research at Kyoto University, Japan. Dr Ng is a fellow of the Institute of Engineers, a chartered Engineer and is a registered professional engineer with the Professional Engineers Board, Singapore. He serves as a Scientific Advisor and advisors to numerous organisations & companies including the Ministry of Environment & Water Resources of the Singapore Government. Over the course of his distinguished career, he has received many awards and accolades for his contributions to the industry, research and education. These include the IES Prestigious Engineering Award, Singapore Energy Award, ASEAN Engineering Excellence Award, and the President's Technology Award. In 2018 he was recognised as among the top 100 scientists in Asia and with the Nanyang Award – Humanitarian Work, and in 2019 was appointed a President's Chair Professor in Civil & Environmental Engineering at NTU. In 2021 Dr Ng was placed in the worldwide top 2% research scientists list in a report from Stanford University (Mendeley).

With Dr Ng's appointment, the existing Board continues to comprise 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. Nonetheless, gender is but one aspect of diversity and Dr Ng's appointment and future appointments will continue to be selected on the basis of his/her skills, experience, knowledge, insights and relevance to the Board.

As Independent Directors make up majority of 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.

CORPORATE GOVERNANCE REPORT

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 interest 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 with the exception of the gender diversity.

In line with the SGX-ST's requirement on board diversity disclosures, the written board diversity policy, which took into consideration its diversity targets, plans, timelines and progress, was tabled to the NC and approved in November 2022. In terms of gender, age and ethnic diversity, the Company 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.

Currently, the Board comprises of six directors of which four of the directors are independent directors. The NC is of the view that the number of directors on the Board is adequate given the size, complexity and geographical coverage of the Group operations. In addition, the current Board of Directors, following Mr Mak Yen-Chen Andrew's retirement, will have individually served for a tenure of less than four years and collectively possess the right balance of expertise and knowledge to complement the Group's business plans. With the above considerations in mind, the Board will continue to review the diversity of the Board. In particular, the Board aim to appoint a suitable female director within the next five years to achieve compliance with SGX-ST's requirements.

To achieve the set target for board diversity, the NC will remain on a lookout for female candidates who possess the appropriate experience and background. If any female candidates are shortlisted, the NC will recommend them 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. If the need arises, the Independent Non-Executive Directors would arrange to meet among themselves without the presence of Management for discussion. The feedback and views expressed by the independent directors would be communicated directly to the Executive Chairman after the meeting, as appropriate.

In addition, the Independent Non-Executive Directors are free to request for further clarification, and have independent access to the Management. If necessary, they may initiate meetings to address any specific matter involving the Company or any member of the 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.

The Company had adopted the recommendation by the Code to separate the role of the Executive Chairman and Chief Executive Officer. This is to ensure clear distinction of responsibilities, appropriate balance of power and increased accountability.

Dr Lin Yucheng is the Group's Executive Chairman while Mr Li Li is the Group's CEO. Mr Li Li reports to the Board lead by the Executive Chairman.

CORPORATE GOVERNANCE REPORT

All major proposals and decisions made by the Executive Chairman and CEO are discussed and reviewed by the Audit Committee.

Their performance, and appointment 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

Dr Lin Yucheng, the Group's Executive Chairman, focuses on leading the Board in the review of the Group's strategy to transform itself into a technology driven company, specialising in sludge, oil sludge treatments, artificial intelligence ("AI") in water management and membrane technology. Dr Lin Yucheng provides guidance in 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 Group's CEO, devotes majority of his time in China, and he spearheads the Group's business operations in China to drive the Group's future growth.

Provision 3.3 – Appointment of Lead Independent Director

Taking into consideration that the Chairman of the Board plays an executive role in the Company and thus, not independent, the Board has designated Mr Lim Kuan Meng as the Lead Independent Non-Executive Director. Currently, he is 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 Executive Chairman or CEO has failed to resolve or is inappropriate. In FY2023, 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 four 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
–	Dr Ng Wun Jern	Member, Independent Non-Executive Director (Appointed on 26 February 2024)
–	Mr Ngoo Lin Fong	Member, Executive Director/Finance Director

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

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

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

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

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

Regulation 104 of the Constitution requires one-third of the Directors to retire from office at least once every three years at an Annual General Meeting ("AGM"). Regulation 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 Dr Lin Yucheng, Mr Lim Kuan Meng and Dr Ng Wun Jern be nominated for re-election at the forthcoming AGM. The three nominated Directors have consented to offer themselves for re-election. Dr Lin Yucheng will, upon re-election as the Executive Chairman, remain as the Chairman of the Board, 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. Dr Ng Wun Jern will, upon re-election, as an Independent Non-Executive Director, assume the role of Chairman of the RC, and remain as a member of the NC and the AC.

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.

CORPORATE GOVERNANCE REPORT

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	**Dr Lin Yucheng**	**Mr Lim Kuan Meng**	**Dr Ng Wun Jern**
Date of Appointment	8 June 2020	8 June 2020	26 February 2024
Date of last re-appointment (if applicable)	30 April 2021	30 April 2021	N.A.
Age	61	53	70
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	After assessing Dr Lin's contribution and performance, the Nominating Committee ("NC") has recommended that he be re-elected as Director of the Company and Chairman of the Group.	After assessing Mr Lim's contribution and performance, the NC has recommended that he be re-elected as Director of the Company.	After assessing Dr Ng's contribution and performance, the NC has recommended that he be re-elected as Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive appointment.	The appointment is non-executive.	The appointment is non-executive.
Job title (e.g. Lead ID, AC Chairman, AC Member etc)	Executive Chairman	Independent Non-Executive Director, Chairman of AC, Member of NC and RC	Independent Non-Executive Director, Member of AC, RC and NC
Professional qualification	Ph.D from Imperial College, London	Bachelor of Accountancy (Merit) degree from Nanyang Technological University, and a member of Institute of Singapore Chartered Accountants	PhD & Masters of Science in Water Resources Engineering, Birmingham University Fellow at Institute of Engineers, Chartered Engineer, and a registered professional engineer with the Professional Engineers Board, Singapore.

CORPORATE GOVERNANCE REPORT

Name of Director	Dr Lin Yucheng	Mr Lim Kuan Meng	Dr Ng Wun Jern
Working experience and occupation(s) during the past 10 years	July 2003 – 2015 United Envirotech Limited (Chairman and Chief Executive Officer) 2015 – June 2018 CITIC Envirotech Ltd, Group CEO and Executive Director June 2018 – May 2019 Singapore Envirotech Accelerator Pte. Ltd. Memstar Holding Pte. Ltd.	December 2013 – present Managing Partner of Pinnacle Partnership LLP August 2013 – present Managing Partner of JB Chua & Co July 2014 – April 2022 Director of Pinnacle Financial Advisory Services Pte Ltd June 2007 – July 2013 Audit Partner of Deloitte & Touche LLP	Present – Scientific advisor, Ministry of Sustainability and the Environment Present – Member, Committee of Government Scientific Advisors, NRF, Singapore Present – Member, Technology Advisory Panel, NSL LTD. Present – Scientific Advisor (wastewater treatment processes), NSL Oilchem & Waste Management Pte Ltd Present – Chairman, Technical Expert Panel (incinerator ash), National Environment Agency Present – Scientific Advisor (wastewater treatment processes), Biolion Pte Ltd (operations in China) Present – Scientific Advisor (sludge management), SK Envirotech Pte Ltd Past – Executive Director, Nanyang Environment & Water Research Institute (ended in 2017) Past – Scientific advisor, Leader Environmental Technologies Limited (ended in 2024) Past – Chairman, Advisory Panel, Economic & Energy Authority, UAE (ended in 2024)

CORPORATE GOVERNANCE REPORT

Name of Director	Dr Lin Yucheng	Mr Lim Kuan Meng	Dr Ng Wun Jern
			Past – Chairman, Keppel Technology Advisory Panel (ended in 2024) Past – Member, Advisory Panel, The Water Institute, Canada (ended in 2023) Past – Dean, College of Engineering at Nanyang Technological University (ended in 2015) Past – Distinguished Professor, Universiti Kebangsaan, Malaysia (ended in 2021)
Shareholding interest in the listed issuer and its subsidiaries	414,779,500 ordinary shares in the listed issuer (Direct interest)	600,000 stock options awarded under Leader Environmental Technologies Share Option Scheme	Nil
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	Scientific Advisor to the Company – ended in February 2024
Conflict of interest (including any competing business)	Nil	Nil	Advisor and Equity Owner (5%) of SK Envirotech Pte Ltd
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes

CORPORATE GOVERNANCE REPORT

Name of Director	Dr Lin Yucheng	Mr Lim Kuan Meng	Dr Ng Wun Jern
Other Principal Commitments Including Directorships – (for the last 5 years)	Past 5 years: 1. CITIC Envirotech Ltd 2. United Envirotech Water Resources Pte. Ltd. 3. CITIC Envirotech Investment (China) Ltd 4. CITIC Envirotech Water Resource (Liaoyang) Co., Ltd 5. CITIC Envirotech Water Treatment (Liaoyang) Co., Ltd 6. CITIC Envirotech Water Resource (Guangzhou) Co., Ltd 7. United Envirotech Water Treatment (Dafeng) Co., Ltd 8. CITIC Envirotech Water Resource (Yancheng Dafeng) Co., Ltd 9. CITIC Envirotech Water Resource (Diaobingshan) Co., Ltd 10. CITIC Envirotech Urban Water Management (Jiangsu) Co., Ltd 11. UE Novo (Malaysia) Sdn Bhd 12. Dataran Tenaga (Malaysia) Sdn Bhd 13. United Envirotech (Hong Kong) Company Limited 14. Max Rise Envirogroup Limited 15. Max Rise Water Services Holdings Limited 16. Singapore Envirotech Accelerator Pte Ltd 17. Green Resources Limited 18. Greenlake Resources Inc.	Past 5 years: 1. Pinnacle Financial Advisory Services Pte Ltd	Past 5 years: 1. Nanyang Environment & Water Research Institute (NEWRI)

CORPORATE GOVERNANCE REPORT

Name of Director	Dr Lin Yucheng	Mr Lim Kuan Meng	Dr Ng Wun Jern
	19. United Envirotech Holding Pte Ltd 20. Yarra Food Pte Ltd 21. Yarra Food (Shandong) Co., Ltd 22. Yarra Tuan Yuan Food Pte Ltd 23. Yarra Sanvy Pte Ltd		
Other Principal Commitments Including Directorships – (present)	Present: 1. United Greentech Holdings Pte. Ltd. 2. NTi Memtech Pte. Ltd. 3. Yarra Corporation Pte Ltd 4. BLP Capital Singapore Pte Ltd 5. BLP Capital Limited	Present: 1. Triyards Holdings Limited (in process of liquidation) 2. Pinnacle Partnership LLP 3. JB Chua & Co 4. Capstone CA LLP 5. Aric Partners LLP	Please refer to the information in "Working experience and occupation(s) during the past 10 years".
Disclose the following matters concerning the appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Dr Lin Yucheng	Mr Lim Kuan Meng	Dr Ng Wun Jern
(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 in the process of liquidation.	No
(c) Whether there is any unsatisfied judgment against him?	No	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	No

CORPORATE GOVERNANCE REPORT

Name of Director	Dr Lin Yucheng	Mr Lim Kuan Meng	Dr Ng Wun Jern
(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	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Dr Lin Yucheng	Mr Lim Kuan Meng	Dr Ng Wun Jern
(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	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	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	No

CORPORATE GOVERNANCE REPORT

Name of Director	Dr Lin Yucheng	Mr Lim Kuan Meng	Dr Ng Wun Jern
(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	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	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	No

CORPORATE GOVERNANCE REPORT

Name of Director	Dr Lin Yucheng	Mr Lim Kuan Meng	Dr Ng Wun Jern
(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	No
(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?	Yes. In July 2021, Dr Lin received a letter from the Singapore Police Force, Monetary Authority of Singapore and Commercial Affairs Department ("CAD") that CAD is conducting an investigation into an offence under the Securities and Future Act (Chapter 289). Dr Lin was asked to attend interviews with CAD as he appeared to be acquainted with the circumstances of the case being investigated. Till date, investigations are still ongoing and no formal charges have been made against Dr Lin.	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Dr Lin Yucheng	Mr Lim Kuan Meng	Dr Ng Wun Jern
Disclosure applicable to appointment of Director only			
Any prior experience as a director of an issuer listed on the Exchange? (Yes/No) If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange	This relates to re-appointment of Director. Yes Please refer to the past and present directorships in other listed companies set out in the section below entitled "Provision 4.5 – Multiple Directorships and Directors' Time Commitments". N.A.	This relates to re-appointment of Director. Yes Please refer to the past and present directorships in other listed companies set out in the section below entitled "Provision 4.5 – Multiple Directorships and Directors' Time Commitments". N.A.	No. N.A. Dr Ng will attend the Director's training conducted by SID.
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.	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.

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.

CORPORATE GOVERNANCE REPORT

Messrs Lin Yucheng, Lim Kuan Meng and Dr Ng Wun Jern have been nominated for re-election at the forthcoming AGM, and their details are set out in the section above entitled "Provision 4.3 – Selection, appointment and re-appointment process for directors" and in the section below entitled "Provision 4.5 – Multiple Directorships and Directors' Time Commitments".

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.

On 11 January 2023, the Singapore Exchange Regulation (SGX RegCo) imposed limits on Independent Directors' tenure in Singapore listed companies. As transition, Independent Directors whose tenure exceeds the nine-year limit can continue to be deemed independent until the issuer's annual general meeting held for the financial year ending on or after 31 December 2023. Additionally, SGX RegCo has, on the same day, removed with immediate effect, the Two-Tier Voting.

In compliance with the aforementioned revised Listing Rules, Mr Mak Yen-Chen Andrew, who has served as the Company's Independent Non-Executive Director for more than nine years will retire on 29 April 2024.

The NC has proposed the appointment of Dr Ng Wun Jern to the Board as the new Independent Director after assessing Dr Ng's background, qualification, experience and commitments.

In assessing Dr Ng's independence, the NC and Board has considered the following:

a. Dr Ng was previously the Scientific Advisor to the Company from July 2022 to February 2024. As Scientific Advisor, the scope of his role includes providing advice to the Company relating to scientific and technological insights to identify sustainable business opportunities and facilitate collaboration between the Company, Institutes of Higher Learnings and relevant Singapore government agencies to setup environmental technology innovation initiatives and exchanges. For his advisory services, Dr Ng was paid a fixed fee of S$5,000 per month over the period of his appointment, amounting to S$60,000 per annum.

   The NC is of the view that the scope of the role of Scientific Advisor does not relate to the Company's management and operations and there was no conflict of interests identified during the period of appointment. In addition, upon appointment as the Company's Independent Director, the Company and Dr Ng had by mutual agreement ceased the Scientific Advisor agreement with effect from 26 February 2024.

b. Dr Ng, or his immediate family member, in the current or immediate past financial year, is or was not a substantial shareholder or a partner in (with 5% or more stake in the company), or an executive officer of, or a director of, any organisation which provided to or received from the company or any of its subsidiaries any significant payments or material services.

c. Dr Ng is not directly associated with any substantial shareholder of the Company in the current or immediate past financial year.

Having taken into account the above factors, amongst others, the NC is of the view that Dr Ng is considered independent.

CORPORATE GOVERNANCE REPORT

Provision 4.5 – Multiple Directorships and Directors' Time Commitments

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

To address the competing time commitments that are faced when Directors serve on multiple boards, the NC has reviewed and the Board has determined and set that as a general rule, the maximum number of listed company board appointments be not more than six 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: 61	Executive Chairman Executive Director	1 January 2021 8 June 2020	30 April 2021	Nil
Ngoo Lin Fong Age: 51	Executive Director/Finance Director	15 November 2021	28 April 2022	Nil
Mak Yen-Chen Andrew Age: 54	Independent Non-Executive Director	21 June 2010	27 April 2023	**Present Directorship** Far East Group Limited H2G Green Limited **Past Directorships (in the last three preceding years)** Falcon Energy Group Limited
Lim Kuan Meng Age: 53	Lead Independent Non-Executive Director	8 June 2020	28 April 2022	**Present Directorship** Triyards Holdings Limited (in process of liquidation) NauticAWT Limited

CORPORATE GOVERNANCE REPORT

Name	Appointment	Date of initial Appointment	Date of last re-election	Directorship in other listed companies
Lee Suan Hiang Age: 73	Independent Non-Executive Director	16 July 2020	27 April 2023	**Present Directorships** Anacle Systems Limited MindChamps PreSchool Limited **Past Directorships (in the last three preceding years)** Viking Offshore and Marine Limited
Dr Ng Wun Jern Age: 70	Independent Non-Executive Director	26 February 2024	NA	Nil

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.

CORPORATE GOVERNANCE REPORT

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. 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 (Retiring on 29 April 2024)
–	Dr Ng Wun Jern	Member, Independent Non-Executive Director (Appointed on 26 February 2024)
–	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. Subsequent to Mak Yen-Chen Andrew's retirement, Dr Ng Wun Jern will replace Mr Mak as Chairman of the RC.

The responsibilities of the RC are:

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

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

- to review the remuneration of key management personnel;

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

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

- to review, approve and administer the shares awarded for each Director and employees under the Company's performance share scheme;

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

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

CORPORATE GOVERNANCE REPORT

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.

During FY2023, the RC did not see the need to engage and appoint any remuneration consultant to advise on the Company's remuneration matters.

Level and Mix of Remuneration

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

Provision 7.1 Remuneration of Directors and Key Management Personnel

The Company advocates a performance-based remuneration system that is flexible and responsive to the market, comparable to the industry and market practices, the performance of the Group's businesses and individual employees. In designing the compensation structure, the Company seeks to ensure that the level and mix of remuneration is transparent, competitive, relevant and appropriate in finding a balance between the current and longer term objectives of the Company so as to be able to attract, retain and motivate talents without being excessive, thereby maximise value for shareholders and promotes the long-term success of the company.

On 8 June 2020, the Company has entered into a service agreement with Dr Lin Yucheng. 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 30 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.

CORPORATE **GOVERNANCE REPORT**

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 director's 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.

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

The Company has made substantial progress in its efforts to become a high-technology and AI-driven company, specialising in sludge, oil sludge treatments, 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 and KMP
Provision 8.2 – Employee Related to Substantial Shareholders, Directors or
Provision 8.2 – Details of All Forms of Remuneration and Other Payments and Benefits Paid to Directors and Key Management Personnel

The RC reviews and recommends to the Board remuneration packages for the Board, 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 and KMP to run the Company successfully in order to maximize shareholder value. The recommendations of the RC on the remuneration of Directors and KMP have been submitted for endorsement by the Board. The members of the RC do not participate in any decisions concerning their own remuneration.

CORPORATE GOVERNANCE REPORT

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 FY2023, 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 FY2023. In addition, the newly appointed CEO, Mr Li Li, and Executive Director, Mr Ngoo Lin Fong, were each remunerated with a basic salary and a 13th month annual wage supplement for their services rendered in FY2023.

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 and Mr Ngoo Lin Fong in FY2023.

The Executive Directors, CEO and Independent Non-Executive Directors 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 granted to the Executive Chairman will be subject to shareholders' approval.

On 13 March 2023, Mr Li Li and Mr Ngoo Lin Fong were granted 3 million and 2 million of stock options respectively with a 2-year vesting period, and the three Independent Non-Executive Directors were each awarded 350,000 of the stock options under the Leader Environmental Technologies Share Option Scheme with a 1 year vesting period.

There were no performance shares awarded under the Leader Environmental Technologies Share Award Plan to Mr Li Li, Mr Ngoo Lin Fong and the three Independent Non-Executive Directors in FY2023.

No share options and performance shares were awarded to the Executive Chairman, Dr Lin Yucheng, in FY2023.

CORPORATE GOVERNANCE REPORT

Remuneration of the Directors CEO and KMP

A breakdown showing the level and mix of each individual Director's remuneration for the financial year ended 31 December 2023 is set out below:

Remuneration band (in %)/ Name of Director/CEO	Salary	Fees*	Bonus[1]	Fair value of Share-based incentives[2]	Other Benefits[3]	Total
	%	%	%	%	%	S$
>S$250,000 but <S$500,000						
Dr Lin Yucheng	89.7	–	7.5	–	2.8	401,400
Mr Li Li	70.4	–	5.9	19.5	4.2	427,000
Mr Ngoo Lin Fong	71.7	–	6.0	17.5	4.8	334,500
Below S$100,000						
Mr Mak Yen-Chen Andrew	–	89.4%	–	10.6%	–	78,300
Mr Lim Kuan Meng	–	89.4%	–	10.6%	–	78,300
Mr Lee Suan Hiang	–	89.4%	–	10.6%	–	78,300

1 Bonus relates to the 13th month annual wage supplement.

2 Consist of stock options granted for the financial year ended 31 December 2023, and with a 1- year & 2-year vesting periods.

3 Other benefits include contributions to defined contribution plans.

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 timeframe as set by the various department heads and approved by the RC.

CORPORATE GOVERNANCE REPORT

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 2023 is set out below:–

Remuneration band (in %)/ Name of KMP[4]	Salary & allowances	Bonus[1]	Fair value of Share-based incentives[2]	Other benefits[3]
	%	%	%	%
Below S$250,000				
Dr Jerry Liu	87.2	7.3	–	5.5
Wu Yuxiang	92.1	7.8	–	0.1
Dr Yan Huaiguo	76.4	4.0	10.9	8.7
Dominic Tan[5]	83.1	6.9	–	10.0
Lim Poh Yeow[6]	90.9	–	–	9.1
Dr Huang Weiwei	83.7	7.0	–	9.3

1 The bonus relates to 13th month annual wage supplement or variable bonuses paid or payable in FY2023.

2 Consist of stock options granted for the financial year ended 31 December 2023, and with a 2-year vesting period.

3 Other benefits include contributions to defined contribution plans.

4 Dr Jerry Liu (Deputy CEO – Operations) & Mr. Wu Yuxiang (Deputy CEO – Business Development) joined the Group in June & November 2023 respectively.

5 Mr. Dominic Tan (Group Financial Controller) joined the Group in July 2023.

6 Mr. Lim Poh Yeow (Chief Financial Officer) resigned from the Group in August 2023.

The annual aggregate remunerations (inclusive of CPF contributions) paid to the top five KMP of the Company (who are not Directors or the Executive Chairman and CEO) for FY2023 was approximately S$792,000 (RMB4,179,000).

No employee who is an immediate family member of a Director was paid more than S$100,000 during FY2023. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister, and parent of such person.

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 Executive Directors' and CEO's (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, fair values of stock options granted 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 FY2023 and any employees who are related to substantial shareholders or directors, and are paid more than S$100,000 annually.

CORPORATE GOVERNANCE REPORT

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

The RC was tasked to administer the Leader Environmental Technologies Share Option Scheme and the Leader Environmental Technologies Share Award Plan, by determining the eligibility of Executive Chairman, Chief Executive Officer, Executive Director/Finance Director, full-time employees and Independent Non-Executive Directors of the Company to participate in the new 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 Share Option Scheme and Share Award Plan. No member of the RC shall be involved in any deliberations in respect of any options and award of shares granted to him.

The controlling shareholders of the Company or their associates are allowed to participate in the Leader Environmental Share Option Scheme and Leader Environmental Share Award Plan. A separate resolution must be passed for each of the controlling shareholders and their associates (if any), where applicable. The Independent Non-Executive Directors are also eligible to participate in the Leader Environmental Share Option Scheme and Leader Environmental Share Award Plan. The number of stock options and/or share awards to be granted to the Independent Non-Executive Directors pursuant to both of the schemes will be nominal. It is the intention that any options or share awards granted will be measured and balanced against considerations such that if it could interfere or be reasonably perceived to interfere with their exercise of independent business judgement.

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 conducting a thorough 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 and AI systems relating to sludge, oil sludge treatments, AI water management, 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 Finance Director ("FD"), Group finance team and local finance team in China.

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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 unaudited 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. Through the above, Management regularly provides the Board with a well-balanced assessment of the Group's performance, position and prospects.

During FY2023, two of the Independent Directors, namely Mr Lee Suan Hiang and Mr Lim Kuan Meng, went for a site visit to one of the Group's projects in Fujian Province, China, accompanied by the key management team in China.

<u>Financial Risks</u>

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.

<u>Sanctions-related Risks, Subject or Activity</u>

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.

<u>Provision 9.2 – Assurance from Chief Executive Officer, Chief Financial Officer and Other Responsible Key Management Personnel</u>

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 FD 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.

CORPORATE GOVERNANCE REPORT

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 Group Finance Controller 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 FY2023 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.

(iii) 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 relinquish his CEO position to focus on his role as Executive Chairman on 1 September 2021.

(iv) The Board of Directors has also received assurance from the CEO and the FD (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 2023; 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 NLA Risk Consulting Pte Ltd on 19 August 2023 to review the internal controls in respect of the Company's corporate disclosure and Board approval, procurement and payment processes. The internal audit review report was presented to the Board during the AC meeting on 26 February 2024. 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.

CORPORATE GOVERNANCE REPORT

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 FD. 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 FY2023.

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.***

Provisions 10.1, 10.2 and 10.3 – AC Composition and Terms of Reference

The Audit Committee ("AC") comprises entirely Independent Non-Executive Directors:

– Mr Lim Kuan Meng — Chairman, Lead Independent Non-Executive Director
– Mr Lee Suan Hiang — Member, Independent Non-Executive Director
– Mr Mak Yen-Chen Andrew — Member, Independent Non-Executive Director (Retiring on 29 April 2024)
– Dr Ng Wun Jern — Member, Independent Non-Executive Director (Appointed on 26 February 2024)

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;

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– 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

– 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 FY2023, 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.

CORPORATE GOVERNANCE REPORT

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 FY2023. 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 FY2023:

Matters considered	**Action**
Revenue recognition for construction contracts and project costing	During the presentation of FY2023's audit findings, the external auditors communicated to the Board that they have reviewed and evaluated the Group's revenue recognition policy in accordance to the Singapore Financial Reporting Standards (International) 15 ("SFRS(I) 15"). Their audit findings were corroborated by the performance of system walkthrough on the revenue cycle and substantive testing on major cost components. No irregularities or exceptions were highlighted in the audit findings. Audit procedures were also performed by the auditors to assess the reasonableness of the progress billings on the technical services rendered; evaluation of the competency, capabilities and objectivity of the management experts such as the use of in-house engineers. Reviewed for consistent application of revenue recognition policy in relation to the respective revenue streams and the terms and conditions in the sale agreements, particularly the revenue from technical services for AIWater system and sludge treatment. There were no significant exceptions noted from the work performed. With regards to project costing, the external auditors have communicated to the Board that they have reviewed contracts and ascertained that the project cost for sludge treatment are accounted for in accordance with SFRS(I) 15 and evaluated the competency, capabilities and objectivity of management expert who are involved in preparing the estimated contract cost. The audit findings indicated no significant exception were 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 2023, 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.

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Matters considered	Action
Impairment of contract assets, trade receivables and advances to suppliers	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 FD 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 the Management on the impairment loss of contract assets amounting to RMB16.3 million which mainly arose from the Bazhou project. The external auditors have obtained information regarding the Group's contract assets and trade receivables and reviewed management's assessment of the basis of management's Expected Credit Loss model which was applied in deriving the impairment amount. The audit findings indicated that there were no significant exceptions noted.
Impairment of property, plant and equipment ("PPE") and right-of-use ("ROU") assets	The AC has performed quarterly reviews of the financial statements and discussed with Management on the impairment assessment for the Group's PPE and ROU assets. Indicators of impairment were followed up closely at every quarterly Board meeting with the Management. Apart from the discussion with the FD, the AC also reviewed the audit findings to understand the approach taken and the relevance of the assumptions applied with regards to the Group's PPE and ROU assets as at 31 December 2023. Audit procedures performed by the auditors include the review of the impairment assessment of NTi Memtech Pte Ltd's ("NTi") PPE and evaluated the competence, capabilities and objectivity of the independent valuer engaged by management to carry out the valuation of NTi's PPE as at 31 December 2023. The auditor's review include reviewing the adequacy of work performed by the independent valuer such as the significant judgement areas, estimates and assumptions used by management in deriving the valuation amounts and the corresponding impairment loss recognised. No significant exceptions were noted. Based on the above work performed, the AC concurs with Management on the impairment loss of of RMB6.5 million recorded for the Group's PPE.

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Matters considered	Action
Impairment of investment in subsidiaries	The AC has performed quarterly reviews of the financial statements and discussed with Management on the impairment assessment for the Company's investment in subsidiaries. Apart from the discussion with the FD, the AC also reviewed the audit findings to understand the approach taken to determine the impairment amount required for the Company's investment in subsidiaries as at 31 December 2023. Audit procedures performed by the auditors on the impairment of investment in subsidiaries include (i) the review for indications of impairment, (ii) the assessment of the recoverable amount for each investment is measured at the higher of "fair value less costs of disposal" and "value-in-use" against the carrying amount as at 31 December 2023 (iii) the review of competency, capability and objectivity of management expert and appropriateness of valuation methodologies, assumptions and reasonableness of estimated used by management's experts. Based on the work performed, the AC concurs with Management on the impairment loss of RMB15.8 million recorded for the Company's investment in subsidiaries.
Valuation of Convertible Bonds ("CB")	In 2022, the Company entered into an Investment Agreement with InnoVision Super Aqua Limited ("Investor"), where the Investor agrees to subscribe and pay for the redeemable zero-coupon CB in aggregate principal amount of US$15,000,000 to be issued. During the year, the Company completed the issuance of two tranches of CB on 2 March 2023 and 31 July 2023 with a combined amount of US$15,000,000. The AC performed reviews of the Investment Agreement and the accounting treatment by management to account for the CB for both the host debt liability, convertible derivative component and extension option. The AC concurs with Management on the accounting for the CB as at 31 December 2023. The auditors performed audit procedures to assess the reasonableness of valuation of the CB at inception date and at 31 December 2023 through the understanding of the valuation method and assumptions by involving the auditor's corporate financial team. The auditors also assessed the competency and objectivity of the independent valuer engaged by the Company to value the CB and the adequacy of related disclosures in the Group's financial statements. No significant exceptions were noted.

CORPORATE GOVERNANCE REPORT

External Audit

The AC is also responsible for conducting an annual review of the volume of audit and non-audit services provided by the external auditors to ensure that such services will not prejudice the independence and objectivity of the external auditors. For FY2023, the aggregate amount of audit fees paid and/or payable to the external auditors was approximately RMB1,349,000 (FY2022 – RMB1,096,000).

The amount of fees paid and/or payable to other independent auditors from Singapore and China amounted to approximately RMB139,000 (FY2022 – RMB235,000) during the financial year. In FY2023, there were also tax services and valuation review work performed of RMB100,000 in aggregate (FY2022 – RMB44,000).

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. Mr. Yeo Boon Chye ("Mr Yeo") is the audit partner of the Group and has been in charge of the Group's audit since FY2019 for a total of 5 years. Mr Yeo had been subject to ACRA's Practice Monitoring Programme review of which he has passed his latest ACRA review. Mr Yeo did not receive any previous regulatory or enforcement actions from any regulatory body.

Foo Kon Tan LLP is the external auditors of the Company and audits its PRC subsidiaries for consolidation purposes. On an ongoing 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;

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

(iii) assesses the independence of the external auditors annually based on factors such as performance, skills and independence and is satisfied that the non-audit services provided by the external auditors in FY2023 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.

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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 FY2023.

Since FY2022, the internal audit function was outsourced to NLA Risk Consulting Pte. Ltd. which is part of NLA DFK, a group of accounting and advisory firms with a history in Singapore since 1948. NLA DFK is a member firm of DFK International, a top 10 international association of independent accounting firms and business advisers. NLA Risk Consulting Pte Ltd is a suitably appointed qualified firm of risk consultants (including Certified Internal Auditors), with its processes guided by the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The firm currently maintains an outsourced internal audit portfolio of about 20 companies listed on the SGX-ST in various industries, including construction, property development, manufacturing, healthcare, logistics, engineering services and trading. The engagement team comprises a Director, a Manager and is supported by a team of trained internal auditors. The Director, Mr Gary Ng, has over 20 years of relevant experience and is a Certified Internal Auditor whilst the Manager has more than 10 years of relevant experience and also a Certified Internal Auditor.

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 FY2023, 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 and internal 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.

CORPORATE GOVERNANCE REPORT

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.***

<u>Provision 11.1 – Providing Opportunity for Shareholders to Participate and Vote at General Meetings</u>

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.

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

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

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

The Company conducted poll voting for all resolutions passed at its last AGM held on 27 April 2023. An independent professional 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.

<u>Provision 11.2 – Separate Resolutions at General Meetings</u>

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.

AGM – April 2024

The forthcoming 2024 AGM will be held in a wholly physical format. There will be no option for shareholders to participate virtually. Arrangements relating to attendance at the 2024 AGM and voting at the 2024 AGM by shareholders or their duly appointed proxy(ies), are set out in a separate announcement released on the Company's website and SGXNet on 12 April 2024.

<u>Provision 11.3 – Attendees at General Meetings</u>

At general meetings, shareholders are strongly encouraged to ask the Directors and Management questions pertinent to the Company and the Group.

CORPORATE GOVERNANCE REPORT

The Executive Chairman, 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 27 April 2023. They will make themselves available at the forthcoming AGM which will be held physically on 29 April 2024.

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.

Provision 11.6 – Dividend Policy

The Company does not have a fixed dividend policy and did not pay any dividend in FY2023 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 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, SGX RegCo adopted a risk-based approach to quarterly reporting. Most listed companies, unless otherwise required by the SGX, report their unaudited 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.

CORPORATE GOVERNANCE REPORT

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.

Provision 12.3 – Investor Relations Practices

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 FY2023, 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 2023 which is available in electronic format via SGXNet.

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.

CORPORATE GOVERNANCE REPORT

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, KMP 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.

The Directors, Chief Executive Officer, Executive Officers and staff will continue to observe and comply with the code of conduct when dealing in the Company's securities after they have attended a training session on confidentiality obligations and insider training in the previous year.

The Directors and Executive Officers are discouraged from trading in the Company's securities based on short-term considerations. Any purchase and sale of the Company's shares, the Company secretary will be notified of any change in his interest in the Company's shares within two business days of the change.

With the additional measures implemented, the Board confirms that, for FY2023, 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 FY2023 or still subsisting as at 31 December 2023 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. IPT declarations are also signed off by the board of directors on a bi-annual basis.

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 FY2023 under review in accordance with Rule 907 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

	S$'000	S$'000
(i) Use of proceeds from the Rights Issue completed and announced on 5 August 2021		
The use of the net proceeds from the Rights Issue is as follows:		
Net proceeds from the Rights Issue as announced on the SGX-Net dated 28 February 2023		1,177
95% of the net proceeds earmarked for business investments and acquisitions of environmental related business as per Offer Information Statement ("OIS")		
Acquisition of Bofeng		(700)
Re-designation of the balance net proceeds from business investments and acquisitions to capital commitment and working capital purposes		
Working capital		
Directors' fees, remunerations, salaries and related costs	(350)	
Professional fees and compliance costs	(79)	
Rental, utilities and related deposits	(12)	
Corporate tax	(7)	
Transportations and entertainment expenses	(25)	
Communications and internet expenses	(1)	
Miscellaneous expenses	(3)	
		(477)
Total disbursements		(1,177)
Balance of Rights Issue proceeds (Net)		–

The proceeds from the Rights Issue were fully utilised.

	S$'000
(ii) Use of proceeds from the convertible bonds ("CB") completed on 2 March 2023 and 31 July 2023	
The use of the net proceeds from the CB is as follows:	
Net proceeds from the CB as announced on the SGX-Net dated 2 March 2023 and 31 July 2023	19,006
95% of the net proceeds earmarked for business investments and acquisitions of environmental related business	
Advance to membrane business segment	(1,200)
Capital injection into AIWater	(2,694)
Investment in equipment for oil sludge business segment	(441)
5% of the net proceeds earmarked for working capital purposes	
Directors' fees, remunerations, salaries and related costs	(950)
Total disbursements	(5,285)
Balance of CB proceeds (Net)	13,721

DIRECTORS' STATEMENT

For the financial year ended 31 December 2023

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2023 and the statement of financial position of the Company as at 31 December 2023.

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 2023 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, except as disclosed in Note 2(f), there are reasonable grounds to believe that the Group 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
Lim Kuan Meng
Mak Yen-Chen Andrew
Lee Suan Hiang
Dr Ng Wun Jern (appointed on 26 February 2024)

Arrangements to enable directors to acquire benefits by means of the acquisition of shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose 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 body corporate, other than as disclosed in this statement.

Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act, 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 1.1.2023	**As at 31.12.2023**	**As at 21.1.2024**	**As at 1.1.2023**	**As at 31.12.2023**	**As at 21.1.2024**
The Company – Leader Environmental Technologies Limited						
Dr Lin Yucheng	414,779,500	**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**

By virtue of the provisions of Section 7 of the Act, Dr Lin Yucheng is deemed to have interests in the whole of the share capital of the wholly-owned subsidiaries of Leader Environmental Technologies Limited.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2023

Share options

The Company's Leader Environmental Technologies Share Option Scheme (the "Scheme") was approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 23 December 2021.

The Scheme is administered by the Remuneration Committee (the "Committee"), comprising four directors, and are as follows:

Mak Yen-Chen Andrew (Chairman)
Lim Kuan Meng
Lee Suan Hiang
Dr Ng Wun Jern (appointed on 26 February 2024)

The Scheme aims to strengthen the Company's competitiveness in attracting, retaining and motivating talented key senior management and senior executives, to reward good performance and sustainable growth, and to align the interests of participants and shareholders.

Under the Scheme, the ordinary shares of the Company (the "Shares") under option may be exercised in full or a multiple thereof, on the payment of the exercise price. Under the Scheme, there are no fixed periods for the grant of options. As such, offers for the grant of options may be made at any time from time to time at the discretion of the Committee. The Scheme shall continue in operation at the discretion of the Committee, subject to a maximum duration of 10 years and may be continued for any further period thereafter with the approval of Shareholders by ordinary resolution in general meeting and of any relevant authorities may then be required.

Unissued shares under option

On 13 March 2023, the Company granted options to subscribe 15,200,000 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 SGD0.058 per share ("Tranche 1") and 1,050,000 options to Independent Non-Executive Directors at the exercise price of SGD0.072 per share ("Tranche 2").

The exercise price is based on the price that is equivalent to the Market Price for the Independent Non-Executive Directors; and a price that is set at a discount to the Market Price for the employees and Executive Director/Finance Director of the Company at a 20% discount to price which is equal to the average of the last dealt Market Price. 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. Options granted will lapse when the option holder ceases to be a full-time employee or director of the Company or any company in the Group subject to certain exceptions at the discretion of the Committee. The consideration upon the acceptance of the letter of offer for the options is SGD1.00.

Details of the options granted to the directors during the financial year are as follows:

Name of director	Options granted during the financial year ended 31.12.2023	Aggregate options granted since commencement of Scheme to 31.12.2023	Aggregate options exercised since commencement of Scheme to 31.12.2023	Aggregate options outstanding as at 31.12.2023
Ngoo Lin Fong	2,000,000	4,000,000	–	4,000,000
Mak Yen-Chen Andrew	350,000	600,000	–	600,000
Lim Kuan Meng	350,000	600,000	–	600,000
Lee Suan Hiang	350,000	600,000	–	600,000

DIRECTORS' STATEMENT

For the financial year ended 31 December 2023

Share options (Cont'd)

Unissued shares under option (Cont'd)

The number of Shares available under the Scheme shall not exceed 15% of the issued share capital of the Company.

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.

Details of the options granted under the Scheme on unissued ordinary shares of the Company at the end of the financial year are as follows:

	Date of grant	Balance at 1.1.2023	Granted during the year	Forfeited during the year	Balance at 31.12.2023	Exercise price per share SGD	Number of option holders at 31.12.2023	Exercisable period
Tranche 1[1]	4 March 2022	11,600,000	–	(500,000)	11,100,000	0.052	16	4 March 2024 to 4 March 2032
Tranche 2	4 March 2022	750,000	–	–	750,000	0.065	3	4 March 2024 to 4 March 2027
		12,350,000	–	(500,000)	11,850,000			
Tranche 1[1]	13 March 2023	–	15,200,000	(200,000)	15,000,000	0.058	20	13 March 2025 to 13 March 2033
Tranche 2	13 March 2023	–	1,050,000	–	1,050,000	0.072	3	13 March 2024 to 13 March 2028
		–	16,250,000	(200,000)	16,050,000			
Total		12,350,000	16,250,000	(700,000)	27,900,000			

1 A total of 6.0 million share options were granted to the Chief Executive Officer, Mr Li Li under Tranche 1, of which 3.0 million share options on 4 March 2022 and 3.0 million share options on 13 March 2023.

No shares were issued by virtue of the exercise of options to take up unissued shares of the subsidiaries during the financial year.

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

DIRECTORS' STATEMENT

For the financial year ended 31 December 2023

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
Dr Ng Wun Jern (appointed on 26 February 2024)

The Audit Committee performs the functions set out in Section 201B(5) of the Act, 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 periodic 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 2023 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, and the internal and external auditors, 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 external auditor, Foo Kon Tan LLP, is to be nominated for re-appointment 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 its subsidiaries, we have complied with Rules 712 and 715 of the SGX Listing Manual.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2023

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

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DR LIN YUCHENG

....

NGOO LIN FONG

Dated: 27 March 2024

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 2023, 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 material accounting policy information.

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 2023 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(f) in the financial statements, which indicates that the Group reported loss before taxation of RMB52.7 million (2022 – RMB17.5 million) and a negative operating cash flows from operations of RMB50.8 million (2022 – RMB33.7 million) for the financial year ended 31 December 2023.

The Group's operations can be significantly affected by the macroeconomic conditions currently prevailing in the PRC market. The current prevailing economic conditions demonstrate that the business opportunities in China could be affected by the government initiatives.

In the event that the above events or conditions materialised, along with other matters as set forth in Note 2(f), this may indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matters described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT

To the members of Leader Environmental Technologies Limited

Key Audit Matters (Cont'd)

Key audit matters	Risk	Our responses and work performed
Revenue recognition for construction contracts and contract costs	The Group is primarily involved in the business of design and construction of environmental protection systems, primarily for sludge and wastewater treatments. Accounting for Engineering and Treatment Revenue We focus on revenue recognition on the following services rendered because: – Engineering Solution Services – AIWater and Sludge Treatment Solution the accuracy and timing of revenue for the technical services rendered including operational and maintenance. The Group also supply equipment upon configuration for use in specific projects which involves significant management judgement and use of estimates. During the financial year, the Group did not carry out any work for construction work project. The Group's disclosures of material accounting policy information which relates to revenue recognition, contract assets and contract liabilities and the critical accounting estimates, assumptions and judgements used by management are included in Notes 2(d), 2(e) and 7 to the financial statements.	Contract costs We obtained an understanding of on-going contracts through discussions with management and examination of contract documentation. In relation to the actual costs incurred, we: • checked the total contract balance and salient information of the project; • checked acknowledgement and acceptance by customers; and • performed substantive testing procedures by verifying contract costs to the underlying documentation. We compared the contract revenue against the estimated contract costs to determine project profit for the supply of equipment for the specific project, where payment is made upon delivery of goods, if any.

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 contract costs (Cont'd)		Revenue – Engineering and Treatment Revenue We have reviewed and evaluated the material 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 performed test of details for all major projects due to the extent of the projects carried out. We have tested selected revenue transactions by assessing and evaluating the following steps in accordance with SFRS(I) 15: 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 evaluated the competency, capabilities and objectivity of management's expert (i.e. in-house engineers) with reference to past experience. We have assessed the reasonableness of the percentage of completion by re-computing the input method of determining the percentage of completion for the supply of equipment for the specific project.

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 contract costs (Cont'd)		Revenue – Engineering and Treatment Revenue (Cont'd) We have requested confirmation from customers to ascertain 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 have been deemed completed according to management's 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.
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 receivables and contract assets as disclosed in Note 2(d) to the financial statements. The Group's disclosures of contract assets and trade and other receivables are included in the material accounting policy information in Notes 2(e), 7 and 9 to the financial statements.	We have circularised confirmations for significant trade and other receivables, and contract assets as to the extent of work. We performed alternative procedures by checking to subsequent receipts and subsequent invoices for confirmations 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 with reference to cash received from debtors. Amongst others, we have considered the Group's previous experience of bad debt exposure and the individual counterparty credit risk;

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)		We have: (Cont'd) • assessed the recoverability of overdue unprovided debt with reference to the historical levels of bad debt expense and credit profile of the counterparties in light of current economic conditions; • 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. Due to the economic outlook in the People's Republic of China (PRC) economy in the construction industry, the bond default rate used 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 34.2 for further analysis.

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 assessment of property, plant and equipment and right-of-use assets	The carrying amounts of the property, plant and equipment and right-of-use assets of the Group as at 31 December 2023 are RMB34.9 million and RMB40.7 million respectively and are material to the Group's financial statements. Due to losses incurred by certain subsidiaries caused by the uncertain global economic environment, there is higher inherent risk relating to the impairment of non-financial assets. Management judgement is involved in the identification of any impairment indicators or indications for reversal of impairment losses recognised in prior period as well as the assessment of the recoverable amounts of these assets. Such judgement is made based on forecasted future performance, which is, amongst others, dependent on the liquidity of the market conditions. The Group's disclosures of impairment of property, plant and equipment and right-of-use assets are included in Note 3 to the financial statements.	Our review of the impairment assessment included the following procedures, amongst others: We have assessed the appropriateness of the management's identification of cash-generating unit ("CGU") and impairment indicators of assets of the respective subsidiaries. Where an impairment indicator is identified, we have: • evaluated the reasonableness of management's key assumptions underlying the fair value less cost of disposal such as market comparable information; and • reviewed the auditor's expert in assessing the appropriateness of the valuation methodologies, assumptions and reasonableness of estimates used by the management's expert.

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 investment in subsidiaries	Investment in subsidiaries are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss of RMB15.8 million has been recognised during the year as the carrying amount of the investment in subsidiaries exceeds its recoverable amount. The recoverable amount is based on certain key assumptions, such as the expected selling prices for the fair values of the underlying assets and the estimated cash outflows to settle the underlying liabilities of the subsidiaries. These assumptions which are determined by management are judgemental. The Company's disclosures of impairment of investment in subsidiaries are included in Note 5 to the financial statements.	We have identified the impairment assessment of investment in subsidiaries is significant to our audit. We considered the potential risks and implications associated with the investment in subsidiaries and we have identified specific procedures to address these risks: (a) reviewed for indications of impairment for the investments in subsidiaries; (b) assessed if the recoverable amount of investment in subsidiaries is measured as the higher of "fair value less costs of disposal" and "value-in-use"; and (c) assessed the competency, capability and objectivity of the management expert and appropriateness of the valuation methodologies, assumptions and reasonableness of estimates used by the management's expert. We assessed the adequacy of the related disclosures in notes to the financial statements. We assessed the adequacy of the related disclosures in the financial statements.

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
Valuation of foreign currency convertible bonds ("Bonds")	During the financial year ended 31 December 2023, the Company issued foreign currency convertible bonds ("Bonds") for USD15 million at SGD0.10 per conversion share not exceeding 214.26 million shares to be converted. Prior to three year period on the issuance date with another two years of extension period, the Company cannot redeem the bonds which attract a yield to maturity of 8% per annum compounded annually. The said bonds are classified as a financial liability as it fails the "fixed-for-fixed" criteria and have embedded derivative component recognised separately from the host liability. Management has accounted for the bonds where the proceeds are allocated between the embedded derivative component and the host liability component. The embedded derivatives which comprise equity conversion option and extension option, are recognised at its fair value. The host liability component is recognised as the difference between total proceeds and the fair value of the embedded derivatives. The valuations of the bonds are carried out by an independent third party valuer, Cushman & Wakefield VHS Pte. Ltd. ("management expert"). We have identified the valuation of the bonds as a Key Audit Matter as it involves significant estimation uncertainty arising from unobservable inputs in the valuations which could result in material misstatement. Please refer to Note 2(d) to the financial statements for disclosure of the critical accounting estimates, assumptions and judgements used by the management, and Note 18 for the movement and reconciliation of convertible bonds disclosures.	In assessing the valuation of the bonds, • we evaluated the competence, capabilities and objectivity of management expert; • we obtained an understanding of the work of management expert and evaluated the appropriateness of that management expert's work by involving our own valuation expert as audit evidence for the relevant assertion; • we evaluated whether our own valuation expert has the necessary competence, capabilities and objectivity for our purpose; and • we have assessed the adequacy of the Group's disclosures relating to the assumptions and key estimates used in determining the fair value of the bonds using the Binomial Option Pricing Model.

INDEPENDENT AUDITOR'S REPORT

To the members of Leader Environmental Technologies Limited

Other information

Management is responsible for the other information. The other information comprises the "Directors' Statement", "Chairman's 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.

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.

INDEPENDENT AUDITOR'S REPORT

To the members of Leader Environmental Technologies Limited

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

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

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

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

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

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

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

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

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

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

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.

INDEPENDENT AUDITOR'S REPORT

To the members of Leader Environmental Technologies Limited

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company 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, 27 March 2024

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2023

	Note	The Group 2023 RMB'000	The Group 2022 RMB'000 (Restated)*	The Company 2023 RMB'000	The Company 2022 RMB'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	3	**75,577**	69,277	**11,464**	690
Intangible assets	4	**4,282**	4,165	**–**	–
Investment in subsidiaries	5	**–**	–	**112,652**	109,696
Associate	6	**–**	5,816	**–**	–
		79,859	79,258	**124,116**	110,386
Current Assets					
Contract assets	7	**53,789**	58,152	**–**	–
Inventories	8	**6,504**	5,687	**–**	–
Trade and other receivables	9	**15,209**	19,849	**15,313**	1,221
Prepayments	10	**580**	137	**46**	24
Cash and bank balances	11	**98,505**	48,907	**68,244**	9,476
		174,587	132,732	**83,603**	10,721
Total assets		**254,446**	211,990	**207,719**	121,107
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	12	**375,049**	375,049	**375,049**	375,049
PRC statutory common reserve	13	**1,168**	32,917	**–**	–
Merger reserve	14	**–**	(454)	**–**	–
Currency translation reserve	15	**2,573**	1,650	**–**	–
Share option reserve	29	**2,636**	663	**2,636**	663
Capital reserves	16	**–**	21	**–**	–
Accumulated losses		**(303,194)**	(291,739)	**(278,121)**	(264,182)
Equity attributable to owners of the Company		**78,232**	118,107	**99,564**	111,530
Non-controlling interests		**14,504**	20,742	**–**	–
Total equity		**92,736**	138,849	**99,564**	111,530
Non-Current Liabilities					
Bank borrowings	17	**21,879**	23,542	**–**	–
Convertible bonds	18	**88,800**	–	**88,800**	–
Lease liabilities	19	**425**	1,996	**–**	132
Provision for restoration costs	20	**518**	488	**–**	–
Other liabilities	23	**238**	–	**–**	–
		111,860	26,026	**88,800**	132
Current Liabilities					
Bank borrowings	17	**6,610**	5,188	**–**	–
Lease liabilities	19	**1,388**	1,801	**132**	331
Trade and other payables	22	**10,809**	10,611	**17,641**	7,823
Other liabilities	23	**26,970**	25,703	**1,582**	1,255
Income tax payable		**4,073**	3,812	**–**	36
		49,850	47,115	**19,355**	9,445
Total liabilities		**161,710**	73,141	**108,155**	9,577
Total equity and liabilities		**254,446**	211,990	**207,719**	121,107

* Please refer to Note 39 to the financial statements.

There is no restatement as at 1 January 2022 as there are no impact on the opening balances.

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 2023

The Group	Note	2023 RMB'000	2022 RMB'000 (Restated)*
Revenue	24	**33,044**	55,984
Cost of sales		**(24,120)**	(38,241)
Gross profit		**8,924**	17,743
Finance income	25(a)	**1,583**	514
Other income	25(b)	**1,194**	4,630
Fair value gain of embedded derivatives on convertible bonds	25(e)	**22,005**	–
Selling and distribution expenses		**(1,588)**	(979)
Administrative expenses	25(c)	**(52,036)**	(37,057)
Impairment loss on financial assets and contract assets	25(e)	**(16,619)**	(2,840)
Impairment loss on financial assets and contract assets no longer required	25(e)	**–**	1,259
Impairment loss on property, plant and equipment	3	**(6,535)**	–
Finance costs	25(a)	**(8,620)**	(992)
Other expenses	25(d)	**(214)**	(252)
Share of results of associate, net of tax	6	**(812)**	504
Loss before taxation	25(e)	**(52,718)**	(17,470)
Taxation	26	**(298)**	(1,784)
Loss after taxation		**(53,016)**	(19,254)
Other comprehensive income after tax			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		**923**	2,087
Items that will not be reclassified subsequently to profit or loss			
Currency translation differences	15	**576**	1,392
Other comprehensive income after tax	15	**1,499**	3,479
Total comprehensive loss for the year		**(51,517)**	(15,775)
Loss attributable to:			
Owners of the Company		**(41,806)**	(15,944)
Non-controlling interests		**(11,210)**	(3,310)
		(53,016)	(19,254)
Total comprehensive loss attributable to:			
Owners of the Company		**(40,883)**	(13,857)
Non-controlling interests		**(10,634)**	(1,918)
		(51,517)	(15,775)
Loss per share			
– Basic (RMB cents)	27	**(2.72)**	(1.04)
– Diluted (RMB cents)	27	**(3.26)**	(1.04)

* Please refer to Note 39 to the financial statements.

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 2023

The Group	Share capital RMB'000	PRC statutory common reserve RMB'000	Merger reserve RMB'000	Currency translation reserve RMB'000	Share option reserve RMB'000	Capital reserves RMB'000	Accumulated losses RMB'000	Total attributable to owners the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	← Attributable to owners of the Company							→		
At 1 January 2022	375,049	32,410	(454)	(437)	–	–	(275,285)	131,283	16,348	147,631
Loss for the year	–	–	–	–	–	–	(15,944)	(15,944)	(3,310)	(19,254)
Other comprehensive income	–	–	–	2,087	–	–	–	2,087	1,392	3,479
Total comprehensive income/(loss) for the year	–	–	–	2,087	–	–	(15,944)	(13,857)	(1,918)	(15,775)
Capital contributions from non-controlling shareholders of subsidiaries (Note 5)	–	–	–	–	–	–	–	–	5,411	5,411
Recognition of share-based payments (Note 29)	–	–	–	–	663	–	–	663	–	663
Appropriation of profit to reserve	–	507	–	–	–	–	(510)	(3)	3	–
Acquisition of subsidiary with non-controlling interests [Note 5(a)(ii)]	–	–	–	–	–	–	–	–	1,454	1,454
Change in interest in subsidiary with loss of control [Note 5(b)]	–	–	–	–	–	–	–	–	(219)	(219)
Acquisition of non-controlling interests without a change in control [Note 5(c)(i)]	–	–	–	–	–	21	–	21	(337)	(316)
Total transactions with owners	–	507	–	–	663	21	(510)	681	6,312	6,993
At 31 December 2022	375,049	32,917	(454)	1,650	663	21	(291,739)	118,107	20,742	138,849
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(41,806)**	**(41,806)**	**(11,210)**	**(53,016)**
Other comprehensive income	**–**	**–**	**–**	**923**	**–**	**–**	**–**	**923**	**576**	**1,499**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**923**	**–**	**–**	**(41,806)**	**(40,883)**	**(10,634)**	**(51,517)**
Capital contributions from non-controlling shareholders of subsidiaries (Note 5)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,942**	**3,942**
Recognition of share-based payments (Note 29)	**–**	**–**	**–**	**–**	**1,973**	**–**	**–**	**1,973**	**–**	**1,973**
Increase of interest in a subsidiary [Note 5(c)(ii)]	**–**	**–**	**–**	**–**	**–**	**–**	**(965)**	**(965)**	**965**	**–**
Derecognition of non-controlling interest upon deregistration of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(511)**	**(511)**
Reclassification of PRC statutory common reserve related to disposal of a subsidiary in PRC	**–**	**(31,749)**	**454**	**–**	**–**	**(21)**	**31,316**	**–**	**–**	**–**
Total transactions with owners	**–**	**(31,749)**	**454**	**–**	**1,973**	**(21)**	**30,351**	**1,008**	**4,396**	**5,404**
At 31 December 2023	**375,049**	**1,168**	**–**	**2,573**	**2,636**	**–**	**(303,194)**	**78,232**	**14,504**	**92,736**

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 2023

The Group	Note	2023 RMB'000	2022 RMB'000 (Restated)*
Cash Flows from Operating Activities			
Loss before taxation		**(52,718)**	(17,470)
Adjustments for:			
Depreciation of property, plant and equipment	3	**7,895**	5,327
Amortisation of intangible assets	4	**252**	192
Goodwill written off	4	**–**	5
Share-based payment expenses	29	**1,973**	663
Loss on dissolution of an associate	6	**4**	–
Loss on deregistration of a subsidiary	5(e)(ii)	**76**	–
Gain on disposal of a subsidiary	5(d)	**(688)**	–
Loss of control in a subsidiary	5(b)	**–**	94
Property, plant and equipment written off	25(e)	**24**	145
Impairment loss on financial assets and contract assets	25(e)	**16,619**	2,840
Impairment loss on financial assets and contract assets no longer required	25(e)	**–**	(1,259)
Impairment loss on property, plant and equipment	3	**6,535**	–
Fair value gain of embedded derivatives on convertible bonds	18	**(22,005)**	–
Exchange loss on convertible bonds	18	**544**	–
Gain on early termination of lease liabilities	25(e)	**(6)**	–
Gain on re-measurements of lease liabilities	25(e)	**–**	(7)
Government grant income – amortised	23(a)	**(33)**	–
Share of results of associate, net of tax	6	**812**	(504)
Finance costs	25(a)	**8,620**	992
Finance income	25(a)	**(1,583)**	(514)
Operating loss before working capital changes		**(33,679)**	(9,496)
Increase in contract assets		**(11,930)**	(21,780)
Increase in inventories		**(558)**	(4,900)
Increase in trade and other receivables		**(11,015)**	(3,659)
Increase in prepayments		**(442)**	(305)
Increase in trade and other payables		**8,718**	221
(Decrease)/increase in other liabilities		**(1,837)**	6,253
Cash used in operations		**(50,743)**	(33,666)
Income tax paid – net of tax refunds		**(30)**	(41)
Net cash used in operating activities		**(50,773)**	(33,707)
Cash Flows from Investing Activities			
Acquisition of subsidiary, net of cash	5(a)(ii)	**–**	(2,922)
Acquisition of property, plant and equipment	A	**(10,504)**	(5,305)
Additions to intangible assets	B	**(143)**	(2,374)
Interest income received		**1,448**	514
Proceeds from dissolution of an associate	6	**5,000**	–
Cash outflow arising from disposal of a subsidiary – net	5(d)	**(202)**	–
Cash outflow arising from loss of control in a subsidiary	5(b)	**–**	(4,583)
Acquisition of additional interest in a subsidiary	5(c)(i)	**–**	(316)
Net cash used in investing activities		**(4,401)**	(14,986)

* Please refer to Note 39 to the financial statements.

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 2023

The Group	Note	2023 RMB'000	2022 RMB'000 (Restated)*
Cash Flows from Financing Activities			
Capital contributions from non-controlling shareholders of subsidiaries	5	**3,942**	4,386
Proceeds from issuance of convertible bonds	C	**105,787**	–
Proceeds from bank borrowings	C	**9,534**	3,239
Repayments of bank borrowings	C	**(10,853)**	(2,875)
Repayments of lease liabilities	C	**(1,771)**	(1,439)
Return of capital contribution to non-controlling shareholder after deregistration of a subsidiary		**(587)**	–
Interest paid	C	**(1,688)**	(816)
Increase in bank deposits pledged	C	**(972)**	(2,341)
Repayments to a related party	C	**–**	(524)
Proceeds from government grant	C	**332**	–
Net cash generated from/(used in) financing activities		**103,724**	(370)
Net increase/(decrease) in cash and cash equivalents		**48,550**	(49,063)
Effect of foreign exchange rate changes on balances held in foreign currencies		**(86)**	229
Cash and cash equivalents at beginning of year		**43,303**	92,137
Cash and cash equivalents at end of year	11	**91,767**	43,303

* Please refer to Note 39 to the financial statements.

NOTE:

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

In financial year 2023, the Group acquired property, plant and equipment with an aggregate cost of RMB18,828,000 (2022 – RMB18,031,000). The Group makes cash payments of RMB10,504,000 (2022 – RMB5,305,000) to acquire property, plant and equipment.

In 2023, the remaining balances of RMB3,067,000 and RMB5,257,000 payable to contractors of property, plant and equipment, are recorded under "Other payables" and "Other liabilities" respectively.

In 2022, there were non-cash additions to the Group's property, plant and equipment, and comprise the following:

(i) right-of-use assets of RMB3,749,000;

(ii) transferred from advances to a related party to property, plant and equipment of RMB7,986,000 upon delivery of equipment and machinery;

(iii) outstanding balance of RMB926,000 was payable to contractors of property, plant and equipment, as recorded under "Other payables"; and

(iv) provision for restoration costs of RMB65,000.

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 2023

NOTE:

B Intangible assets

In financial year 2023, the Group acquired intangible assets with an aggregate cost of RMB369,000 (2022 – RMB2,374,000). The Group makes cash payments of RMB143,000 (2022 – RMB2,374,000) to acquire intangible assets. The outstanding balances of RMB226,000 is payable to supplier of intangible assets, as recorded under "Other liabilities".

C Reconciliation of liabilities arising from financing activities

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

		Non-cash movements						Cash flows			
	1 January 2023 RMB'000	Addition during the year/transaction costs adjustments RMB'000	Fair value gain of embedded derivatives on convertible bonds RMB'000	Derecognition due to early termination of lease/disposal of a subsidiary RMB'000	Foreign exchange movement RMB'000	Capital grant utilised RMB'000	Interest expense RMB'000	Interest paid RMB'000	Repayments/ pledged RMB'000	Proceeds RMB'000	31 December 2023 RMB'000
Bank borrowings	28,730	–	–	–	1,078	–	1,688	(1,688)	(10,853)	9,534	28,489
Convertible bonds	–	(2,294)	(22,005)	–	544	–	6,768	–	–	105,787	88,800
Lease liabilities	3,797	–	–	(365)	–	–	152	–	(1,771)	–	1,813
Bank deposits pledged	(5,604)	–	–	–	(162)	–	–	–	(972)	–	(6,738)
Deferred capital grant	–	–	–	–	6	(33)	–	–	–	332	305
Amount owing to a related party	34	156	–	–	5	–	–	–	–	–	195

		Non-cash movements					Cash flows			
	1 January 2022 RMB'000	Addition during the year RMB'000	Capitalisation of advances to equity RMB'000	Re-measurement adjustments RMB'000	Foreign exchange movement RMB'000	Interest expense RMB'000	Interest paid RMB'000	Repayments/ pledged RMB'000	Proceeds RMB'000	31 December 2022 RMB'000
Bank borrowings	26,064	–	–	–	2,302	816	(816)	(2,875)	3,239	28,730
Lease liabilities	1,869	3,422	–	(221)	–	166	–	(1,439)	–	3,797
Bank deposits pledged	(2,966)	–	–	–	(297)	–	–	(2,341)	–	(5,604)
Amount owing to a related party	1,096	472*	(1,025)	–	15	–	–	(524)	–	34

* 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

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 2023 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 Act and Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

2(b) ADOPTION OF NEW AND REVISED SFRS(I) EFFECTIVE FOR THE CURRENT FINANCIAL YEAR

On 1 January 2023, the Group and the Company have adopted all the new and revised SFRS(I) and amendments to SFRS(I), effective for the current financial year that are relevant to them.

Reference	Description	Effective date (Annual periods beginning on or after)
SFRS(I) 17	*Insurance Contracts*	1 January 2023
Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2	*Disclosure of Accounting Policies*	1 January 2023
Amendments to SFRS(I) 1-8	*Definition of Accounting Estimates*	1 January 2023
Amendments to SFRS(I) 1-12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to SFRS(I) 1-12	*International Tax Reform – Pillar Two Model Rules*	1 January 2023

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 other than the material accounting policy information (2022 – significant accounting policies) in Note 2(e) were updated with amendments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2(c) NEW AND REVISED SFRS(I) IN ISSUE 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) 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)
Amendments to SFRS(I) 1-1	*Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to SFRS(I) 1-1	*Non-current Liabilities with Covenants*	1 January 2024
Amendments to SFRS(I) 16	*Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to SFRS(I) 1-7 and SFRS(I) 7	*Supplier Finance Arrangements*	1 January 2024
Amendments to SFRS(I) 1-21	*Lack of Exchangeability*	1 January 2025
Amendments to SFRS(I) 10 and SFRS(I) 1-28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

The management anticipates that the adoption of these new and revised SFRS(I) pronouncements in future periods will not have a material impact on the Group's and the Company's accounting policies in the period of their initial adoption, except for the classification of convertible bonds from non-current to current liabilities.

2(d) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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.

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

Significant judgement 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.

<u>Income tax (Notes 21 and 26)</u>

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.

2(d) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Significant judgement used in applying accounting policies (Cont'd)

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.

Key sources of estimation uncertainty

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

Estimation of total contract costs for construction contracts (Note 24)

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

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

Significant assumptions were used to estimate the total contract sum and the total contract costs which affected the accuracy of revenue recognition based on the percentage-of-completion and completeness of provision for foreseeable losses recognised. In making these estimates, management had 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 RMB5,379,000 (2022 – RMB5,815,000).

2(d) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Key sources of estimation uncertainty (Cont'd)

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

The carrying amount of the property, plant and equipment and ROU assets, and intangible assets are disclosed in Notes 3 and 4 respectively.

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" or "value-in-use" approach as appropriate. For 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. For the impairment assessment of investment in subsidiaries, please refer to Note 5 for the details.

Allowance for inventory obsolescence (Note 8)

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 RMB650,000 (2022 – RMB569,000). The carrying amount of the Group's inventory is disclosed in Note 8 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2(d) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Key sources of estimation uncertainty (Cont'd)

Expected credit losses (ECL) on contract assets, and trade and other receivables (Notes 7, 9, and 34.2)

As at 31 December 2023, the Group's trade and other receivables (excluding VAT and other tax receivables) amounted to RMB10,189,000 (Note 9) and contract assets amounted to RMB53,789,000 (Note 7) (2022 – RMB18,233,000 and RMB58,152,000) 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.

As at 31 December 2023, the expected credit losses model has been updated by reflecting the latest available macroeconomic outlook and identified bond default rate (2022 – 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 9 and Note 7 respectively. As at the reporting date, the allowance for impairment for the Group's trade and other receivables and contract assets are RMB17,161,000 (2022 – RMB24,860,000). The Group's and the Company's credit risk exposure for trade and other receivables and contract assets are set out in Note 34.2.

If the adjusted loss rate used increased by 10%, the loss allowance for impairment on the Group's trade and other receivables and contract assets will be higher by RMB1,688,000 (2022 – RMB80,000)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2(d) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Key sources of estimation uncertainty (Cont'd)

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 2023 is RMB75,577,000 (2022 – RMB69,277,000). 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 RMB718,000 (2022 – RMB484,000) higher or RMB877,000 (2022 – RMB592,000) lower.

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 within 5 to 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 and software development costs, are disclosed in Note 4. 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 19)

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 19 respectively. An increase/decrease of 50 basis points in the estimated IBR will not lead to significant change in the carrying amount at the reporting date.

Fair value measurements and valuation processes

To the extent of fair value measurement of the convertible bonds for financial reporting purposes and for certain assets and liabilities of the Group, the Board of Directors of the Group uses their judgement in adopting appropriate valuation techniques for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied.

In relation to the valuation of the convertible bonds, management has classified and measured the convertible bonds as a hybrid financial liability instrument with embedded derivative at fair value through profit or loss and accounted for the host liability at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2(d) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Key sources of estimation uncertainty (Cont'd)

Fair value measurements and valuation processes (Cont'd)

In estimating fair value of an asset or a liability, the Group uses market-observable data to the extent it is available and engages third party qualified valuers to perform the valuation. The Executive Director/Finance Director works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The Executive Director/Finance Director reports the valuation findings to the Board of Directors of the Group at the end of each reporting period to explain the cause of fluctuations in the fair value of the assets and/or liabilities.

– Embedded derivatives on convertible bonds

In relation to the convertible bonds, the bondholder, Innovision Super Aqua Limited is only entitled to exercise the right to convert the convertible bonds into new ordinary shares of the Company during a stipulated timeframe up till 3 years from the bonds' issuance date.

The fair value of embedded derivatives on convertible bonds is measured at initial recognition and at the end of reporting period using the Binomial Option Pricing Model that incorporated certain unobservable market data, uncertainties in estimates and assumptions used by the directors of the Company. The said method required input of highly subjective assumptions in deriving inputs such as volatility rate and credit yield. Changes in subjective input assumptions could materially affect the fair value estimates.

– Host liability component of the convertible bonds

The fair value of the convertible bonds (including the embedded derivatives) is determined using the Binomial Option Pricing Model that incorporated certain unobservable market data, uncertainties in estimates and assumptions used by the directors of the Company. The said method required input of highly subjective assumptions in deriving inputs such as volatility rate and credit yield. Changes in subjective input assumptions could materially affect the fair value estimates.

The fair value of the host debt component of the convertible bonds is derived as the residual amount from the fair value of the convertible bonds (including the embedded derivatives) deducted by the fair values of embedded derivatives component of the convertible bonds. The amortised cost of the host debt component of the convertible bonds is based on fair value of the host liability at initial recognition, net of transaction costs.

Details of the assumptions used are disclosed in Note 18 to the financial statements.

As at 31 December 2023, the carrying amount of the convertible bonds of the Group and the Company is disclosed in Note 18 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2(e) MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

In addition, the Group and the Company adopted the Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2 Disclosure of Accounting Policies from 1 January 2023. The amendments require the disclosure of "material", rather than "significant", accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed below.

Consolidation

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2(e) MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

Consolidation (Cont'd)

Where the Group has less than a majority of the voting rights of an investee, it has power over the investee where 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2(e) MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

Consolidation (Cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2(e) MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

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 are capitalised and amortised on a straight-line basis over their useful lives between 5 to 10 years.

Software development costs

Software development costs are accounted for using the cost model whereby capitalised costs will be amortised on a straight-line basis over their estimated useful lives of 10 years. During the financial year, the software development is in progress.

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	3 – 20 years, based on lease period
Leasehold improvements	3 – 10 years
Machinery and equipment	5 – 10 years
Motor vehicles	5 – 10 years
Office equipment	3 – 10 years
Office premises on leases	2 – 3 years, based on remaining lease period, whichever is shorter

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2(e) MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

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

No depreciation is provided for construction-in-progress during the year.

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.

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.

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".

2(e) MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

Leases (Cont'd)

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

- *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;

  – 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2(e) MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2(e) MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

Financial assets (Cont'd)

Impairment

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.

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);

2(e) MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

Financial assets (Cont'd)

Impairment (Cont'd)

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

- 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.

(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).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2(e) MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

Financial assets (Cont'd)

Impairment (Cont'd)

(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.

(v) Measurement and recognition of expected credit losses

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2(e) MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

Financial assets (Cont'd)

Impairment (Cont'd)

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

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2(e) MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

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).

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.

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.

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2(e) MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

Financial liabilities (Cont'd)

(i) Financial liabilities at amortised cost (Cont'd)

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.

(ii) Financial liabilities at FVPL

Financial liabilities are classified as at FVPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which SFRS(I) 3 applies, (ii) held for trading, or (iii) it is designated as at FVPL.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and SFRS(I) 9 permits the entire combined contract to be designated as at FVPL.

Financial liabilities at FVPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

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, other liabilities and lease liabilities

Trade and other payables, other liabilities and lease 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2(e) MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

Foreign currency convertible bonds

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds. It was subsequently carried at amortised cost using the effective interest method until the liability was extinguished on conversion or redemption of the bonds.

Conversion option

If the conversion option in convertible bonds is settled other than by the exchange of a fixed amount of cash or other financial asset for a fixed number of the issuer's own equity instruments, the conversion option is a derivative liability. The derivative is required to be carried at fair value with changes in fair value recognised in profit or loss.

On issuance of such convertible bonds, the proceeds were allocated between the embedded equity conversion option and the liability component. The embedded option is recognised at its fair value. The liability component is recognised as the difference between total proceeds and the fair value of the equity conversion option.

The equity conversion option is subsequently carried at its fair value with fair value changes recognised in profit or loss. The liability component is carried at amortised cost until the liability is extinguished on conversion or redemption.

When an equity conversion option is exercised, the carrying amounts of the liability component and the equity conversion option are derecognised with a corresponding recognition of share capital.

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.

2(e) MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

Borrowings (Cont'd)

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

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction, as well as those in relation to general borrowings used to finance the 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 leases. 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 2023

2(e) MATERIAL ACCOUNTING POLICY INFORMATION (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.

Employee share option scheme (the Scheme)

The Company had existing share incentives schemes, namely, Leader Environmental Technologies Share Option Scheme.

The Company issued equity-settled share-based payments to certain employees. The fair value of the employee services received in exchange for the grant of options recognised as an expense in profit or loss with a corresponding increase in the share option reserve over the vesting period. The total amount recognised over the vesting period was determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions were included in the estimation of the number of shares under options that were expected to become exercisable on the vesting date. At the end of each reporting period, the Company revised its estimates of the number of shares under options that were expected to become exercisable on the vesting date and recognised the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options were exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve were credited to the share capital account, when new ordinary shares were issued, or to the "treasury shares" account, when treasury shares were re-issued to the employees.

In the Company's separate financial statements, the fair value of options granted to employees of its subsidiaries was recognised as an increase in the cost of the Company's investment in subsidiaries, with a corresponding increase in equity over the vesting period.

Where the terms of an equity-settled transaction award were modified, the minimum expense recognised was the expense as if the terms had not been modified. If the original terms of the award were met, an additional expense was recognised for any modification that increased the total fair value of the share-based payment transaction or is otherwise beneficial to the employee as measured at the date of modification.

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.

NOTES TO
THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2(e) MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

Income taxes (Cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2(e) MATERIAL ACCOUNTING POLICY INFORMATION (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 grants or subsidies

Grants or subsidies 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 2023

2(e) MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

Revenue recognition

The Group recognises revenue from the following major sources:

- Revenue from environmental engineering contracts
- Treatment income from operation and maintenance contracts
- Rendering of technical services
- Sale of equipment and parts

Revenue from environmental engineering contracts

Revenue from environmental engineering contracts are recognised when the outcome of the contract can be estimated reliably. The Group has assessed that these environmental engineering contracts qualify for over time revenue recognition as the Group has enforceable rights to payment for performance completed till date.

Revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period, as measured by the proportion of contract costs incurred for work performed to date against the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of the contract cannot be estimated reliably, contract revenue is recognised to the extent of contracts costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of specified milestones. If the value of the services rendered exceeded payments received from the customer, a contract asset is recognised. If the payments received from the customer exceeds revenue recognised to date, the Group recognises a contract liability.

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

For costs incurred in fulfilling the contract which were 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 costs relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

2(e) MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

Revenue recognition (Cont'd)

Treatment income from operation and maintenance contracts

Income derived from the managing and operating of infrastructure under non-service concession arrangements is classified as treatment income.

Treatment income is recognised over time.

Rendering of technical services

Revenue from a contract to provide technical services is recognised as a performance obligation over time based on the duration of the contract term.

Sale of equipment and parts

The Group sells equipment and finished parts to customers. Revenue from the sale of equipment and 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2(e) MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

Conversion of foreign currencies (Cont'd)

Group entities

The results and financial positions of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the end of reporting period;

(ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of transactions; and

(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

Operating segments

For management purposes, operating segments are organised based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers are directly accountable to the 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 bonds and share options granted to employees, if any.

2(f) GOING CONCERN

The Group reported loss before taxation of RMB52.7 million (2022 – RMB17.5 million) and a negative operating cash flows from operations of RMB50.8 million (2022 – RMB33.7 million) for the financial year ended 31 December 2023.

As at 31 December 2023, the Group has net current assets of RMB124.7 million (2022 – RMB85.6 million) and a current ratio (current asset/current liabilities) of 3.50 (2022 – 2.82). The Group has cash and cash equivalents of RMB91,767,000 (2022 – RMB43,303,000) and management is of the view that the Group will be able to meet its cashflow requirements and discharge its liabilities in the ordinary course of business in the foreseeable future.

Due to the sluggish macroeconomic conditions in the PRC market, the Group's operations may be affected if such conditions persist, notwithstanding the fact that the Group has secured and is in the process of implementing several Artificial Intelligence in water management ("AIWater") projects. Furthermore, the Group is actively marketing its services to potential customers, both public and private. As at the date of the financial statements, the combined treatment capacity for the AIWater segment is approximately 1.5 million tonnes/day.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

2(f) GOING CONCERN (CONT'D)

The management has prepared a 12-month cashflow forecast from 1 March 2024 to review the appropriateness of the going concern and the directors of the Company are of the view that it is appropriate to prepare the Group's financial statements on a going concern on the following bases:

(a) the Group will be able to generate sufficient cash flows from its existing business operations mainly in Artificial Intelligence in water management ("AIWater") and the sludge waste treatment projects;

(b) the Group will rely mainly on Energy Management Contract ("EMC") and Engineering, Procurement and Construction ("EPC") business model to carry out its business, reducing the capital investment required;

(c) the impact on the government spending and general market sentiments in the PRC will have some constraints on cash flows where the timing of receipt will be longer than expected for which management of the Group will take steps to monitor closely collections from debtors;

(d) there are no changes in the credit terms granted by suppliers and the Group intends to adhere to the average payables (trade and others) turnover days consistent with prior years; and

(e) the Group has unutilised banking facilities of approximately RMB18.8 million as of 31 December 2023 that is available for use.

Subject to the foregoing, the material uncertainty in so far as it regards to the impact of the government initiatives, there is an indication of the existence of a material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern.

Based on these assessments, management has made significant judgment that the use of going concern assumption is appropriate. Accordingly, the financial statements have been prepared on a going concern basis taking into considerations of the above factors.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

3 PROPERTY, PLANT AND EQUIPMENT

The Group	Leasehold land and building RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction-in-progress RMB'000	Office premises on lease RMB'000	Total RMB'000
Cost								
At 1 January 2022	40,578	5,348	1,043	897	789	–	2,941	51,596
Additions	–	2,371	10,221	321	1,369	–	3,749	18,031
Acquisition of a subsidiary [Note 5(a)(ii)]	–	–	4,756	–	18	–	–	4,774
Re-measurement adjustments (Note 19)	–	–	–	–	–	–	(418)	(418)
Written off	–	–	(1,042)	–	(369)	–	–	(1,411)
Currency translation differences	3,798	538	513	–	53	–	–	4,902
At 31 December 2022	**44,376**	**8,257**	**15,491**	**1,218**	**1,860**	**–**	**6,272**	**77,474**
Additions	**–**	**321**	**1,564**	**442**	**456**	**16,045**	**–**	**18,828**
Derecognition of right-of-use asset	**–**	**–**	**–**	**–**	**–**	**–**	**(392)**	**(392)**
Disposal of a subsidiary [Note 5(d)]	**–**	**–**	**–**	**(531)**	**(135)**	**–**	**(329)**	**(995)**
Written off	**–**	**–**	**–**	**–**	**(35)**	**–**	**–**	**(35)**
Currency translation differences	**1,933**	**307**	**453**	**–**	**49**	**–**	**–**	**2,742**
At 31 December 2023	**46,309**	**8,885**	**17,508**	**1,129**	**2,195**	**16,045**	**5,551**	**97,622**
Accumulated depreciation								
At 1 January 2022	507	95	876	518	501	–	1,048	3,545
Depreciation	2,100	705	713	95	149	–	1,565	5,327
Acquisition of a subsidiary [Note 5(a)(ii)]	–	–	576	–	8	–	–	584
Re-measurement adjustments (Note 19)	–	–	–	–	–	–	(204)	(204)
Written off	–	–	(938)	–	(328)	–	–	(1,266)
Currency translation differences	166	22	23	–	–	–	–	211
At 31 December 2022	**2,773**	**822**	**1,250**	**613**	**330**	**–**	**2,409**	**8,197**
Depreciation	**2,266**	**1,183**	**2,191**	**192**	**432**	**–**	**1,631**	**7,895**
Derecognition of right-of-use asset	**–**	**–**	**–**	**–**	**–**	**–**	**(132)**	**(132)**
Disposal of a subsidiary [Note 5(d)]	**–**	**–**	**–**	**(478)**	**(134)**	**–**	**(219)**	**(831)**
Written off	**–**	**–**	**–**	**–**	**(11)**	**–**	**–**	**(11)**
Currency translation differences	**170**	**32**	**41**	**–**	**6**	**–**	**–**	**249**
At 31 December 2023	**5,209**	**2,037**	**3,482**	**327**	**623**	**–**	**3,689**	**15,367**
Accumulated impairment								
At 1 January 2022 and 31 December 2022	–	–	–	–	–	–	–	–
Impairment loss during the year [Note 25(e)]	**2,247**	**–**	**3,778**	**–**	**510**	**–**	**–**	**6,535**
Currency translation differences	**48**	**–**	**84**	**–**	**11**	**–**	**–**	**143**
At 31 December 2023	**2,295**	**–**	**3,862**	**–**	**521**	**–**	**–**	**6,678**
Net book value								
At 31 December 2023	**38,805**	**6,848**	**10,164**	**802**	**1,051**	**16,045**	**1,862**	**75,577**
At 31 December 2022	41,603	7,435	14,241	605	1,530	–	3,863	69,277

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

In FY2022, the Group had provided for restoration cost of RMB65,000 and recorded under "Leasehold improvements" due to its obligation to reinstate the lease of Tianjin office to its original state at the end of the lease maturity. As at 31 December 2023, the carrying amount of the provision for restoration costs are RMB518,000 (2022 – RMB488,000) (Note 20).

As at 31 December 2023 and 2022, the Group has pledged its leasehold land and building to certain banks 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 17).

The Group	2023 RMB'000	2022 RMB'000
Depreciation expenses are allocated to:		
Cost of sales	**1,264**	337
Selling and distribution expenses	**2**	2
Administrative expenses [Note 25(c)]	**6,629**	4,988
	7,895	5,327

Impairment assessment of property, plant and equipment

NTi Memtech Pte. Ltd., a 66.67% (2022 – 60%) subsidiary of the Group reported loss before tax of RMB17,782,000 (2022 – RMB7,765,000) and has a negative operating cashflow of RMB6,738,000 (2022 – RMB5,824,000) for the financial year ended 31 December 2023. The management has identified that certain parts of membrane material, research and development facilities with costs totalling SGD12,421,000 (RMB66,799,000) for impairment assessment.

The Group engaged an independent professional valuer to assess the recoverable amount of the property, plant and equipment during the financial year. The recoverable amounts of the assets were based on fair value less costs to sell, estimated using Comparable Sales Method for leasehold building and the land held by the said subsidiary and Depreciated Replacement Cost method ("DRC method") for machinery and equipment.

Comparable Sales Method is defined as considering the latest transaction sales of similar properties in the vicinity and adjustments are made for differences in location, land area, floor area, condition, tenure, the prevailing market conditions, amongst others.

The management has assessed the Comparable Sales Method to be most appropriate valuation method for the leasehold building and land. The fair value measurement is categorised as a Level 3 fair value based on the inputs in the valuation technique used. For the financial year ended 31 December 2023, the most significant impact of the Comparable Sales Method is the selling price per square feet for the leasehold building and land.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Impairment assessment of property, plant and equipment (Cont'd)

The DRC method is defined as the gross current replacement cost reduced by, factors providing for technical, physical, economic and functional obsolescence considering the asset's total estimated useful life and anticipated residual value (if any).

The management has assessed the DRC method to be the most appropriate valuation method for its machinery and equipment given the highly specialised equipment and lack of market data for comparison. The fair value measurement is categorised as a Level 3 fair value based on the inputs in the valuation technique used.

For the financial year ended 31 December 2023, the most significant input of the depreciated replacement cost valuation relates to the estimated economic obsolescence of the asset. As the said subsidiary has not secured any sales contract since December 2022, thus the obsolescence factors applied are on a higher spectrum.

Based on the valuation, the Group recognised an impairment loss of SGD1,241,000 (RMB6,535,000) in the financial year ended 31 December 2023.

Significant unobservable inputs

Type	Valuation technique/Basis	Significant unobservable inputs	Inter-relationship between key unobservable inputs
Leasehold building and land	– Comparable Sales Method	– selling price per square feet	FY2023 The recoverable amount would increase/(decrease) if selling price per square feet is higher/(lower)
Certain parts of membrane material, research and development facilities	– DRC Method	– technical, physical, economic and functional obsolescence	FY2023 The recoverable amount would increase/(decrease) if residual value factor is higher/(lower).

A decrease in the selling price per square feet applied in the Comparable Sales Method by 1% and an increase in the estimated economic obsolescence applied in the DRC method by 1%, with all other variables held constant, would have no significant impact on the impairment loss.

In respect of financial year ended 31 December 2022, the impairment assessment for the property, plant and equipment relating mainly to a subsidiary [Note 5(ii) – NTi Memtech Pte. Ltd.], the basis of key assumptions was stated therein.

Other than the asset mentioned above, there are no indicators of impairment noted for other property, plant and equipment as at 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company	Leasehold improvements RMB'000	Office equipment RMB'000	Office premises on lease RMB'000	Plant-in-progress RMB'000	Total RMB'000
Cost					
At 1 January 2022	490	57	969	–	1,516
Addition	–	–	–	–	–
At 31 December 2022	**490**	**57**	**969**	**–**	**1,516**
Addition	**–**	**60**	**–**	**11,208**	**11,268**
At 31 December 2023	**490**	**117**	**969**	**11,208**	**12,784**
Accumulated depreciation					
At 1 January 2022	95	14	230	–	339
Depreciation	163	18	306	–	487
At 31 December 2022	**258**	**32**	**536**	**–**	**826**
Depreciation	**165**	**23**	**306**	**–**	**494**
At 31 December 2023	**423**	**55**	**842**	**–**	**1,320**
Net book value					
At 31 December 2023	**67**	**62**	**127**	**11,208**	**11,464**
At 31 December 2022	232	25	433	–	690

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Right-of-use assets

Right-of-use of assets under leasing arrangements are presented together with property, plant and equipment with carrying amounts of RMB40,667,000 (2022 – RMB45,466,000) as at 31 December 2023.

Right-of-use assets classification within property, plant and equipment

The Group	**Leasehold land and building RMB'000**	**Office premises on lease RMB'000**	**Total RMB'000**
Cost			
At 1 January 2022	40,578	2,941	43,519
Additions – new leases	–	3,749	3,749
Re-measurement adjustments	–	(418)	(418)
Currency translation difference	3,798	–	3,798
At 31 December 2022	**44,376**	**6,272**	**50,648**
Derecognition of right-of-use asset	**–**	**(392)**	**(392)**
Disposal of a subsidiary	**–**	**(329)**	**(329)**
Currency translation difference	**1,933**	**–**	**1,933**
At 31 December 2023	**46,309**	**5,551**	**51,860**
Accumulated depreciation			
At 1 January 2022	507	1,048	1,555
Depreciation	2,100	1,565	3,665
Re-measurement adjustments	–	(204)	(204)
Currency translation difference	166	–	166
At 31 December 2022	**2,773**	**2,409**	**5,182**
Depreciation	**2,266**	**1,631**	**3,897**
Derecognition of right-of-use asset	**–**	**(132)**	**(132)**
Disposal of a subsidiary	**–**	**(219)**	**(219)**
Currency translation difference	**170**	**–**	**170**
At 31 December 2023	**5,209**	**3,689**	**8,898**
Accumulated impairment			
At 1 January 2022 and 31 December 2022	**–**	**–**	**–**
Impairment loss during the year	**2,247**	**–**	**2,247**
Currency translation difference	**48**	**–**	**48**
At 31 December 2023	**2,295**	**–**	**2,295**
Net book value			
At 31 December 2023	**38,805**	**1,862**	**40,667**
At 31 December 2022	41,603	3,863	45,466

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Right-of-use assets (Cont'd)

Nature of the Group's leasing activities

(i) *Office premises on lease*

The Group leases three (2022 – five which includes one arising from the sale and leaseback arrangement for the office in Changchun, Jilin in 2021) office premises for back office operations of the PRC subsidiaries. In addition, the Group leased one (2022 – one) office for back office operation in Singapore to support the PRC subsidiaries.

During the financial year ended 31 December 2023, the Group disposed off Jilin Anjie Environmental Engineering Co., Ltd. and derecognised a right-of-use asset of RMB110,000 and lease liabilities of RMB99,000 [Notes 5(d) and 19].

During the financial year ended 31 December 2023, the Group has deregistered a subsidiary – Guangdong Zhihe Energy-Saving and Environmental Protection Technology Co., Ltd. and derecognised a right-of-use asset of RMB260,000 and lease liabilities of RMB266,000 (Note 19). A gain of RMB6,000 has been recognised in the profit or loss due to early termination of an office lease in Guangdong, the PRC [Note 25(b)].

(ii) *Leasehold land and building*

In 2021, the Group's subsidiary made upfront payments of RMB41,355,000 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 SGD6.0 million, approximately RMB32.3 million (2022 – SGD6.0 million, approximately RMB30.9 million) (Note 17).

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 carrying amount of right-of-use assets and lease liabilities recognised and the movements during the financial year ended 31 December 2023 are disclosed in Note 3 and Note 19 to the financial statements respectively.

(b) *Interest expense*

The Group	2023 RMB'000	2022 RMB'000
Interest expense on lease liabilities (Note 19)	**152**	166

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Right-of-use assets (Cont'd)

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

(c) *Lease payment not capitalised in lease liabilities*

The Group	2023 RMB'000	2022 RMB'000
Lease expense – short term leases	**525**	232

(d) Total cash outflows for all the leases, including short-term leases, in 2023 for the Group were RMB2,296,000 (2022 – RMB1,671,000).

4 INTANGIBLE ASSETS

The Group	Goodwill RMB'000	Patents RMB'000	Software development costs* RMB'000	Total RMB'000
Cost				
At 1 January 2022	–	1,796	–	1,796
Acquisition of a subsidiary [Notes 5(a)(i) and 5(a)(ii)]	5	367	–	372
Addition	–	–	2,374	2,374
Written off	(5)	–	–	(5)
At 31 December 2022	**–**	**2,163**	**2,374**	**4,537**
Addition	**–**	**–**	**369**	**369**
At 31 December 2023	**–**	**2,163**	**2,743**	**4,906**
Accumulated amortisation				
At 1 January 2022	–	180	–	180
Amortisation for the year	–	192	–	192
At 31 December 2022	**–**	**372**	**–**	**372**
Amortisation for the year	**–**	**252**	**–**	**252**
At 31 December 2023	**–**	**624**	**–**	**624**
Net book value				
At 31 December 2023	**–**	**1,539**	**2,743**	**4,282**
At 31 December 2022	–	1,791	2,374	4,165

* in-progress

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

4 INTANGIBLE ASSETS (CONT'D)

The Group	2023 RMB'000	2022 RMB'000
Amortisation expenses are allocated to:		
Cost of sales	**72**	12
Administrative expenses [Note 25(c)]	**180**	180
	252	192

Goodwill

In May 2022, the Group's wholly-owned subsidiary, United Greentech (Guangzhou) Co., Ltd., acquired 100% of the issued share capital of Guangdong Zhihe Energy-saving and Environmental Protection Technology Co., Ltd. for a purchase consideration of RMB1.00. The goodwill of RMB5,000 arising from the acquisition of the subsidiary had been recognised and written off immediately to the profit or loss.

Patents

In October 2022, the Group's wholly-owned subsidiary, United Greentech (Guangzhou) Co., Ltd., acquired 70% of the issued share capital of Zhejiang Bofeng Environmental Technology Co., Ltd. (浙江铂沣环保科技有限公司). The acquired patent will provide the Group with the exclusive right to enhance and expand the capabilities and functionalities for oil sludge treatment. The patents are amortised over a 5-year period and have a remaining useful life of 46 months (2022 – 58 months) as at 31 December 2023.

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 carried 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 84 months (2022 – 96 months) as at 31 December 2023.

Software development costs

The software development costs refer to costs incurred in the enhancements and development of the existing AIWater System, which is currently in use, to generate business.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

5 INVESTMENT IN SUBSIDIARIES

The Company	2023 RMB'000	2022 RMB'000
Unquoted equity shares, at cost		
– At 1 January	**272,302**	248,668
– Additions	**18,771**	23,634
– Disposal	**(162,606)**	–
– At 31 December	**128,467**	272,302
Less: allowance for impairment of investment in a subsidiary		
– At 1 January	**(162,606)**	(162,606)
– Allowance made during the year	**(15,815)**	–
– Allowance no longer required	**6,645**	–
– Allowance written off	**155,961**	–
– At 31 December	**(15,815)**	(162,606)
Net investment in subsidiaries	**112,652**	109,696

Allowance for impairment

(i) Jilin Anjie Environmental Engineering Co., Ltd.

– Impairment of RMB162,606,000

In financial year 2022, the management reassessed the carrying amount of its investment in a subsidiary – Jilin Anjie Environmental Engineering Co., Ltd. (Anjie Environmental) for indication of whether the extent of full impairment made is appropriate on the basis that there was no new industrial wastegas projects secured and undertaken by the subsidiary in the past few years and there was no new business opportunity. The recoverable amount of the investment had been determined to be in an insignificant net asset position based on the management accounts as at 31 December 2022, there was no expected reversal of impairment at the reporting date.

In financial year 2023, the Company has disposed Anjie Environmental to a third party for a consideration of RMB6,645,000 and an allowance no longer required amounting to RMB6,645,000 has been credited to the profit or loss of the Company.

(ii) NTi Memtech Pte. Ltd. (NTi Memtech)

During the financial year ended 31 December 2023, NTi Memtech Pte. Ltd. has incurred loss after taxation for the year of approximately RMB17,782,000 (SGD3,377,000) [2022 – RMB7,765,000 (SGD1,592,000)].

For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). As a result, NTi Memtech is identified as a cash-generating unit ("CGU") for impairment assessment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

5 INVESTMENT IN SUBSIDIARIES (CONT'D)

Allowance for impairment (Cont'd)

(ii) NTi Memtech Pte. Ltd. (NTi Memtech) (Cont'd)

(a) Fair value less cost of disposal (FVLCD)

In 2023, the Company has recognised an impairment loss of RMB15,815,000 for its investment in NTi Memtech. The recoverable amount of the investment is determined based on the revalued net assets of NTi Memtech as at the reporting date under the fair value hierarchy Level 3 measurement. The most significant input into this valuation approach is the selling price per square feet applied in the valuation of the leasehold property held by NTi Memtech and the estimated economic obsolescence applied in the valuation of machinery and equipment of NTi Memtech.

A decrease in the selling price per square feet applied in the valuation for the leasehold properties of the subsidiary by 5%, with all other variables held constant, would have increased the impairment loss by RMB359,000. An increase in the estimated economic obsolescence applied in the valuation for the machinery and equipment of the subsidiary by 5%, with all other variables held constant, would have increased the impairment loss by RMB226,000.

(b) Value-in-use (VIU)

In FY2022, the impairment assessment on the Company's interest in NTi Memtech was determined based on management forecasts using the value-in-use ("VIU") approach after taking into account non-operating items such as excess cash to derive the equity value or the value of the Company's interest in NTi Memtech.

The recoverability of the investment in the subsidiary was determined based on VIU approach. Cash flow projections used in the VIU calculations were based on financial budgets approved by the management covering a five-year period from 2023 to 2027. The cash flow projections represent expected income less related costs and were based on expected performances for the membrane manufacturing industry in general. A post-tax discount rate of approximately 15.30% for the subsidiary had been applied to the cash flow projections.

Key assumptions	
Revenue average annual growth rate	21.50%*
Perpetual growth rate	1.89%
Weighted average cost of capital (WACC)	15.30%

* The higher growth forecast took into consideration that the membrane manufacturing plant which was operational and ready to secure orders from customers in Taiwan and China.

The Group applied the valuation technique to estimate the recoverable amount from the traditional approach (i.e. discount rate adjustment method) that used a single cash flow scenario, to the expected cash flow approach that uses multiple probability-weighted cash flow scenarios. This valuation technique was to cater for the significantly higher degree of estimation uncertainty and wider range of possible cash flow projections arising from the new business segment, i.e. the manufacturing of high-performance products.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

5 INVESTMENT IN SUBSIDIARIES (CONT'D)

Allowance for impairment (Cont'd)

(ii) NTi Memtech Pte. Ltd. (NTi Memtech) (Cont'd)

(b) Value-in-use (VIU) (Cont'd)

Significant management judgement was required to estimate the weightage of the different scenarios projected, and the key inputs used in each scenario, such as gross margin and weighted average growth rates. In making these estimates, management had relied on its expectations of market developments including estimates of the recovery of the industries and economies where the Group's operations are situated in.

Based on the audited financial statements of NTi Memtech as at 31 December 2022, the net tangible assets of the NTi Memtech was reported to be RMB41.3 million (SGD8.0 million). The Company's share of the subsidiary's net tangible assets was RMB24.8 million (SGD4.8 million), where a deficit of RMB4.1 million had been noted. On the basis of the value-in-use ("VIU") approach, there was no impairment deemed necessary for the financial year ended 31 December 2022.

The Company has the following subsidiaries as at 31 December 2023 and 2022:

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 2023	2022	Principal activities
				%	%	
Held by the Company						
Jilin Anjie Environmental Engineering Co., Ltd. ("Anjie Environmental")[1,2]	People's Republic of China	–	–	**–**	100.00	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")[2,3,4]	Singapore	87,568,774 (SGD18,070,000)	87,568,774 (SGD18,070,000)	**100.00**	100.00	Investment holding
NTi Memtech Pte. Ltd. ("NTi Memtech")[2,5,6]	Singapore	58,877,682 (SGD12,000,000)	58,877,682 (SGD12,000,000)	**66.67**	60.00	Manufacture and production of membrane fibres and products

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

5 INVESTMENT IN SUBSIDIARIES (CONT'D)

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 2023	2022	Principal activities
				%	%	
Held by United Greentech Holdings Pte. Ltd.						
United Greentech (Guangzhou) Co., Ltd. ("Greentech Guangzhou")[2,7]	People's Republic of China	89,500,000	207,630,000	**100.00**	100.00	Investment holding
United Kaida Greentech (Shandong) Co., Ltd. ("Greentech Shandong")[2,9]	People's Republic of China	–	–	**–**	81.80	Investment holding
AIWater (Anhui) Co., Ltd. ("AIWater")[2,10]	People's Republic of China	27,941,576	65,000,000	**70.00**	70.00	In the business of artificial intelligent technology in water treatment system
Held by United Greentech (Guangzhou) Co., Ltd.						
United Greentech (Tianjin) Co., Ltd. ("Greentech Tianjin")[2,8]	People's Republic of China	42,500,000	70,000,000	**100.00**	100.00	Municipal sludge treatment and management, industrial wastewater treatment and recycling, and other environmental related projects
Bituo Environmental Technologies (Tianjin) Co., Ltd. ("Bituo")[2,11]	People's Republic of China	1,371,685	25,897,600 (USD4,000,000)	**100.00**	100.00	Patents owner of continuous hydrolysis technology for municipal sludge treatment projects

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

5 INVESTMENT IN SUBSIDIARIES (CONT'D)

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 2023	2022	Principal activities
				%	%	
Held by United Greentech (Guangzhou) Co., Ltd. (Cont'd)						
Guangdong Zhihe Energy-saving and Environmental Protection Technology Co., Ltd. ("Guangdong Zhihe")[2,12]	People's Republic of China	–	–	**–**	100.00	Soil treatments, controls and maintenance services in environmental related business in respect of marine, oil and gas industries
United Greentech (Bazhou) Co., Ltd. ("Greentech Bazhou")[2,13]	People's Republic of China	20,706,900	34,500,000	**79.98**	79.98	Investments and operations of sludge treatment facilities
Zhejiang Bofeng Environmental Technology Co., Ltd. ("Zhejiang Bofeng")[2,14]	People's Republic of China	6,893,444	10,000,000	**70.00**	70.00	Oil sludge treatment

1 The entity was disposed to a third party on 30 June 2023 – see Note 5(d).

2 Audited by Foo Kon Tan LLP for consolidation purposes.

3 In 2020, the Company has subscribed 1,000,000 ordinary shares of United Greentech amounting to RMB4.9 million (SGD1.0 million) at RMB4.92 (SGD1) per share. On 7 January 2021, the Company has converted the advances paid to United Greentech amounting to RMB25,095,570 (SGD5,100,000) into equity by way of issuance of 5,100,000 ordinary shares at RMB4.92 (SGD1) per share to the Company. Subsequently, the Company made further capital injections of RMB35.2 million (SGD7.5 million) in 2021; RMB15.2 million (SGD3.1 million) in 2022 and RMB7.1 million (SGD1.4 million) in 2023 into United Greentech.

4 On 16 February 2021, United Greentech had changed its name to "United Greentech Holdings Pte. Ltd.".

5 In FY2021, the Company has made capital contributions of RMB20.8 million (SGD4.32 million) into NTi Memtech Pte. Ltd. (formerly known as Nanosun Membrane Pte. Ltd.), representing 60% interest in the subsidiary. Subsequently, the Company made further capital injections of RMB8.1 million (SGD1.68 million) in 2022 into NTi Memtech. In 2023, the Company has made additional capital injection of RMB10.7 million (SGD2.0 million) into NTi Memtech, and therefore, increased its interest in NTi Memtech from 60% to 66.67% [Note 5(c)(ii)].

6 On 25 August 2022, Nanosun Membrane Pte. Ltd. changed its name to NTi Memtech Pte. Ltd.

7 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, RMB15.0 million and RMB5.0 million were made in FY2021, FY2022 and FY2023 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

5 INVESTMENT IN SUBSIDIARIES (CONT'D)

8 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 in FY2021.

9 In FY2021, United Greentech made capital contributions of RMB5.0 million into Greentech Shandong, representing 72% in Greentech Shandong. In September 2022, United Greentech acquired an additional shareholding interest in Greentech Shandong of 9.8% from a non-controlling shareholder for a consideration of RMB316,000 and therefore, increased its interest in Greentech Shandong from 72.0% to 81.8% [Note 5(c)(i)]. Greentech Shandong was deregistered on 23 November 2023 [Note 5(e)(ii)].

10 In FY2021, United Greentech injected capital contributions of RMB7.0 million into AIWater, being 70% shareholding of the subsidiary. Subsequently, United Greentech made further capital injections of RMB14.0 million into AIWater in 2023. As at 31 December 2023, AIWater has not called up the share capital contributions from the non-controlling shareholders amounting to RMB2.1 million.

11 In FY2021, Greentech Guangzhou had acquired 100% equity interest of Bituo for a consideration RMB1.372 million.

12 In May 2022, Greentech Guangzhou acquired 100% of the issued share capital of Guangdong Zhihe for a purchase consideration of RMB1 [Note 5(a)(i)]. Subsequently, Greentech Guangzhou injected capital contributions of RMB1 million into Guangdong Zhihe in 2022. Guangdong Zhihe has been deregistered on 22 September 2023 [Note 5(e)(i)].

13 In FY2022, Greentech Guangzhou incorporated Greentech Bazhou and injected capital contributions of RMB20,700,000 into Greentech Bazhou, representing 79.98% interest in the subsidiary.

14 In October 2022, the Group acquired 70% of the issued share capital of Zhejiang Bofeng for a purchase consideration of RMB3,393,000 [Note 5(a)(ii)]. In 2023, Greentech Guangzhou made further capital injections of RMB3.5 million into Zhejiang Bofeng. As at 31 December 2023, Zhejiang Bofeng has not called up the share capital contributions from the non-controlling shareholders amounting to RMB1.5 million.

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)/Profit for the year allocated to NCI		Total comprehensive (loss)/income for the year allocated to NCI		NCI accumulated at the reporting date	
	2023	2022	2023	2022	2023	2022	2023	2022
	%	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
NTi Memtech Pte. Ltd.	**33.33**	40.00	**(6,503)**	(3,106)	**(5,927)**	(1,714)	**11,540**	16,501
AIWater (Anhui) Co., Ltd.	**30.00**	30.00	**(2,229)**	(758)	**(2,229)**	(758)	**3,920**	2,207
United Greentech (Bazhou) Co., Ltd.	**20.02**	20.02	**(1,495)**	25	**(1,495)**	25	**(1,463)**	32
Other subsidiaries with immaterial NCI			**(983)**	529	**(983)**	529	**507**	2,002
			(11,210)	(3,310)	**(10,634)**	(1,918)	**14,504**	20,742

In financial year 2023, the Group has received capital contributions of RMB3,942,000 (2022 – RMB4,386,000) from non-controlling shareholders of a subsidiary – AIWater (2022 – NTi Memtech and Greentech Bazhou). In financial year 2022, NTi Memtech issued 215,289 ordinary shares of SGD1.00 each by way of capitalising the indebtedness of SGD215,289 (RMB1,025,000) owing to the non-controlling shareholder of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

5 INVESTMENT IN SUBSIDIARIES (CONT'D)

Non-controlling interests (Cont'd)

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests are set out below:

	NTi Memtech Pte. Ltd.		AIWater (Anhui) Co., Ltd.		United Greentech (Bazhou) Co., Ltd.	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000 (Restated)
Non-current assets	**52,025**	58,210	**7,098**	4,430	**–**	–
Current assets	**13,218**	11,607	**14,807**	4,410	**13,363**	20,865
Current liabilities	**(7,037)**	(4,602)	**(3,787)**	(1,396)	**–#**	(33)
Non-current liabilities	**(22,564)**	(23,962)	**–**	(89)	**–**	–
Net assets	**35,642**	41,253	**18,118**	7,355	**13,363**	20,832
Revenue	**85**	6	**6,404**	1,236	**–**	13,455
Expenses	**(17,867)**	(7,771)	**(13,835)**	(3,762)	**(7,470)**	(13,330)
(Loss)/Profit for the year	**(17,782)**	(7,765)	**(7,431)**	(2,526)	**(7,470)**	125
Other comprehensive income for the year	**1,499**	3,479	**–**	–	**–**	–
Total comprehensive (loss)/income for the year	**(16,283)**	(4,286)	**(7,431)**	(2,526)	**(7,470)**	125
(Loss)/Profit attributable to:						
– owners of the Company	**(11,279)**	(4,659)	**(5,202)**	(1,768)	**(5,975)**	100
– NCI	**(6,503)**	(3,106)	**(2,229)**	(758)	**(1,495)**	25
	(17,782)	(7,765)	**(7,431)**	(2,526)	**(7,470)**	125
Total comprehensive (loss)/income attributable to:						
– owners of the Company	**(10,356)**	(2,572)	**(5,202)**	(1,768)	**(5,975)**	100
– NCI	**(5,927)**	(1,714)	**(2,229)**	(758)	**(1,495)**	25
	(16,283)	(4,286)	**(7,431)**	(2,526)	**(7,470)**	125
Net cash outflows from operating activities	**(6,738)**	(5,824)	**(8,351)**	(2,065)	**(2,305)**	(13,951)
Net cash outflows from investing activities	**(1,432)**	(2,868)	**(3,258)**	(4,253)	**–**	–
Net cash inflows/(outflows) from financing activities	**8,903**	8,513	**17,776**	(100)	**–**	20,707
Net increase/(decrease) in cash and cash equivalents	**733**	(179)	**6,167**	(6,418)	**(2,305)**	6,756

below RMB1,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

5 INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisition of, loss of control in subsidiary, changes in interest without a change in control, disposal of a subsidiary and deregistration of subsidiaries

5(a) Acquisition of subsidiaries

(i) Guangdong Zhihe

In May 2022, the Group's wholly-owned subsidiary, United Greentech (Guangzhou) Co., Ltd., acquired 100% of the issued share capital of Guangdong Zhihe Energy-saving and Environmental Protection Technology Co., Ltd ("Guangdong Zhihe") for a purchase consideration of RMB1. There were no assets acquired, and the liabilities assumed relate mainly to other payables of RMB5,000. The Group applied the concentration test and the acquisition of Guangdong Zhihe had been assessed and accounted for as an acquisition of assets in the financial statements.

The following table summarises the recognised amounts of liabilities assumed at the date of acquisition.

	2022 RMB'000
Other payables	(5)
Total identifiable net liabilities assumed	(5)
Total purchase consideration	–*
Goodwill	5
Cash outflow on acquisition:	
Cash consideration paid	–*
Less: Cash and cash equivalents acquired	–
Net cash outflow on acquisition	–

* The consideration for the acquisition was RMB1, taking into account the negative net assets of the acquired subsidiary, and tax consequences, if any.

Goodwill of RMB5,000 (Note 4) arising from the acquisition was recognised and written off immediately to profit or loss during the financial year ended 31 December 2022.

(ii) Zhejiang Bofeng

In October 2022, the Group's wholly-owned subsidiary, United Greentech (Guangzhou) Co., Ltd., acquired 70% interest in Zhejiang Bofeng Environmental Technology Co., Ltd. ("Zhejiang Bofeng") for a purchase consideration of RMB3,393,000. The Group had determined that the acquired inputs (patented technologies and machinery and equipment) and processes will contribute significantly to the ability to generate oil sludge treatment revenue. In view of this, the Group has concluded that it was an acquisition of business. This transaction had been accounted for by the acquisition method of accounting.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

5 INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisition of, loss of control in subsidiary, changes in interest without a change in control, disposal of a subsidiary and deregistration of subsidiaries (Cont'd)

5(a) Acquisition of subsidiaries (Cont'd)

(ii) Zhejiang Bofeng (Cont'd)

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	2022 RMB'000
Intangible assets – patents	367
Plant and equipment	4,190
Trade and other receivables	307
Cash and cash equivalents	471
Trade and other payables	(481)
Other liabilities	(7)
Total identifiable net assets acquired	4,847
Less: non-controlling interests (30%)	(1,454)
	3,393
Total purchase consideration	3,393
Goodwill	–
Cash outflow on acquisition:	
Cash consideration paid	(3,393)
Less: Cash and cash equivalents acquired	471
Net cash outflow on acquisition	(2,922)

5(b) Loss of control in subsidiary

Upon a mutual agreement signed with the joint investment partner and approved on 4 August 2022, Greentech Shandong reduced its shareholding interest from 65.0% to 50.0% in Greentech Yishui. Accordingly, the Group lost its control over Greentech Yishui and Greentech Yishui is now deemed as an associate as the Group has the significant influence because of its representation on the board of directors and at shareholders' meetings and its provision of essential technical information. The Group recognised a loss of RMB94,000 [Note 25(d)] during the financial year ended 31 December 2022, and equity accounted its investment in Greentech Yishui [see Note 6].

	2022 RMB'000
Fair value of consideration	–
Fair value of the Group's retained non-controlling interest, post transaction	5,312
Non-controlling interest	219
	5,531
Less: Carrying value of former subsidiary's net assets	(5,625)
Loss on interest sold and retained non-controlling interest	(94)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

5 INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisition of, loss of control in subsidiary, changes in interest without a change in control, disposal of a subsidiary and deregistration of subsidiaries (Cont'd)

5(b) Loss of control in subsidiary (Cont'd)

Disclosure of gain or loss related to the remeasurement of the retained non-controlling investment to fair value

	2022 RMB'000
Fair value of retained non-controlling interest	5,312
Carrying value of non-controlling interest after the disposal (Note 6)	(5,312)
Gain/(loss) on retained non-controlling interest	–

The effect of the cash flow arising from the transaction above:

	2022 RMB'000
Assets	
Contract asset	1,179
Other receivables	153
Cash and cash equivalents	4,583
	5,915
Liabilities	
Other payables	(1)
Other liabilities	(81)
Income tax payable	(208)
	(290)
Net assets	5,625
Net cash outflow on loss control of subsidiary	
Net assets of former subsidiary	5,625
Less: Non-controlling interest	(219)
Less: Loss arising from loss control of subsidiary	(94)
Less: Fair value of the Group's retained non-controlling interest, post transaction	(5,312)
	–
Less: Cash and cash equivalents of the former subsidiary	(4,583)
Net cash outflow on loss control of subsidiary	(4,583)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

5 INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisition of, loss of control in subsidiary, changes in interest without a change in control, disposal of a subsidiary and deregistration of subsidiaries (Cont'd)

5(c) Changes in interest in subsidiary without loss of control

(i) Greentech Shandong

In September 2022, United Greentech acquired an additional shareholding interest of 9.8% in Greentech Shandong from one of the subsidiary's non-controlling shareholder, Qingdao Hexin Huanjing Co., Ltd., for a cash consideration of RMB316,000, thereby increased its ownership from 72.0% to 81.8%. The carrying amount of net assets of Greentech Shandong in the Group's consolidated financial statements on the date of the acquisition was RMB5,160,000.

	2022 RMB'000
Carrying amount of NCI acquired	337
Consideration paid to NCI	(316)
Increase in equity interest attributable to owners of the Company	21

The increase in equity interest attributable to owners of the Company is due to profit generated during the financial year ended 31 December 2022 and recorded in the capital reserve (Note 16).

* Share capital in respect of the NCIs' shareholding interests of RMB1,042,000 was not called up during the financial year ended 31 December 2022.

(ii) NTi Memtech

In October 2023, the Company's interest in NTi Memtech has increased from 60% to 66.67% as a result of additional capital injection in NTi Memtech of RMB10.7 million (SGD2 million) during the year. The carrying amount of net assets of NTi Memtech in the Group's consolidated financial statements on the date of the change of interest was RMB20,247,000.

	2023 RMB'000
Decrease in carrying amount of NCI	**(965)**
Consideration paid to NCI	**–**
Decrease in equity interest attributable to owners of the Company	**(965)**

The decrease in equity interest attributable to owners of the Company is due to accumulated losses of NTi Memtech and recorded in the accumulated losses.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2023

5 INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisition of, loss of control in subsidiary, changes in interest without a change in control, disposal of a subsidiary and deregistration of subsidiaries (Cont'd)

5(d) Disposal of a subsidiary

On 30 June 2023, the Group disposed of its 100% interest in a subsidiary, Jilin Anjie Environmental Engineering Co., Ltd. ("Anjie Environmental").

Details of the disposal are as follows:

The Group	2023 RMB'000
Property, plant and equipment	164
Trade and other receivables	13,232
Cash and cash equivalents	2
Total assets	13,398
Contract liabilities	(13)
Trade and other payables	(4,846)
Lease liabilities	(99)
Other liabilities	(2,483)
Total liabilities	(7,441)
Net assets disposed of	5,957
Cash outflow arising from disposal:	
Net assets disposed of (as above)	5,957
Gain on disposal [Note 25(b)]	688
Sale proceeds	6,645
Less: Amount owing by the Company to Anjie Environmental*	(6,845)
Less: Cash and cash equivalents in subsidiary disposed of	(2)
Net cash outflow on disposal*	(202)

* The amount owing by the Company to Anjie Environmental of RMB6,845,527 has been used to offset the sales proceeds from disposal. Following the completion of the transfer of Anjie Environmental shares to the purchaser, the final settlement of RMB200,000 was paid by the Group to the purchaser to complete the transaction.

The gain on disposal of subsidiary is recorded within "other income" in the profit or loss.

5(e) Deregistration of subsidiaries

(i) Guangdong Zhihe

On 22 September 2023, the Group has deregistered Guangdong Zhihe, which has been an inactive wholly-owned subsidiary of the Group.

(ii) Greentech Shandong

On 23 November 2023, the Group has deregistered Greentech Shandong, of which the Group held effective equity interest of 81.8%. The Group has recognised a loss on deregistration of the subsidiary of RMB76,000 in the profit or loss [Note 25(d)].

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

6 ASSOCIATE

The Group	Note	2023 RMB'000	2022 RMB'000
Unquoted equity shares		–	5,000
Share of retained profits		–	312
	5(b)	–	5,312
Add: Share of post-acquisition profits		–	504
		–	5,816

Details of the Group's associate as at the reporting dates were as follows:

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 2023 %	2022 %	Principal activities
Held by United Kaida Greentech (Shandong) Co,. Ltd.						
United Greentech (Yishui) Co., Ltd. ("Greentech Yishui")[1]	People's Republic of China	–	–	–	50.0	Investment in animal manure, sludge and wastewater treatment projects

[1] Audited by Foo Kon Tan LLP for consolidation purposes.

Voluntary dissolution of Greentech Yishui

During financial year ended 31 December 2023, the Group and the other shareholders of Greentech Yishui voluntarily dissolved the associate. Following the voluntary dissolution by the associate, the Group has recognised a loss of RMB4,000 in the profit or loss, calculated as follows:

The Group	2023 RMB'000
Cash received upon dissolution of associate	**5,000**
Less: Carrying amount of investment at the date of dissolution	**(5,004)**
Loss on dissolution of associate [Note 25(d)]	**(4)**

The associate was accounted for using the equity method in the Group's consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

6 ASSOCIATE (CONT'D)

Aggregate information of the Group's associate were as follows:

The Group	2023 RMB'000	2022 RMB'000
Total assets	–	7,302
Total liabilities	–	(670)
Net assets	–	6,632
Associate's net assets at end of the year	–	6,632
Uncalled capital of the controlling shareholder of associate	–	5,000
	–	11,632
Group's share of associate's net assets at end of year	–	5,816
Revenue	–	3,145
(Loss)/profit for the year	**(1,624)**	2,178
Group's share of result of the associate	**(812)**	504*

* The Group's share of result of the associate excludes the associate's profit for the period from 1 January 2022 to 31 July 2022 of RMB1,170,000 before the loss of control of the former subsidiary.

The Group's commitments in respect of its associate were set out below:

The Group	2023 RMB'000	2022 RMB'000
Commitment to provide funding for an associate's capital contribution, if called	–	5,000
Share of an associate's commitment in respect of a project invested with local government of Yishui County	–	15,000
	–	20,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

7 CONTRACT ASSETS AND LIABILITIES

Contract assets

The Group	2023 RMB'000	2022 RMB'000 (Restated)*^
Engineering contracts	**16,082**	15,781
Specialised equipment	**54,610**	42,974
	70,692	58,755
Less: loss allowance	**(16,903)**	(603)
	53,789	58,152
Presented as:		
Current	**53,789**	58,152
Non-current	**–**	–
	53,789	58,152

Further breakdown of the contract assets is as follow:

The Group	2023 RMB'000	2022 RMB'000 (Restated)*^
Public-Private-Partnership sludge treatment project	**46,376**	42,879
Specialised equipment	**8,234**	96
Industrial wastewater project	**–**	15,551
Technical services	**16,082**	229
	70,692	58,755
Less: loss allowance [Note 34.2]		
– At 1 January	**(603)**	(5,602)
– Impairment loss for the year [Note 25(e)]	**(16,304)**	(599)
– Impairment loss transferred to loss allowance of trade receivables	**–**	4,147
– Impairment loss transferred to loss allowance of retention receivables	**–**	1,451
– Disposal of a subsidiary	**4**	–
– At 31 December	**(16,903)**	(603)
Contract assets – total	**53,789**	58,152

* Please refer to Note 39 to the financial statements.

^ In so far as to the prior year adjustments, there is no impact and effect on the Group's statement of financial position as at 1 January 2022 as the occurrence of transaction was towards the end of FY2022.

The contract assets relate primarily to the Group's right to recognise revenue for work completed but not billed at the reporting date on its industrial wastewater and sludge treatment project. 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 34.2.

7 CONTRACT ASSETS AND LIABILITIES (CONT'D)

Contract liabilities

Contract liabilities relate to advances received from customers for on-going contracts, for which revenue is recognised for achieving certain contract milestones. There were no contract liabilities recognised as at 31 December 2023 and 2022.

(i) Revenue recognised in relation to contract liabilities

The Group	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in the contract liabilities balance as at 1 January	**–**	–

(ii) Unsatisfied performance obligations

The Group	2023 RMB'000	2022 RMB'000 (Restated)*
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 31 December	**–**	3,497

* Arising from the withdrawal of the Public-Private-Partnership ("PPP") sludge treatment project in October 2023, the unsatisfied performance obligation as at 31 December 2022 amounting to RMB98,116,000 is no longer required to be fulfilled by the Group.

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

As at 1 January 2022, the gross contract assets related to revenue from contracts with customer amounted to RMB38,154,000.

8 INVENTORIES

The Group	2023 RMB'000	2022 RMB'000
Raw materials, at cost	**5,322**	5,622
Finished goods	**–**	51
Work-in-progress	**1,182**	14
	6,504	5,687
Income statement:		
Cost of inventories included in cost of sales	**436**	66

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

9 TRADE AND OTHER RECEIVABLES

	Note	The Group 2023 RMB'000	The Group 2022 RMB'000	The Company 2023 RMB'000	The Company 2022 RMB'000
Trade receivables (Gross)	34.2	**9,346**	6,205	**–**	–
Less: Allowance for impairment					
– At 1 January		**(3,508)**	(406)	**–**	–
– Reclassification from contract assets		**–**	(4,147)	**–**	–
– Reclassification to retention receivables		**–**	45	**–**	–
– Impairment loss during the year	25(e)	**(240)**	–	**–**	–
– Impairment loss no longer required		**–**	1,000	**–**	–
– Disposal of a subsidiary		**3,508**	–	**–**	–
– At 31 December		**(240)**	(3,508)	**–**	–
Trade receivables (Net)		**9,106**	2,697	**–**	–
Retention receivables	34.2	**–**	2,148	**–**	–
Grant receivables		**–**	34	**–**	18
Interest receivables		**136**	–	**136**	–
Other receivables					
– Amounts due from subsidiaries		**–**	–	**15,075**	755
– Advances to trade suppliers	34.2	**–**	2,093	**–**	–
– Advances to non-trade suppliers	34.2	**196**	1,775	**–**	354
– Advances to a related party	30	**–**	582	**–**	–
– Advances to employees	34.2	**–**	34	**–**	–
– Tender and security deposits	34.2	**–**	8,069	**–**	–
– VAT and other tax receivables		**5,020**	1,616	**–**	–
– Others		**751**	801	**102**	94
		5,967	14,970	**15,177**	1,203
Total		**15,209**	19,849	**15,313**	1,221

The Group

Trade receivables for the industrial wastewater project in Shijiazhuang and sales of equipment and parts are non-interest bearing and their credit terms are generally within 30 days whereas the trade receivables for the past secured industrial wastegas and wastewater projects are 150 days' terms and longer. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Interest receivables relate to accrued interest income on fixed deposits.

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.

In the financial year 2023, advances to a related party of RMB582,000 (SGD113,000) were reclassified to GST receivable relating to the equipment and machinery supplied by the said related party upon the receipt of supplier invoice.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

9 TRADE AND OTHER RECEIVABLES (CONT'D)

Retention receivables relate to amounts ranging from 5% to 10% (2022 – 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. As at 31 December 2023, specific impairment has been provided on retention receivables amounting to RMB18,000 (2022 – RMB3,010,000) given the fact that there remains a probability of default.

The net exposure of the retention receivables is as follow:

The Group	2023 RMB'000	2022 RMB'000
Retention receivables	**18**	5,158
Allowance for impairment (Note 34.2)	**(18)**	(3,010)
	–	2,148

The advances to trade suppliers related to advance payments made to trade suppliers of raw materials for contracts scheduled for the following financial year.

The net exposure of the advances to trade suppliers was as follow:

The Group	2023 RMB'000	2022 RMB'000
Advances to trade suppliers	**–**	18,469
Allowance for impairment (Note 34.2)	**–**	(16,376)
	–	2,093

The advances to trade suppliers of the PRC subsidiaries were 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 were made to trade suppliers for the following reasons:

- the items purchased from trade suppliers must be customised to meet the needs of specific projects. Suppliers would require advances in order to commit to the production of these customised items.

- some customers impose a requirement on the project bidders to make advances to the customer-appointed supplier(s) during the bidding stage or upon signing of the contract so as to ensure that the Group would be capable of providing the required initial capital to facilitate timely delivery of items to project sites and to complete the project on a timely basis.

The net exposure of the advances to non-trade suppliers, not related to contract obligations is as follows:

The Group	2023 RMB'000	2022 RMB'000
Advances to non-trade suppliers	**196**	2,963
Allowance for impairment (Note 34.2)	**–**	(1,188)
	196	1,775

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

9 TRADE AND OTHER RECEIVABLES (CONT'D)

The net exposure of the tender and security deposits was as follow:

The Group	2023 RMB'000	2022 RMB'000
Tender and security deposits	–	8,244
Allowance for impairment (Note 34.2)	–	(175)
	–	8,069

During the financial year ended 31 December 2023, the tender and security deposits of RMB8,069,000 relates to the performance bond for the industrial wastewater project in Shijiazhuang, has been refunded to the Group after the project has been completed and handed over.

The Group	2023 RMB'000	2022 RMB'000
Total impairments made	**258**	24,257

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.

10 PREPAYMENTS

	The Group		The Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Prepaid operating expenses	**580**	137	**46**	24

11 CASH AND BANK BALANCES

	The Group		The Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Cash on hand	**8**	5	**–**	–
Bank balances	**28,598**	43,298	**5,083**	9,476
Fixed deposits with maturity less than 3 months	**63,161**	–	**63,161**	–
Bank deposits pledged	**6,738**	5,604	**–**	–
	98,505	48,907	**68,244**	9,476
Less: Bank deposits pledged	**(6,738)**	(5,604)		
Cash and cash equivalents as presented in the consolidated statement of cash flows	**91,767**	43,303		

The Group's bank balances bear interest at interest rates ranging between 0.01% and 1.61% (2022 – 0.01% and 1.61%) per annum.

The Group's and the Company's fixed deposits bear interest at 4.55% (2022 – Nil) per annum and matured on 15 January 2024.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

11 CASH AND BANK BALANCES (CONT'D)

As at 31 December 2023, the bank deposits pledged of RMB6,738,000 (2022 – RMB5,604,000) represents:

(a) funds of RMB3,976,000 (2022 – RMB3,604,000) earmarked in a debt service reserve account as mandated by a bank to secure the bank borrowings (Note 17) for the purpose of financing purchase of leasehold land and building in relation to the membrane manufacturing facility; and

(b) deposit of RMB2,762,000 (2022 – RMB2,000,000) has been pledged a bank in the PRC for the performance bond issued for the Group to undertake the sludge treatment project in Bazhou and Suining cities.

12 SHARE CAPITAL

The Group and The Company	No. of ordinary shares 2023	No. of ordinary shares 2022	Amount 2023 RMB'000	Amount 2022 RMB'000
Issued and fully paid ordinary shares, with no par value				
Balance at beginning and at end of year	**1,534,878,360**	1,534,878,360	**375,049**	375,049

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

13 PRC STATUTORY COMMON RESERVE

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

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

During the financial year ended 31 December 2023, PRC statutory common reserve relating to Anjie Environmental of RMB31,749,000 has been reclassed to accumulated losses of the Group upon the disposal of Anjie Environmental.

The Group	2023 RMB'000	2022 RMB'000
Balance at beginning of year	**32,917**	32,410
Reclassification of PRC statutory common reserve related to disposal of a subsidiary in PRC	**(31,749)**	–
Appropriation of profit to reserve	**–**	507
Balance at end of year	**1,168**	32,917

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

14 MERGER RESERVE

The Group

This represented the difference between the consideration paid and the paid-in capital of a subsidiary, Anjie Environmental, based on the pooling of interest method. During the financial year ended 31 December 2023, the merger reserve of RMB454,000 has been reclassed to accumulated losses of the Group upon the disposal of Anjie Environmental.

The Group	2023 RMB'000	2022 RMB'000
Balance at beginning of year	**454**	454
Reclassification of merger reserve related to disposal of a subsidiary in PRC	**(454)**	–
Balance at end of year	**–**	454

15 CURRENCY TRANSLATION RESERVE

The Group	2023 RMB'000	2022 RMB'000
Balance at beginning of year	**1,650**	(437)
Currency translation differences	**1,499**	3,479
Non-controlling interest's share of currency translation reserve	**(576)**	(1,392)
Balance at end of year	**2,573**	1,650

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.

16 CAPITAL RESERVES

The Group	2023 RMB'000	2022 RMB'000
Balance at beginning of year	**21**	–
Addition [Note 5(c)(i)]	**–**	21
Reclassed to accumulated losses [Note 5(e)(ii)]	**(21)**	–
Balance at end of year	**–**	21

17 BANK BORROWINGS

The Group	2023 RMB'000	2022 RMB'000
Non-current		
Bank loan – secured	**21,879**	23,542
Current		
Bank loans – secured	**3,810**	2,388
Bank loan – unsecured	**2,800**	2,800
	6,610	5,188
Total borrowings	**28,489**	28,730

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

17 BANK BORROWINGS (CONT'D)

Bank loan – unsecured

In 2022, the Group's subsidiary obtained and had drawn down a new short-term loan facility of RMB2,800,000 for a 1-year tenor commencing from 18 October 2022. The short-term loan was approved and disbursed to the subsidiary based on its credit rating. The short-term loan has been renewed on 8 October 2023 and repayable on 6 October 2024. The effective interest rate for the short-term loan facility is 4.13% (2022 – 4.35%) per annum.

Bank loans – secured

Loan 1

In 2021, a new 10-year loan facility of RMB27,399,000 was 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 RMB3,976,000 (2022 – RMB3,604,000) [Note 11(a)] 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.

In 2022, the bank loan was 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. In respect of Interest Rate Benchmark Reform, the amendments did not materially affect the financial reporting after the reform to an interest rate benchmark (IBOR Reform), including its replacement with alternative benchmark rates.

In 2023, the bank loan is subject to floating interest of 0.88% per annum above 3-month Compounded Singapore Overnight Rate Average ("3M Compounded SORA") for the first year, 1.00% per annum above 3M Compound SORA and 4.00% per annum above 3M Compounded SORA thereafter.

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 SGD6.0 million (approximately RMB32.3 million) (2022 – SGD6.0 million, approximately RMB30.9 million). During the financial years ended 31 December 2022 and 2023, there are no known instances of any breaches of bank covenants by the subsidiary.

Loan 2

In 2023, the Group's subsidiary obtained and drawn down a new short-term loan facility of RMB1,134,000 for a 1-year tenor commencing from 28 July 2023. The short-term loan was secured by corporate guarantee provided by a subsidiary of the Group, United Greentech (Guangzhou) Co., Ltd.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

17 BANK BORROWINGS (CONT'D)

The table below analyses the maturity profile of the Group's bank borrowings based on contractual undiscounted cash flows:

	2023		2022	
	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	**6,610**	**7,944**	5,188	6,688
Between two to five years	**12,209**	**15,568**	11,016	15,158
More than five years	**9,670**	**10,377**	12,526	13,895
	21,879	**25,945**	23,542	29,053
	28,489	**33,889**	28,730	35,741

The weighted average effective interest rates (per annum) at the end of reporting period are as follows:

The Group	2023	2022
Secured bank loans	**4.95%**	3.44%
Secured trade financing*	–	4.27%

* incurred and settled during the financial year ended 31 December 2022.

The interest rates of the Group's bank borrowings are repriced on quarterly basis. The carrying amounts of bank borrowings approximate their fair values.

18 CONVERTIBLE BONDS

On 28 February 2023, the Company obtained shareholders' approval in respect of an aggregate principal amount of up to USD15 million zero coupon convertible bonds at a nominal value of USD15 million. On 2 March 2023 and 31 July 2023, the Company issued convertible bonds at a nominal value of USD6 million (equivalent to approximately RMB42 million) and USD9 million (equivalent to approximately RMB64 million) respectively.

The following are the principal terms and conditions of the bonds, amongst others:

1. Conversion Price and Conversion Rights

   The bondholder has the right, at its option, to convert all its convertible bonds at any time up until the date falling five business days before the third year after the bonds' issuance dates ("Final Maturity Date") into the Company's ordinary shares, not exceeding 214,260,000 ordinary shares, at SGD0.10 per conversion share, subject to Adjustment Events stipulated in the Investment Agreements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

18 CONVERTIBLE BONDS (CONT'D)

The following are the principal terms and conditions of the bonds, amongst others: (Cont'd)

2. Maturity and Redemption

Unless previously redeemed or converted, the Company may redeem the convertible bonds at 100% of its principal amount (less any amount received by the bondholder in the event of any distribution of dividends by the Company) plus a premium that would give a yield to maturity of 8% per annum compounded annually, on the Final Maturity Date. The bonds may not be redeemed by the Company, in whole or in part, prior to that date other than in accordance with the Investment Agreements.

On or prior to the Final Maturity Date, the Company may at its discretion, subject to the provision of a written notification to the bondholder, extend the Final Maturity Date for a period of up to two years.

3. Adjustments to Conversion Price

The Conversion Price shall be adjusted in accordance with Adjustment Events stipulated in the Investment Agreements. Notwithstanding any provisions to the contrary, the issuance of Shares and the grant of any new options or awards pursuant to the Company's existing Share Award Plan or Share Option Scheme or any future employee share option scheme or plans which are in compliance with the Listing Rules, and any issuance of Shares at an issue price above the Conversion Price pursuant to future agreements in relation to the Group's acquisition of securities, assets or businesses, shall not result in any adjustments to the Conversion Price.

4. Payment in the Event of Distribution of Dividends

In the event of any distribution of dividends by the Company, the bondholder shall be entitled to receive from the Company an amount equivalent to the dividends which would have been received by the bondholder as if the bonds had been fully converted into shares.

5. Optional Early Redemption

In the event of a change in the current holder of the offices of Executive Chairman of the Board (i.e. Dr. Lin Yucheng) or Chief Executive Officer of the Company (i.e. Mr. Li Li) other than as a result of death or loss of physical or mental capacity (evidence of which shall require the written opinion of a licensed medical practitioner) or other than pursuant to legal or regulatory requirements (including Listing Rules), the bondholder will have the right to require the Company to redeem all or some only the outstanding convertible bonds at a redemption amount ("Early Redemption Amount") equal to 100% of the principal amount (less any dividends received) plus a premium that would give the bondholder a yield to redemption of 8% per annum compounded annually.

6. Events of Default

The bondholder may at its discretion give notice to the Company that the bonds are, and they shall accordingly thereby become, immediately due and repayable at a redemption amount ("EOD Redemption Amount") equal to 100% of the principal amount of the bonds plus a premium equivalent to an Internal Rate of Return of 10% on such principal amount if any of events as stipulated in the Investment Agreement (each, an "Event of Default") has occurred.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

18 CONVERTIBLE BONDS (CONT'D)

The bonds recognised in the consolidated financial statements are analysed as follows:

The Group and the Company	2023 RMB'000	2022 RMB'000
Nominal value of convertible bonds issued	**105,787**	–
Less: transaction costs	**(2,294)**	–
Face value of convertible bonds issued, at initial recognition	**103,493**	–
Accumulated amortisation of interest expense [Note 25(a)]	**6,768**	–
Fair value gain on embedded derivatives on convertible bonds [Note 25(e)]	**(22,005)**	–
Currency translation differences	**544**	–
Balance at end of year	**88,800**	–
Represented by:		
Host liability component, at amortised cost	**87,376**	–
Embedded derivative liability component, at fair value through profit or loss	**1,424**	–
	88,800	–

The fair values of the bonds (including embedded derivatives) at inception on 2 March 2023 and 31 July 2023 were determined by an independent valuer, Cushman & Wakefield VHS Pte. Ltd., using Binomial Option Pricing Model. The embedded derivatives on convertible bonds are derived using Binomial Option Pricing Model. The significant input into the model is the conversion price of SGD0.01. The fair value is within Level 3 of the fair values hierarchy [Note 36.1(a)].

Embedded derivatives comprise of equity conversion option and extension option. The fair value of the extension option embedded derivative is derived from the difference in convertible bonds values with or without the maturity extension option feature using the binomial model while the fair value of the equity conversion option embedded derivative is derived in the binomial model based on the optimal payoff from converting the bonds into shares, after considering the issuer's option to repay at maturity or to extend the maturity date. The fair value of the host debt component is derived as the residual amount from the fair value of the bonds (including the embedded derivatives) deducted by the fair values of both embedded derivatives abovementioned, where at inception on 2 March 2023 and 31 July 2023, the fair value of the host debt component is amortised at an effective interest rate of 12.51% (2022 – Nil) and 13.61% (2022 – Nil) per annum respectively.

The embedded derivatives are indexed to both the share price denominated in SGD and the SGD/USD exchange rate per the Investment Agreement. The exercise price of the equity conversion option is denominated in SGD but the functional currency of the Company is RMB. The management of the Company is of the view that they should be bundled together as a whole and to be treated as a single compound derivative.

Included in the host liability component of the bonds is an unamortised bond discount of RMB3,330,000 which is amortised over the remaining term of the bonds.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

19 LEASE LIABILITIES

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

	The Group		The Company	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
Balance at beginning of year	**3,797**	1,869	**463**	783
Additions	**–**	3,422	**–**	–
Re-measurement adjustments	**–**	(221)	**–**	–
Interest expense [Note 25(a)]	**152**	166	**12**	24
Payment of lease liabilities	**(1,771)**	(1,439)	**(343)**	(344)
Disposal of a subsidiary	**(99)**	–	**–**	–
Derecognition due to early termination	**(266)**	–	**–**	–
Balance at end of year	**1,813**	3,797	**132**	463
Undiscounted lease payment due:				
– Year 1	**1,450**	1,958	**133**	343
– Year 2	**432**	1,638	**–**	133
– Year 3	**–**	432	**–**	–
	1,882	4,028	**133**	476
Less: Unearned interest	**(69)**	(231)	**(1)**	(13)
Lease liabilities	**1,813**	3,797	**132**	463
Presented as:				
Current	**1,388**	1,801	**132**	331
Non-current	**425**	1,996	**–**	132
	1,813	3,797	**132**	463

In 2022, a remeasurement adjustment in lease liabilities of RMB68,000 from modification of the lease agreement for the office space in Anhui, the PRC and RMB153,000 from early termination of lease agreement for an office space in Tianjin, the PRC, with a corresponding decrease in right-of-use assets of RMB214,000 (Note 3). A gain on remeasurement of RMB7,000 had been recognised in the profit or loss during the year [Note 25(e)].

During the financial year ended 31 December 2023, the Group has deregistered a subsidiary – Guangdong Zhihe. This resulted in the early termination of lease agreements for an office space in Guangdong, the PRC with a derecognition of lease liabilities amounted to RMB266,000 and a corresponding decrease in right-of-use assets of RMB260,000 [Note 3(i)]. A gain of RMB6,000 has been recognised in the profit or loss due to early termination of an office lease in Guangdong, the PRC [Note 25(b)].

During the financial year ended 31 December 2023, the Group disposed off Anjie Environmental and derecognised the lease liabilities of RMB99,000 and a right-of-use asset of RMB110,000 [Note 3(i)].

As at 31 December 2023 and 2022, 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 2023

20 PROVISION FOR RESTORATION COSTS

Provision for restoration costs is the estimated costs of restoring the leasehold land and building and office space leased in Tianjin, the PRC, 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	2023 RMB'000	2022 RMB'000
Balance at beginning of year	**488**	377
Provision for the year (Note 3)	**–**	65
Unwinding interest [Note 25(a)]	**12**	10
Currency translation differences	**18**	36
Balance at end of year	**518**	488
Presented as:		
Non-current	**518**	488

21 DEFERRED TAXATION

Unrecognised tax loss

(i) PRC subsidiaries

No deferred tax assets are recognised in so far as to the utilisation tax losses incurred in the PRC subsidiaries 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.

The unrecognised tax losses will expire as follows:

The Group		2023 RMB'000	2022 RMB'000
Year 2024		**–**	4,398
Year 2025		**790**	8,809
Year 2026		**2,527**	19,092
Year 2027		**3,730**	11,349
Year 2028		**12,320**	–
		19,367	*43,648
Tax benefit at 25% (2022 – 25%)	(i)	**4,842**	10,912

* In respect of the financial year 2022, the unabsorbed tax losses totalling to RMB36.6 million relating to three of the subsidiaries were no longer available for offset for reason that one of the subsidiaries has been disposed off to an unrelated third party, and two of the subsidiaries has been deregistered during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

21 DEFERRED TAXATION (CONT'D)

Unrecognised tax loss (Cont'd)

(ii) NTi Memtech

Subject to agreement with Tax Authority, NTi Memtech has the unabsorbed tax losses, as disclosed below, available for offset against future taxable profits provided that the provisions of tax legislation are complied with. Temporary difference on the following items has not been recognised by the subsidiary due to the uncertainty of its realisation:–

		2023 RMB'000	2022 RMB'000
Tax losses		**14,248**	6,745
Tax written down value and carrying amounts of property, plant and equipment		**4,249**	(405)
Provision for unutilised leave		**63**	–
Provision for restoration costs		**437**	432
		18,997	6,772
Tax benefit at 17% (2022 – 17%)	(ii)	**3,229**	1,151
Total tax benefit of the Group	(i) + (ii)	**8,071**	12,063

22 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Trade payables	**10,364**	7,556	**–**	–
Other payables	**215**	2,080	**55**	507
VAT and other tax payables	**35**	941	**–**	–
Amount due to a related party	**195**	34	**–**	–
Amounts due to subsidiaries	**–**	–	**17,586**	7,316
Net trade and other payables	**10,809**	10,611	**17,641**	7,823

The Group

Trade payables are non-interest bearing and are normally settled on 30 – 90 days' terms (2022 – 30 – 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.

A related party refers to Nanosun Pte. Ltd., a non-controlling shareholder of a subsidiary. Amount due to a related party represents advances that are non-trade in nature, unsecured and non-interest bearing. They are repayable on demand and to be settled in cash.

The Company

The amounts due to subsidiaries are non-trade in nature, unsecured and non-interest bearing. They are repayable on demand and to be settled in cash when the Company's cash flow permits.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

23 OTHER LIABILITIES

	The Group		The Company	
	2023 RMB'000	2022 RMB'000 (Restated)	2023 RMB'000	2022 RMB'000
Accrued purchases	**18,392**	22,559	**–**	–
Accrued salary and related expenses	**1,847**	1,521	**375**	246
Accrued welfare expenses	**–**	44	**–**	–
Accrued operating expenses	**1,407**	1,579	**1,207**	1,009
Accrued capital expenditure	**5,257**	–	**–**	–
	26,903	25,703	**1,582**	1,255
Deferred capital grant [Note 23(a)]	**305**	–	**–**	–
	27,208	25,703	**1,582**	1,255
Presented as:				
Current	**26,970**	25,703	**1,582**	1,255
Non-current	**238**	–	**–**	–
	27,208	25,703	**1,582**	1,255

Accrued purchases mainly relate to unbilled invoices from the suppliers in respect of the equipment and systems received for the Public-Private-Partnership project in Bazhou of RMB13.9 million (2022 – RMB14.6 million) and industrial wastewater projects of RMB2.7 million (2022 – RMB7.8 million).

Accrued capital expenditure mainly relates to unbilled invoices from the suppliers in respect of the equipment received for a Singapore government project.

23(a) DEFERRED CAPITAL GRANT

Deferred capital grant relates to Enterprise Development Grant received by a subsidiary of the Group for the purchase of machinery and equipment of the said subsidiary. The movement of the deferred capital grant is as follows:

The Group	2023 RMB'000	2022 RMB'000
Balance at beginning of year	**–**	–
Capital grant received during the year	**332**	–
Capital grant utilised during the year [Note 25(b)]	**(33)**	–
Exchange difference	**6**	–
Balance at end of year	**305**	–
Presented as:		
Current	**67**	–
Non-current	**238**	–
	305	–

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THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

24 REVENUE

The Group derives revenue from transfer of goods and services over time and at a point in time as follows:

The Group	2023 RMB'000	2022 RMB'000
		(Restated)
Over time:		
Engineering revenue	**26,050**	53,077
Treatment income from operation and maintenance	**6,068**	2,045
	32,118	55,122
At a point in time:		
Sale of equipment and parts	**926**	862
	33,044	55,984

25(a) FINANCE INCOME AND COSTS

The Group	2023 RMB'000	2022 RMB'000
Finance income:		
Interest income from bank balances	**1,583**	514
Finance costs:		
Interest expense on lease liabilities (Note 19)	**(152)**	(166)
Interest expense on convertible bonds (Note 18)	**(6,768)**	–
Unwinding interest from provision of restoration costs (Note 20)	**(12)**	(10)
Interest expense on bank borrowings	**(1,688)**	(816)
	(8,620)	(992)

25(b) OTHER INCOME

The Group	Note	2023 RMB'000	2022 RMB'000
Government grants*	25(e)	**191**	591
Outsourcing income		**–**	1,218
Waiver of rental		**–**	84
Exchange gain		**263**	2,114
Compensation awarded by a court		**–**	437
Gain on remeasurement of lease liabilities	19, 25(e)	**–**	7
Gain on early termination of lease liabilities	19, 25(e)	**6**	–
Gain on disposal of a subsidiary	5(d)	**688**	–
Others		**46**	179
		1,194	4,630

* Includes Jobs Support Scheme, Job Growth Incentive and Centre Provident Fund Child Care government grant; and capital grant utilised by a subsidiary of RMB33,000 (2022 – Nil) [Note 23(a)].

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

25(c) ADMINISTRATIVE EXPENSES

The Group	Note	2023 RMB'000	2022 RMB'000
Employees' salaries and related costs		**30,167**	17,786
Directors' fees and remunerations		**5,095**	4,567
Depreciation of property, plant and equipment	3	**6,629**	4,988
Amortisation of intangible assets	4	**180**	180
Professional fees		**3,256**	2,537
Short-term lease expenses		**52**	166
Transportation expenses		**466**	351
Outsourcing of services	30	**–**	413
Travelling and entertainment expenses		**3,583**	1,599
Cost incurred for settlement of legal suit with customer		**–**	1,700
Others		**2,608**	2,770
		52,036	37,057

25(d) OTHER EXPENSES

The Group	Note	2023 RMB'000	2022 RMB'000
Bad debts written off	25(e)	**7**	7
Property, plant and equipment written off	25(e)	**24**	145
Loss of control in a subsidiary	5(b)	**–**	94
Loss on deregistration of a subsidiary	5(e)(ii)	**76**	–
Loss on dissolution of an associate	6	**4**	–
Exchange loss		**32**	–
Stamp duty expenses		**20**	–
Others		**51**	6
		214	252

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For the financial year ended 31 December 2023

25(e) LOSS BEFORE TAXATION

The Group	Note	2023 RMB'000	2022 RMB'000
Loss before taxation has been arrived at after charging/(crediting):			
Audit fee:			
– auditor of the Company		**1,349**	1,096
– other auditors – non-network firms		**41**	130
Non-audit fee:			
– Audit-related services ("ARS")			
– auditor of the Company		**80**	22
– Non-ARS			
– auditor of the Company		**20**	22
– other auditors – non-network firms		**98**	105
Property, plant and equipment written off	25(d)	**24**	145
Depreciation of property, plant and equipment	3	**7,895**	5,327
Amortisation of intangible assets	4	**252**	192
Bad debts written off	25(d)	**7**	7
Goodwill written off	4	**–**	5
Impairment loss of property, plant and equipment	3	**6,535**	–
Allowance for impairments:			
– contract assets	7	**16,304**	599
– trade receivables	9	**240**	–
– retention receivables		**9**	9
– advances to trade suppliers		**13**	1,545
– advances to non-trade suppliers		**53**	687
	34.2	**16,619**	2,840
Allowance for impairments no longer required:			
– trade receivables	9	**–**	(1,000)
– retention receivables		**–**	(259)
	34.2	**–**	(1,259)
Employees' compensations*	28	**39,359**	23,905
Loss of control in a subsidiary	25(d)	**–**	94
Loss on deregistration of a subsidiary	25(d)	**76**	–
Loss on dissolution of an associate	6, 25(d)	**4**	–
Government grants	25(b)	**(191)**	(591)
Gain on re-measurement of lease liabilities	25(b)	**–**	(7)
Gain on early termination of lease liabilities	25(b)	**(6)**	–
Gain on disposal on a subsidiary	25(b)	**(688)**	–
Fair value gain of embedded derivatives on convertible bonds	18	**(22,005)**	–
Cost of sales:			
– Subcontractor cost		**2,435**	25,702
– Purchase of equipment		**12,562**	561
– Compensation for usage of land		**1,852**	6,482

* includes remuneration of directors and key management personnel as disclosed in Note 30 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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26 TAXATION

The Group	2023 RMB'000	2022 RMB'000
Current taxation	**297**	1,747
Under-provision of current taxation in respect of prior year	**1**	37
Tax expense	**298**	1,784

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

The Group	2023 RMB'000	2022 RMB'000
Loss before taxation	**(52,718)**	(17,470)
Tax at the domestic rates applicable to the countries concerned[1]	**(13,179)**	(4,367)
Difference in foreign tax rate	**1,751**	1,458
Effect of share of results of associate	**203**	(126)
Tax effect on non-deductible expenses	**6,400**	1,308
Tax effect on non-taxable income	**(3,863)**	(314)
Effect of loss not available for offset against future profits	**4,589**	1,860
Effect of loss not recognised as deferred tax assets		
– the subsidiaries (Note 21)	**5,158**	2,478
Utilisation of deferred tax asset previously not recognised	**–**	(248)
Under-provision of current taxation in respect of prior year	**1**	37
Tax incentives	**(762)**	(302)
Tax expense	**298**	1,784

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	2023 RMB'000	2022 RMB'000
Fair value gain of embedded derivatives on convertible bonds	**3,741**	–
Gain on disposal of a subsidiary [Note 5(d)]	**117**	–
Allowance written back – no tax deduction claimed in prior year	**–**	314
Deferred capital grant	**5**	–
	3,863	314

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

The Group	2023 RMB'000	2022 RMB'000
Research and development expenses not deductible	**870**	–
Entertainment expenses incurred but restricted for tax purposes	**290**	127
Impairment loss on intangible assets	**–**	1
Impairment loss on property, plant and equipment	**510**	–
Allowance for impairments on financial assets and contract assets	**4,155**	710
Depreciation expense on leasehold land and building	**480**	383
Amortisation of intangible assets – patents	**63**	48
Loss on investment not claimable [Note 5(b), 5(e)(ii)]	**13**	23
Others	**19**	16
	6,400	1,308

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

27 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated based on the consolidated loss attributable to ordinary shareholders of the Company (for the purpose of basic earnings per share) divided by the weighted average number of shares in issue of shares during the financial year.

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

The Group	2023	2022
Loss attributable to owners of the Company (RMB'000)	**(41,806)**	(15,944)
Weighted average number of ordinary shares outstanding for the purpose of basic loss per share	**1,534,878,360**	1,534,878,360
Basic loss per share (RMB cents)	**(2.72)**	(1.04)

(b) Diluted loss per share

The Group	2023	2022
Loss attributable to owners of the Company (RMB'000)	**(41,806)**	(15,944)
Adjustment for:		
– Interest expense on convertible bonds (RMB'000)	**6,768**	–
– Fair value gain on embedded derivatives on convertible bonds (RMB'000)	**(22,005)**	–
Net loss used to determine diluted earnings per share (RMB'000)	**(57,043)**	(15,944)
Weighted average number of ordinary shares outstanding for the purpose of basic loss per share	**1,534,878,360**	1,534,878,360
Adjustment for:		
– Convertible bonds	**214,260,000**	–
Weighted average number of ordinary shares outstanding for the purpose of diluted loss per share	**1,749,138,360**	1,534,878,360
Diluted loss per share (RMB cents)	**(3.26)**	(1.04)

For the purpose of calculating diluted earnings per share, consolidated loss attributable to owners of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options.

Convertible bonds are assumed to have been converted into ordinary shares at issuance and the consolidated loss is adjusted to eliminate the interest expense and fair value changes of the embedded derivative on convertible bonds.

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27 LOSS PER SHARE (CONT'D)

(b) Diluted loss per share (Cont'd)

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options are exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the average market value of the Company's shares) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options has been based on quoted market prices for the period during which the options are outstanding. No adjustment is made to the net profit.

For the financial year ended 31 December 2023 and 2022, the computation of diluted loss per share does not assume the effect on the conversion of the Company's outstanding share options as it has an anti-dilutive effect on the earnings per share calculation.

28 EMPLOYEE BENEFITS

The Group	2023 RMB'000	2022 RMB'000
Employee benefits expenses (including directors)		
Directors' fees	**1,110**	1,098
Salaries, bonuses and other short-term benefits	**31,534**	19,290
Contribution to defined contribution plans	**4,742**	2,854
Share-based payments (Note 29)	**1,973**	663
	39,359	23,905
Charged to:		
– cost of sales	**3,023**	762
– administrative expenses	**35,262**	22,353
– selling and distribution expenses	**1,074**	790
	39,359	23,905

29 SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company's Leader Environmental Technologies Share Option Scheme (the Scheme) was approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 23 December 2021.

On 4 March 2022, the Company granted 11,600,000 share options to Executive Director/Finance Director, CEO and employees of the Group (Tranche 1) and 750,000 share options to the 3 Independent Non-Executive Directors of the Company (Tranche 2). The vesting periods for Tranche 1 and Tranche 2 are 2 years from the grant date. The vesting conditions for Executive Director/Finance Director, CEO and employees; and Independent Non-Executive Directors is to remain in service for 2 years from the grant date.

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For the financial year ended 31 December 2023

29 SHARE-BASED PAYMENTS (CONT'D)

Equity-settled share option scheme (Cont'd)

On 13 March 2023, the Company granted 15,200,000 share options to Executive Director/Finance Director, CEO and employees of the Group (Tranche 1) and 1,050,000 share options to the 3 Independent Non-Executive Directors of the Company (Tranche 2). The vesting periods for Tranche 1 and Tranche 2 are 2 years and 1 year from the grant date respectively. The vesting conditions for Executive Director/Finance Director, CEO and employees is to remain in service for 2 years from the grant date while the vesting conditions for Independent Non-Executive Directors is to remain in service for 1 year from the grant date.

The movement in the number of shares under the Company's share option scheme is as follows:

	Number of share options	
The Group and The Company	**2023**	**2022**
At 1 January	**12,350,000**	–
Granted during the year	**16,250,000**	12,350,000
Forfeited during the year	**(700,000)***	–
At 31 December	**27,900,000**	12,350,000

* 700,000 share options were forfeited during the year is mainly due to the resignation of employees before the end of vesting period.

Fair value of share options granted in 2022 and 2023

The fair value of share options as at the date of grant, is estimated by an external valuer using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options have been granted. The inputs to the option pricing model used for the financial years ended 31 December 2022 and 2023 are shown below:

	Share options granted in 2023		Share options granted in 2022	
	Tranche 1	**Tranche 2**	**Tranche 1**	**Tranche 2**
Share price	**SGD0.070**	**SGD0.070**	SGD0.070	SGD0.070
Exercise price	**SGD0.058**	**SGD0.072**	SGD0.052	SGD0.065
Expected volatility	**42.19%**	**39.89%**	37.49%	41.24%
Expected option life	**10 years**	**5 years**	6 years	3.5 years
Risk-free rate	**3.14%**	**3.13%**	1.66%	1.41%
Expected dividend yield	**Nil**	**Nil**	Nil	Nil

* Tranche 1 refers to the share options granted to Executive Director/Finance Director, CEO and employees, whereas, tranche 2 refers to the share options granted to the 3 Independent Non-Executive Directors.

The expected life of the share options is based on the contractual life of the option (2022 – mid-point between the remaining time to vesting and the contractual terms), and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Other than stated, no other features of the option grant were incorporated into the measurement of fair value.

As at the grant date, the estimated fair values of the options granted are approximately SGD592,000 (approximately RMB3,004,000) [2022 – SGD345,000 (approximately RMB1,600,000)].

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29 SHARE-BASED PAYMENTS (CONT'D)

For the financial year ended 31 December 2023, the Group and the Company recognise an expense of RMB1,973,000 (2022 – RMB663,000) (Note 28) and RMB949,000 (2022 – RMB384,000) relate to the share options granted respectively.

The movement of the share option reserves is as follows:

The Group and The Company	2023 RMB'000	2022 RMB'000
Balance at beginning of year	**663**	–
Movement during the year	**1,973**	663
Balance at end of year	**2,636**	663

30 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	2023 RMB'000	2022 RMB'000
Outsourcing of services from a related party*	25(c)	**–**	413
Capitalisation of amount owing to/loan from a related party into share capital of a subsidiary*		**–**	(1,025)
Technical services charged to an associate[3]		**(98)**	–
Manpower services charged to an associate[3]		**(478)**	–
Treatment income[1]		**–**	(1,179)
Provision of manpower[2]		**–**	(1,218)
Sales to a related party*		**(29)**	–

* The related party refers to Nanosun Pte. Ltd. ("Nanosun"), a non-controlling shareholder of NTi Memtech. By virtue of NTi Memtech being a key subsidiary of the Group, transactions between Nanosun and NTi Memtech will be disclosed as related party transactions.

1 The treatment of animal manure service was rendered to the non-controlling interest of Greentech (Yishui) up till August 2022, when the Group lost control over Greentech Yishui.

2 The provision of manpower was provided to two PRC companies which were wholly-owned by the NCI of Greentech Yishui. By virtue of Greentech Yishui being a subsidiary of the Group in 2022, transactions between Greentech Yishui and the two above-mentioned PRC companies up till August 2022, when the Group lost control over Greentech Yishui, will be disclosed as related party transactions.

3 The provision of manpower support and technical services was provided by a subsidiary of the Group, Greentech Tianjin to Greentech Yishui.

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For the financial year ended 31 December 2023

30 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

Compensation of directors and key management personnel

The remunerations of directors and other members of key management during the year were as follows:

The Group	2023 RMB'000	2022 RMB'000
Directors' remunerations		
– Directors' fees	**1,110**	1,098
– Salaries, bonuses and other short-term benefits	**3,435**	3,193
– Contributions to defined contribution plans	**143**	138
– Share-based payments	**407**	138
Key management personnel (other than directors)		
– Salaries, bonuses and other short-term benefits	**5,432**	4,961
– Contributions to defined contribution plans	**410**	529
– Share-based payments	**549**	427
	11,486	10,484

The Group's key management personnel in FY2023 mainly comprises Chief Executive Officer, Chief Financial Officer, Chief Technical Officer, Deputy Chief Technical Officer and General Manager. The remuneration of directors and key executives are reviewed by the Remuneration Committee having regard to the performance of individuals and market trend.

31 OTHER MATTERS – LETTER OF UNDERTAKING

The Company has given letter of undertaking to provide financial support for the following subsidiaries as at 31 December 2023 to enable them to continue to operate as a going concern and to meet their respective obligations as and when they fall due:

	2023		2022	
	Net tangible liabilities RMB'000	Net current liabilities RMB'000	Net tangible liabilities RMB'000	Net current liabilities RMB'000
Bituo Environmental Technologies (Tianjin) Co., Ltd.	**251**	**251**	2	2
United Greentech Holdings Pte. Ltd.	**–**	**24,105**	–	17,125
Guangdong Zhihe Energy-saving and Environmental Protection Technology Co., Ltd.	**–**	**–**	–	93
Zhejiang Bofeng Environmental Technologies Co., Ltd.	**–**	**703**	–	6
	251	**25,059**	2	17,226

32 FINANCIAL GUARANTEES

The Company has provided a financial guarantee to a bank for a loan of RMB37.2 million granted to a subsidiary to finance partly the outright lease payments of the leasehold land and building for the purpose of the membrane manufacturing facility and working capital for the subsidiary. The leasehold property is pledged to the bank, and the bank balances of RMB4.0 million (2022 – RMB3.6 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. With the corporate pledge and the earmarked bank balances provided, the Company is exposed to liability of RMB27.4 million (2022 – RMB27.4 million). As at the reporting date, the banking facility utilised stood at RMB24.5 million (2022 – RMB25.9 million).

The Group's 66.67% (2022 – 60%) owned subsidiary, NTi Memtech has provided a financial guarantee to its related party, Nanosun Pte. Ltd., which owned 16.67% (2022 – 20%) of NTi Memtech, to secure a bank facility of up to SGD2.0 million (approximately RMB10.8 million) [2022 – SGD2.0 million (approximately RMB10.3 million)] from a bank to finance the membrane manufacturing facility in NTi Memtech. As at the reporting date, the banking facility utilised is SGD1.1 million (approximately RMB5.9 million) [2022 – SGD1.5 million (approximately RMB7.9 million)].

As at 31 December 2022 and 2023, the fair values of the financial guarantees determined based on the expected loss arising from the risk of default are negligible.

33 OPERATING SEGMENTS

For management purposes, the Group is organised into the following reportable operating segments which are as follows:–

(i) provision of engineering solution services in respect of sludge and water treatment;

(ii) AIWater (i.e. artificial intelligence technology in water management) and sludge treatment services;

(iii) manufacturing of high-performance membrane products; and

(iv) sales of equipment and parts.

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".

Others also include the sales of equipment and parts which are considered to be non-core business of the Group and does not meet any of the Group's quantitative thresholds for determining reportable segments during the financial year ended 31 December 2023 and 2022 respectively. Corporate expenses are included in this category.

The Executive Chairman and 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 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.

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33 OPERATING SEGMENTS (CONT'D)

(a) By business

The Group	Engineering solution services RMB'000	AIWater and sludge treatment services RMB'000	Manufacturing of high-performance membrane products RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
	FY2023					
Revenue						
Sales to external customers	26,990	5,969	85	–	–	33,044
Inter-segment sales	13,456	435	–	715	(14,606)	–
Total	40,446	6,404	85	715	(14,606)	33,044
Results						
Segmental results	(1,996)	(5,062)	(5,611)	(22,904)	–	(35,573)
Impairment loss on property, plant and equipment	–	–	(6,535)	–	–	(6,535)
Impairment loss on financial assets and contract assets	(16,619)	–	–	–	–	(16,619)
Fair value gain of embedded derivatives on convertible bonds	–	–	–	22,005	–	22,005
EBITDA*	(18,615)	(5,062)	(12,146)	(899)	–	(36,722)
Depreciation and amortisation	(2,250)	(590)	(4,220)	(1,087)	–	(8,147)
Interest expense	(363)	(11)	(1,412)	(6,834)	–	(8,620)
Interest income	118	39	3	1,423	–	1,583
Share of results of an associate	–	(812)	–	–	–	(812)
Loss before taxation	(21,110)	(6,436)	(17,775)	(7,397)	–	(52,718)
Taxation	(298)	–	–	–	–	(298)
Loss for the year	(21,408)	(6,436)	(17,775)	(7,397)	–	(53,016)

* EBITDA – Earnings before interest, taxation, depreciation and amortisation.

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THE FINANCIAL STATEMENTS

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33 OPERATING SEGMENTS (CONT'D)

(a) By business (Cont'd)

The Group	FY2022 Engineering solution services RMB'000	AIWater and sludge treatment services RMB'000	Manufacturing of high-performance membrane products RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Revenue						
Sales to external customers (Restated^)	53,943	1,179	6	856	–	55,984
Inter-segment sales	298	–	–	–	(298)	–
Total	54,241	1,179	6	856	(298)	55,984
Results						
Segmental results	4,624	1,278	(4,070)	(12,228)	–	(10,396)
Impairment loss on financial assets and contract assets	(2,831)	–	–	(9)	–	(2,840)
Impairment loss on financial assets and contract assets no longer required	1,259	–	–	–	–	1,259
EBITDA*	3,052	1,278	(4,070)	(12,237)	–	(11,977)
Depreciation and amortisation	(1,186)	–	(2,903)	(1,430)	–	(5,519)
Interest expense	(121)	–	(802)	(69)	–	(992)
Interest income	354	6	10	144	–	514
Share of results of an associate	–	504	–	–	–	504
Profit/(loss) before taxation	2,099	1,788	(7,765)	(13,592)	–	(17,470)
Taxation	(1,503)	(208)	–	(73)	–	(1,784)
Profit/(loss) for the year	596	1,580	(7,765)	(13,665)	–	(19,254)

* EBITDA – Earnings before interest, taxation, depreciation and amortisation.

^ Please refer to Note 39 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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33 OPERATING SEGMENTS (CONT'D)

(b) Geographical information

The Group's revenue based on geographical location is as follows:

The Group	2023 RMB'000	2022 RMB'000 (Restated)
PRC	**10,547**	55,984
Taiwan	**22,497**	–
	33,044	55,984

Non-current assets information based on geographical location is as follows:

The Group	2023 RMB'000	2022 RMB'000 (Restated)
Singapore(2)	**62,956**	58,900
PRC(1)	**16,903**	20,358
	79,859	79,258

(1) included the intangible assets amounting to RMB4,282,000 (2022 – RMB4,165,000).

(2) included non-current assets of RMB51,831,000 (2022 – RMB58,210,000), 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 RMB22.5 million is derived from one PRC customer, and is attributable to the engineering segment for the financial year ended 31 December 2023. In the same corresponding period of last year, the revenue of RMB47.5 million and RMB13.5 million is derived from two PRC customers, and is also attributable to the engineering segment.

34 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.

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

34.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their bank balances and borrowings. The Group and the Company do not enter into derivative financial instruments contracts to hedge interest rate risk. The Group's and the Company's policy is to obtain the most favourable interest rates available.

Sensitivity analysis for interest rate risk

At the end of reporting period, if the interest rates had been 50 (2022 – 50) basis points higher/lower with all other variables held constant, the Group's loss for the year would have been RMB316,000 lower/higher (2022 – RMB73,000 lower/higher), arising mainly as a result of higher/lower interest income on bank balances, net of interest expense on bank borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility compared to prior years.

34.2 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.

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.

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34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

34.2 Credit risk (Cont'd)

Majority of the secured contracts to-date are 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 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.

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 prescribed 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.

In 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 (Note 17) 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 the outstanding loan amount at the reporting date (Note 32).

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.

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

34.2 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.

FY2022

12-month ECL loss rates were adjusted based on the unemployment rate in the PRC given the economic uncertainty as to the collectability of debt was concerned.

A forward-looking adjusted loss rate of 5.18% had been applied, which was derived from the 3-year average China unemployment rate of 5.27%, adjusted using the scalar factor of 0.98. The scalar factor was based on the China Bond Default Rate forecast and industry outlook at historical patterns. These rates were multiplied by scalar factor to reflect differences between economic conditions during the period over which the historic data had been collected, current conditions and the Group's view of economic conditions over the expected life of the receivables.

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34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

34.2 Credit risk (Cont'd)

Expected credit losses (Cont'd)

FY2022 (Cont'd)

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 had been a significant increase in credit risk at the reporting date that had not been reflected in published ratings, the Group supplements this by reviewing available press and regulatory information.

Lifetime ECL are measured using the probability of default approach. Lifetime probabilities of default were based on historical data and were 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.

FY2023

With the slowdown in the China economy, the Group has revised certain assumptions used in the life time expected credit loss model used in prior year to reflect the significant increase in credit risk from inception. This is largely because of the impact on the change in government initiatives. The Group applied the revised 12-month ECL model in assessing the loss allowance for the contract assets as at the reporting date. Changes to the key assumptions are as below:

The Group

Contract assets Aging category	Expected Credit Loss rates applied FY2023
91-180 days	4%
181-365 days	16%
More than 1 year but less than 2 years	40%

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, 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 25(e).

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34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

34.2 Credit risk (Cont'd)

Expected credit losses (Cont'd)

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

The Group	Trade receivables, contract assets and retention receivables			
	12-month ECL RMB'000	Lifetime ECL – not credit impaired RMB'000	Lifetime ECL – credit impaired RMB'000	Total RMB'000
2023				
Balance as at 1 January	–	**608**	**6,513**	**7,121**
Loss allowance recognised in profit or loss during the year on:				
– Originated	–	**–**	**258**	**258**
– Changes in credit risk	–	**16,295**	**–**	**16,295**
– Disposal of a subsidiary	–	**–**	**(6,513)**	**(6,513)**
Balance as at 31 December	–	**16,903**	**258**	**17,161**
2022				
Balance as at 1 January	259	–	7,513	7,772
Loss allowance recognised in profit or loss during the year on:				
– Originated	–	–	–	–
– Reversal of unutilised amount	–	–	(1,259)	(1,259)
– Changes in credit risk	(259)	608	259	608
Balance as at 31 December	–	608	6,513	7,121

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For the financial year ended 31 December 2023

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

34.2 Credit risk (Cont'd)

Expected credit losses (Cont'd)

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

	Advances to trade and non-trade suppliers, and employees, and tender and security deposits			
The Group	**12-month ECL RMB'000**	**Lifetime ECL – not credit impaired RMB'000**	**Lifetime ECL – credit impaired RMB'000**	**Total RMB'000**
2023				
Balance as at 1 January	**–**	**3,707**	**14,032**	**17,739**
Loss allowance recognised in profit or loss during the year on:				
– Originated	**–**	**–**	**3,619**	**3,619**
– Reversal of unutilised amount	**–**	**–**	**(37)**	**(37)**
– Changes in credit risk	**–**	**(3,516)**	**–**	**(3,516)**
– Disposal of a subsidiary	**–**	**(191)**	**(17,614)**	**(17,805)**
Balance as at 31 December	–	–	–	–
2022				
Balance as at 1 January	–	11,059	4,448	15,507
Loss allowance recognised in profit or loss during the year on:				
– Originated	–	–	9,584	9,584
– Changes in credit risk	–	(7,352)	–	(7,352)
Balance as at 31 December	–	3,707	14,032	17,739

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.

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34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

34.2 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**
2023				
Category: performing	**–**	**–**	**–**	No
Category: doubtful	**29.68**	**56,944**	**16,903**	No
Category: in default	**100.00**	**258**	**258**	Yes
		57,202*	**17,161**	
2022				
Category: performing	–	–	–	No
Category: doubtful	4.60	13,232	608	No
Category: in default	100.00	6,513	6,513	Yes
		19,745*	7,121	

* excluded subsequent receipts of receivables balances at year-end of RMB10,989,000 (2022 – RMB1,060,000) and receivables with good credit rating totalling RMB11,865,000 (2022 – RMB49,313,000)

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

	Advances to trade and non-trade suppliers, and employees, and tender and security deposits			
The Group	**Weighted average loss rate %**	**Gross carrying amount RMB'000**	**Impairment loss allowance RMB'000**	**Credit impaired**
2023				
Category: performing	**–**	**–**	**–**	No
Category: doubtful	**–**	**–**	**–**	No
Category: in default	**–**	**–**	**–**	No
		–	–	
2022				
Category: performing	–	–	–	No
Category: doubtful	74.90	4,949	3,707	No
Category: in default	100.00	14,032	14,032	Yes
		18,981*	17,739	

* excluded receivables with good credit rating totalling RMB196,000 (2022 – RMB10,729,000)

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

34.2 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 reporting date is as follows:

	2023		2022	
The Group	**RMB'000**	**% of total**	**RMB'000**	**% of total**
By industry sector				
Wastewater treatment	**8,449**	**92.8**	1,517	56.3
Land management	**586**	**6.4**	60	2.2
Others	**71**	**0.8**	1,120	41.5
	9,106	**100.0**	2,697	100.0

As at 31 December 2023 and 2022, none of the trade receivables individually exceed 15% of the Group's total assets.

34.3 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 mismatch 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.

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34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

34.3 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**
2023					
Non-derivative financial liabilities					
Bank borrowings	17	**7,944**	**15,568**	**10,377**	**33,889**
Lease liabilities	19	**1,450**	**432**	**–**	**1,882**
Convertible bonds (excluding derivative liabilities)		**–**	**156,413**	**–**	**156,413**
Provision for restoration costs		**–**	**77**	**635**	**712**
Trade and other payables (excluding VAT and other tax payables)	22	**10,774**	**–**	**–**	**10,774**
Other liabilities (excluding deferred capital grant)	23	**26,903**	**–**	**–**	**26,903**
Total undiscounted financial liabilities		**47,071**	**172,490**	**11,012**	**230,573**
Corporate guarantee		**251**	**5,939**	**–**	**6,190**
		47,322	**178,429**	**11,012**	**236,763**

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**
		(Restated)			**(Restated)**
2022					
Non-derivative financial liabilities					
Bank borrowings	17	6,688	15,158	13,895	35,741
Lease liabilities	19	1,958	2,070	–	4,028
Provision for restoration costs		–	77	608	685
Trade and other payables (excluding VAT and other tax payables)	22	9,670	–	–	9,670
Other liabilities	23	25,703	–	–	25,703
Total undiscounted financial liabilities		44,019	17,305	14,503	75,827
Corporate guarantee		–	7,947	–	7,947
		44,019	25,252	14,503	83,774

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34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

34.3 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
2023					
Non-derivative financial liabilities					
Lease liabilities	19	**133**	**–**	**–**	**133**
Convertible bonds (excluding derivative liabilities)		**–**	**156,413**	**–**	**156,413**
Trade and other payables	22	**17,641**	**–**	**–**	**17,641**
Other liabilities	23	**1,582**	**–**	**–**	**1,582**
Total undiscounted financial liabilities		**19,356**	**156,413**	**–**	**175,769**
Corporate guarantee		**27,735**	**12,209**	**9,670**	**49,614**
		47,091	**168,622**	**9,670**	**225,383**
2022					
Non-derivative financial liabilities					
Lease liabilities	19	343	133	–	476
Trade and other payables	22	7,823	–	–	7,823
Other liabilities	23	1,255	–	–	1,255
Total undiscounted financial liabilities		9,421	133	–	9,554
Corporate guarantee		19,614	11,016	12,526	43,156
		29,035	11,149	12,526	52,710

Except for bank borrowings and lease liabilities, the balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

34.4 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 hold cash and bank balances denominated in foreign currencies (mainly in SGD and USD) 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.

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34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

34.4 Foreign currency risk (Cont'd)

The currency exposure of the Group and the Company based on the information provided to key management was as follows:

The Group	SGD RMB'000	USD RMB'000	Total RMB'000
At 31 December 2023			
Financial assets			
Trade and other receivables (excluding VAT and other tax receivables)	**258**	**–**	**258**
Cash and cash equivalents	**5,126**	**69,213**	**74,339**
	5,384	**69,213**	**74,597**
Financial liabilities			
Bank borrowings	**(24,555)**	**–**	**(24,555)**
Provision for restoration costs	**(448)**	**–**	**(448)**
Lease liabilities	**(133)**	**–**	**(133)**
Trade and other payables (excluding VAT and other tax payables)	**(254)**	**–**	**(254)**
Other liabilities (excluding deferred capital grant)	**(2,736)**	**–**	**(2,736)**
Convertible bonds	**–**	**(88,800)**	**(88,800)**
	(28,126)	**(88,800)**	**(116,926)**
Net currency exposure on financial assets and liabilities	**(22,742)**	**(19,587)**	**(42,329)**
Net currency exposure on financial assets and liabilities, net of those denominated in the respective entities' functional currencies	**3,492**	**(19,587)**	**(16,095)**
At 31 December 2022			
Financial assets			
Trade and other receivables (excluding VAT and other tax receivables and advances to trade suppliers and a related party)	740	9	749
Cash and cash equivalents	14,955	14	14,969
	15,695	23	15,718
Financial liabilities			
Bank borrowings	(25,930)	–	(25,930)
Provision for restoration costs	(420)	–	(420)
Lease liabilities	(463)	–	(463)
Trade and other payables (excluding VAT and other tax payables)	(1,318)	–	(1,318)
Other liabilities	(1,920)	–	(1,920)
	(30,051)	–	(30,051)
Net currency exposure on financial assets and liabilities	(14,356)	23	(14,333)
Net currency exposure on financial assets and liabilities, net of those denominated in the respective entities' functional currencies	8,679	23	8,702

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34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

34.4 Foreign currency risk (Cont'd)

The Company	SGD RMB'000	USD RMB'000	Total RMB'000
At 31 December 2023			
Financial assets			
Trade and other receivables (excluding VAT and other tax receivables)	**3,177**	**–**	**3,177**
Cash and cash equivalents	**4,797**	**63,447**	**68,244**
	7,974	**63,447**	**71,421**
Financial liabilities			
Lease liabilities	**(132)**	**–**	**(132)**
Trade and other payables (excluding VAT and other tax payables)	**(5,763)**	**–**	**(5,763)**
Other liabilities	**(1,582)**	**–**	**(1,582)**
Convertible bonds	**–**	**(88,800)**	**(88,800)**
	(7,477)	**(88,800)**	**(96,277)**
Net currency exposure on financial assets and liabilities	**497**	**(25,353)**	**(24,856)**
At 31 December 2022			
Financial assets			
Trade and other receivables (excluding VAT and other tax receivables)	1,221	–	1,221
Cash and cash equivalents	9,476	–	9,476
	10,697	–	10,697
Financial liabilities			
Lease liabilities	(463)	–	(463)
Trade and other payables (excluding VAT and other tax payables)	(508)	–	(508)
Other liabilities	(1,255)	–	(1,255)
	(2,226)	–	(2,226)
Net currency exposure on financial assets and liabilities	8,471	–	8,471

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34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

34.4 Foreign currency risk (Cont'd)

Sensitivity analysis for currency risk

The following tables demonstrate the sensitivity to a reasonably possible change in the SGD and USD exchange rates (against RMB), with all other variables held constant, of the Group's and the Company's loss net of tax and other comprehensive income.

		2023		2022	
The Group		**Loss for the year RMB'000**	**Other comprehensive income RMB'000**	**Loss for the year RMB'000**	**Other comprehensive income RMB'000**
SGD	– strengthened 1% (2022 – 1%)	**(35)**	**(262)**	(87)	(230)
	– weakened 1% (2022 – 1%)	**35**	**262**	87	230
USD	– strengthened 1% (2022 – 1%)	**196**	**–**	–*	–
	– weakened 1% (2022 – 1%)	**(196)**	**–**	–*	–

		2023		2022	
The Company		**Loss for the year RMB'000**	**Other comprehensive income RMB'000**	**Loss for the year RMB'000**	**Other comprehensive income RMB'000**
SGD	– strengthened 1% (2022 – 1%)	**(5)**	**–**	(85)	–
	– weakened 1% (2022 – 1%)	**5**	**–**	85	–
USD	– strengthened 1% (2022 – 1%)	**254**	**–**	–	–
	– weakened 1% (2022 – 1%)	**(254)**	**–**	–	–

* Below RMB1,000

34.5 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.

35 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

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35 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, trade and other payables, other liabilities, and convertible bonds 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 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 due to the re-opening in China, it will help to further strengthen its cash and cash equivalents of the Group.

The Group previously secured a large-scale Public-Private-Partnership ("PPP") project in Bazhou City valued at RMB114.75 million were cancelled. The construction of the sludge treatment plant over a one-year period was expected to start in the first half of 2023.

On October 2023, the Group was informed by the local authority of Bazhou city that they have received a directive from the central government that all PPP projects will need to be ceased. On 13 December 2023, the Ministry of Finance of the Chinese Central Government released a Bulletin Notice (No. 98) on the withdrawal of documents related to PPP projects.

The Group is in on-going discussions with the local authority to negotiate the change of project arrangements from PPP project to an Engineering, Procurement and Construction project. With the withdrawal of the PPP project, the Group will no longer have the unconditional contractual right to receive cash from the local authority.

Total capital is calculated as equity plus net debt.

The Group	**Note**	**2023 RMB'000**	**2022 RMB'000**
			(Restated)
Bank borrowings	17	**28,489**	28,730
Lease liabilities	19	**1,813**	3,797
Trade and other payables	22	**10,809**	10,611
Other liabilities (exclude deferred capital grant)	23	**26,903**	25,703
Convertible bonds	18	**88,800**	–
Less: Cash and bank balances (exclude pledged deposits)	11	**(91,767)**	(43,303)
Net debt		**65,047**	25,538
Equity attributable to owners of the Company		**78,232**	118,107
Less: PRC statutory common reserve	13	**(1,168)**	(32,917)
Total capital		**77,064**	85,190
Capital and net debt		**142,111**	110,728
Gearing ratio		**45.8%**	23.1%

35 CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

There are no changes in the Group's approach to capital management during the financial year.

Saved as disclosed in Note 17, the Company and its other subsidiaries are not subject to externally imposed capital requirements.

36 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 year would be significantly different from the values that would eventually be received or settled.

36.1 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

See Note 18 for disclosures of convertible bonds that are measured at fair value.

The Group	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
31 December 2023				
Liabilities				
Convertible bonds	–	–	**88,800**	**88,800**

There is no financial assets and financial liabilities measured at fair value as at 31 December 2022.

There was no transfer between Levels 1 and 2 during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

36 FAIR VALUE MEASUREMENT (CONT'D)

36.1 Fair value measurement of financial instruments (Cont'd)

Level 3 fair value measurements

(a) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using observable market data (Level 3):

Description	Fair value	Valuation techniques	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
	RMB'000				
31 December 2023					The estimated fair value would increase if:
Fair value measurement of host debt component of convertible bonds at inception	**87,376**	Binomial Option Pricing Model	Volatility	42.78% – 45.64%	• the probability of distress was lower
			Risk free rate	2.96% – 3.42%	• the risk-free rate was lower
			Credit yield	10.92% – 15.15%	• the credit spread was lower
Fair value measurement of embedded derivatives on convertible bonds	**1,424**	Binomial Option Pricing Model	Volatility	36.79% – 39.33%	• the probability of distress was lower
			Risk free rate	2.69% – 2.71%	• the risk-free rate was lower
			Credit yield	14.69% – 14.72%	• the credit spread was lower
	88,800				

(b) Valuation policies and procedures

The Group's Executive Director/Finance Director ("ED"), who is assisted by the Group Financial Controller (collectively referred to as the "CFO office") oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the CFO office reports to the Audit Committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 13 Fair Value Measurement guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

36 FAIR VALUE MEASUREMENT (CONT'D)

Level 3 fair value measurements (Cont'd)

(b) Valuation policies and procedures (Cont'd)

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation if such information are reasonably available. For valuations that are sensitive to the unobservable inputs used, external valuation experts are required, to the extent practicable to use a minimum of two valuation approaches to allow for cross-checks.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

The CFO office documents and reports its analysis and results of the external valuations to the Audit Committee on a quarterly basis. The Audit Committee performs a high-level independent review of the valuation process and results and recommends if any revisions need to be made before presenting the results to the Board of Directors for approval.

37 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	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
			(Restated)		(Restated)
Financial assets, at amortised costs					
Trade and other receivables* (excluding VAT and other tax receivables)	9	**10,189**	15,558	**15,313**	1,221
Cash and bank balances	11	**98,505**	48,907	**68,244**	9,476
		108,694	64,465	**83,557**	10,697

* Excludes advances to trade suppliers and related party for goods and services to be received and rendered.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

37 FINANCIAL INSTRUMENTS (CONT'D)

	Note	The Group 2023 RMB'000	The Group 2022 RMB'000 (Restated)	The Company 2023 RMB'000	The Company 2022 RMB'000 (Restated)
Financial liabilities, at amortised costs					
Bank borrowings	17	**28,489**	28,730	**–**	–
Convertible bonds (host liability)	18	**87,376**	–	**87,376**	–
Lease liabilities	19	**1,813**	3,797	**132**	463
Provision for restoration cost	20	**518**	488	**–**	–
Trade and other payables (excluding VAT and other tax payables)	22	**10,774**	9,670	**17,641**	7,823
Other liabilities (excluding deferred capital grant)	23	**26,903**	25,703	**1,582**	1,255
		155,873	68,388	**106,731**	9,541
Financial liability, at fair value through profit or loss					
Embedded derivatives on convertible bonds	18	**1,424**	–	**1,424**	–

38 COMMITMENTS

The commitments to be undertaken by the Group are as follows:

The Group	2023 RMB'000	2022 RMB'000
Build-Operate-Transfer project in respect of municipal sludge treatment in Jinghai District, Tianjin City	**–**	62,500
Construction of sludge treatment plant relating to the Public-Private-Partnership project in Bazhou city	**–**	78,400
Construction of pilot sludge treatment plant	**14,880**	–
Installation of equipment for AIWater implementation contracts	**4,760**	–
Purchase of oil sludge equipment	**3,280**	–

NOTES TO
THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

39 PRIOR YEAR ADJUSTMENTS

In October 2023, the Group has been informed by the local authority of Bazhou city that they have received a directive from the central government that all PPP projects require to be ceased. On 13 December 2023, the Ministry of Finance of the Chinese Central Government released a Bulletin Notice (No. 98) on the withdrawal of documents related to PPP projects.

The Group is in on-going discussions with the local authority to negotiate the change of project arrangements from PPP project to an Engineering, Procurement and Construction ("EPC") project. With the withdrawal of the PPP project, the Group will no longer have the unconditional contractual right to receive cash from the local authority. If an EPC project is granted to the Group, it will not fall under the scope of SFRS(I) INT 12 as there will be no concessionary period post completion.

Based on the above, the Group has restated the following comparative figures in the consolidated financial statements to conform to the change in nature of the Bazhou project as follows:

The Group	As previously reported RMB'000	Adjustments RMB'000	As restated RMB'000
As at 31 December 2022			
Statement of financial position			
Non-current assets			
Contract assets	47,575	(47,575)	–
Current assets			
Contract assets	44,696	13,456	58,152
Current liabilities			
Other liabilities	59,822	(34,119)	25,703
For the financial year ended 31 December 2022			
Consolidated statement of profit or loss and other comprehensive income			
Revenue	90,103	(34,119)	55,984
Cost of sales	(72,360)	34,119	(38,241)
Consolidated statement of cash flows			
Increase in contract assets	(55,899)	34,119	(21,780)
Increase in other liabilities	40,372	(34,119)	6,253

The above adjustments have no net impact to the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group in FY2022.

SHAREHOLDINGS STATISTICS

AS AT 20 MARCH 2024

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 20 MARCH 2024

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	:	1,214
Voting Rights	:	1 vote for 1 share

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	2	0.16	130	0.00
100 – 1,000	67	5.52	22,250	0.00
1,001 – 10,000	218	17.96	1,655,000	0.11
10,001 – 1,000,000	861	70.92	100,964,500	6.58
1,000,001 and above	66	5.44	1,432,236,480	93.31
Total	1,214	100.00	1,534,878,360	100.00

Based on information available to the Company as at 20 March 2024, 59.98% 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.

TWENTY LARGEST SHAREHOLDERS AS AT 20 MARCH 2024

	SHAREHOLDER'S NAME	NO OF SHARES	%
1	LIN YUCHENG	414,779,500	27.02
2	PAN SHUHONG	165,000,000	10.75
3	DBS NOMINEES PTE LTD	160,976,920	10.49
4	OCBC SECURITIES PRIVATE LTD	95,626,900	6.23
5	CITIBANK NOMINEES SINGAPORE PTE LTD	92,736,780	6.04
6	RAFFLES NOMINEES (PTE) LIMITED	77,241,860	5.03
7	DB NOMINEES (SINGAPORE) PTE LTD	46,474,200	3.03
8	ZHUO JINGMING	43,880,900	2.86
9	CGS INTERNATIONAL SECURITIES SINGAPORE PTE. LTD.	27,224,080	1.77
10	ZHANG YULONG OR XU YAN	26,524,000	1.73
11	PHILLIP SECURITIES PTE LTD	19,869,400	1.29
12	NGOO LIN FONG	18,717,000	1.22
13	UOB KAY HIAN PTE LTD	17,369,920	1.13
14	YEO CHUNG SUN	15,000,000	0.98
15	MAYBANK SECURITIES PTE. LTD.	13,396,200	0.87
16	TEO YI-DAR (ZHANG YIDA)	13,018,600	0.85
17	DBSN SERVICES PTE LTD	11,500,000	0.75
18	MA XUYONG	11,339,900	0.74
19	ABN AMRO CLEARING BANK N.V.	9,947,000	0.65
20	HSBC (SINGAPORE) NOMINEES PTE LTD	9,130,800	0.59
	Total	**1,289,753,960**	**84.02**

SHAREHOLDINGS STATISTICS

AS AT 20 MARCH 2024

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Registrar of Substantial Shareholders as at 20 March 2024)

	No. of Shares		
	Direct Interests	**Deemed Interests**	**%**
Please refer to the register of substantial Shareholders			
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 physically at Novotel Singapore on Stevens, Draco Room, 28 Stevens Road, Singapore 257878 on Monday, 29 April 2024 at 10.00 am (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 2023 together with the Auditors' reports thereon. **(Resolution 1)**

2. To re-elect Dr Lin Yucheng, who is retiring by rotation in accordance with Regulation 104 of the Company's Constitution, as Director of the Company. **(Resolution 2)**
(See Explanatory Note (i))

3. 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. **(Resolution 3)**
(See Explanatory Note (ii))

4. To re-elect Dr Ng Wun Jern, who is retiring by rotation in accordance with Regulation 114 of the Company's Constitution, as Director of the Company. **(Resolution 4)**
(See Explanatory Note (iii))

5. To approve the payment of Directors' fees of up to S$221,667/- for the financial year ending 31 December 2024 (FY2023: S$350,000/-), and to be paid in arrears on a quarterly basis. **(Resolution 5)**
(See Explanatory Note (iv))

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 6)**

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 7)**

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 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 (v)]

8. **Authority to issue shares under Leader Environmental Technologies Share Option Scheme** **(Resolution 8)**

That pursuant to Section 161 of the Companies Act 1967, the Directors of the Company be and are hereby authorised to:

(i) offer and grant options in accordance with the provisions of Leader Environmental Technologies Share Option Scheme ("**Share Option Scheme**") and

(ii) allot and issue from time to time such number of Shares in the capital of the Company to the holders of options granted by the Company under the Share Option Scheme established by the Company upon the exercise of such options in accordance with the terms and conditions of the Share Option Scheme,

provided always that the aggregate number of Shares to be allotted and issued and/or issuable pursuant to the Share Option Scheme, when added to the aggregate number of Shares issued and issuable in respect of all options granted under the Share Option Scheme, Leader Environmental Technologies Share Award Plan and any other any other share option or share schemes of the Company implemented by the Company shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company on the day preceding the date of grant of the option, as determined in accordance with the provisions of the Share Option Scheme. Such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next 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 (vi)]

9. **Authority to grant awards and issue shares pursuant to the Leader Environmental Technologies Share Award Plan** **(Resolution 9)**

That pursuant to Section 161 of the Companies Act 1967, authority be and is hereby given to the Directors to:

(i) offer and grant awards ("**Awards**") from time to time in accordance with the provisions of the Leader Environmental Technologies Share Award Plan ("**Share Award Plan**"); and

(ii) allot and issue from time to time such number of new Shares as may be required to be issued pursuant to the vesting of Awards granted under the Share Award Plan

NOTICE OF
ANNUAL GENERAL MEETING

provided always that the aggregate number of Shares issued and issuable pursuant to the Awards granted under the Share Award Plan, when added to (i) the number of Shares issued and issuable and/or transferred or transferable in respect of all Awards granted thereunder; and (ii) all other Shares issued and issuable and/or transferred or transferable in respect of all options granted or awards granted under any other share option or share schemes or share plans adopted by the Company, shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time on the day preceding the grant of the relevant Awards and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next 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 (vii)]

10. To transact any other business that may be transacted at the AGM.

By Order of the Board

Dominic Tan
Lai Foon Kuen
Joint Company Secretaries
Date: 12 April 2024

EXPLANATORY NOTES:

(i) Dr Lin Yucheng, if re-elected, will remain as the Executive Chairman. Detailed information of Dr Lin Yucheng could be found under the "Corporate Governance Report" in the Annual Report.

(ii) Mr Lim Kuan Meng, if re-elected, will remain as the Chairman of Audit Committee, a member of the Nominating Committee and Remuneration Committees 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 could be found under the "Corporate Governance Report" in the Annual Report.

(iii) Dr Ng Wun Jern, if re-elected, will assume the role of Chairman of Remuneration Committee, a member of the Nominating Committee and Audit Committees respectively. The Board considers Dr Ng Wun Jern to be independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. Dr Ng Wun Jern has no relationship with the Company, its related corporations, its substantial shareholders or its officers. Detailed information of Dr Ng Wun Jern could be found under the "Corporate Governance Report" in the Annual Report.

(iv) The total amount paid for FY2023's directors' fees was S$210,000 instead of S$350,000 as the appointment of 2 new directors did not materialise in FY2023.

(v) Resolution 7 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 50 per cent. (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 cent. (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 7 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 7 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

(vi) Resolution 8 in item 8 if passed, will empower the Directors of the Company to issue Shares in the capital of the Company up to an amount in aggregate not exceeding fifteen per centum (15%) of the issued share capital (excluding treasury shares and subsidiary holdings) of the Company pursuant to the Share Option Scheme, and such other share-based incentive scheme or share plan, on the date preceding the date of the relevant grant. This authority is in addition to the general authority to issue Shares sought under Resolution 7.

(vii) Resolution 9 in item 9, if passed, will empower the Directors to offer and grant Awards under the Share Award Plan, and to allot and issue Shares pursuant to the vesting of Awards granted under the Share Award Plan, provided that the aggregate number of Shares issued and issuable pursuant to the Share Award Plan, when added to (i) the number of Shares issued and issuable and/or transferred or transferable in respect of all Awards granted thereunder; and (ii) all other Shares issued and issuable and/or transferred or transferable in respect of all options granted or Awards granted under any other share incentive schemes or share plans adopted by the Company, shall not exceed 15% of the total number of issued share capital of the Company (excluding treasury shares and subsidiary holdings) from time to time. This authority is in addition to the general authority to issue Shares sought under Resolution 7.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. The members of the Company are invited to attend physically at the AGM. There will be no option for members to participate virtually. Printed copies of this Notice, Proxy Form and the Annual Report 2023 request form ("**Request Form**") will be sent to members. These documents are available to members by electronic means via publication on the Company's corporate website at the URL http://www.leaderet.com, and is also made available on the SGXNet at the URL https://www.sgx.com/securities/company-announcements. A member will need an internet browser and PDF reader to view these documents.

   Shareholders who wish to receive a printed copy of the Annual Report 2023 may do so by completing the Request Form and sending it via email to hello@leaderet.com. to the Company by 10.00 a.m. on 26 April 2024.

2. Arrangement for participation in the AGM physically.

   Members (including CPF and SRS Investors) may participate in the AGM by:

   2.1 attending the AGM in person;

   2.2 submitting questions to the Chairman of the AGM in advance of, or at, the AGM; and/or

   2.3 voting at the AGM (i) themselves personally; or (ii) through their duly appointed proxy(ies). CPF and SRS Investors who wish to appoint the Chairman of the AGM (and not third party proxy(ies)) as proxy are to approach their respective CPF Agent Banks or SRS Operators to submit their votes. Please see item 6 below for details.

   Members who are feeling unwell on the date of AGM are strongly encouraged not to attend the AGM.

3. A member who is not a relevant intermediary, is entitled to appoint not more than two proxies to attend, speak and vote in his/her stead at the AGM.

4. For any member who acts as a relevant intermediary pursuant to Section 181(6) of the Companies Act 1967 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 under the Securities and Futures Act 2001 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,

   you are entitled to appoint one or more proxies to attend and vote at the AGM. The proxy need not be a member of the Company. Please note that if any of your shareholdings are not specified in the list provided by the relevant intermediary to the Company, the Company may have the sole discretion to disallow the said participation of the said proxy at AGM.

5. Where a member appoints more than one proxy, the member shall specify the proportion of his Shares to be represented by each such proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of Shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid.

6. CPF/SRS Investors who hold Shares through CPF Agent Banks/SRS Operators:

   (a) may vote at the AGM if they are appointed as proxies by their respective CPF Agent Banks/SRS Operators, and should contact their respective CPF Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies; or

   (b) may appoint the Chairman of the AGM as proxy to vote on their behalf at the AGM, in which case they should approach their CPF Agent Banks/SRS Operators at least 7 working days before the AGM to submit their votes by 10.00 a.m. on 18 April 2024.

7. The instrument appointing a proxy must be deposited at the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte Ltd), at 9 Raffles Place #26-01, Republic Plaza Tower 1, Singapore 048619; or sent via email to sg.is.proxy@sg.tricorglobal.com in each case, by 10.00 a.m. on 27 April 2024. The Company shall be entitled to and will treat any valid instrument appointing a proxy as a valid instrument for the member's proxy to attend, speak and vote at the AGM.

8. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies 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.

9. A member can appoint the Chairman of the AGM as his/her/its proxy but this is not mandatory.

   If a member wishes to appoint the Chairman of the AGM as proxy, such member (whether individual or corporate) must give specific instructions as to voting for, voting against, or abstentions from voting on, each resolution in the instrument appointing the Chairman of the AGM as proxy. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the Chairman of the AGM will vote or abstain from voting at his discretion.

NOTICE OF ANNUAL GENERAL MEETING

10. In view of the guidance note issued by the Singapore Exchange Regulation, a member may ask question relating to the items on the agenda of the AGM by:
    (a) submitting questions via mail to the Company's registered office at 38 Beach Road, South Beach Tower, #29-11, Singapore 189767; or
    (b) email to queries@leaderet.com; or
    (c) if a member is attending the AGM in person, live at the AGM.

11. All questions being submitted ahead of the AGM must be submitted by no later than 10.00 a.m. on 19 April 2024. When submitting the questions via mail or email, please provide the Company with the following details, for verification purposes:
    (i) full name;
    (ii) NRIC number;
    (iii) current residential address;
    (iv) contact number; and
    (v) number of Shares held.

    Please also indicate the manner in which you hold Shares in the Company (e.g. via CDP, CPF or SRS).

    Please note that the Company will address substantial and relevant questions relating to the resolution to be tabled for approval by 24 April 2024 ("Responses to Q&A"). The Company endeavour to address (i) subsequent clarifications sought, (ii) follow-up questions, or (iii) subsequent substantial and relevant questions which are received after its Responses to Q&A at the AGM itself. Where substantially similar questions are received, we will consolidate such questions and consequently not all questions may be individually addressed.

    The Company will, within one month after the date of the AGM, publish the minutes of the AGM on SGXNet, and the minutes will include the responses to the questions which are addressed during the AGM, if any.

12. The Company shall be entitled to reject an 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 a proxy or proxies. 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 AGM, as certified by The Central Depository (Pte) Limited to the Company.

13. **Important reminder.** Members are reminded to check SGXNet for any latest updates on the status of the AGM.

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.

LEADER ENVIRONMENTAL TECHNOLOGIES LIMITED
(Incorporated in the Republic of Singapore)
Company Registration No. 200611799H

Important:
1. The Annual General Meeting ("AGM") will be held physically. Members have no option to participate virtually.
2. The notice of AGM together with this proxy form and Annual Report Request Form will be printed and sent by post to members. Unless otherwise defined herein, all capitalised terms used in this Proxy Form shall bear the same meanings ascribed to them in the Circular. These documents will also be made available to members by electronic means via publication on the Company's corporate website at the URL https://www.leaderet.com and is also made available on SGXNet website.
3. A relevant intermediary may appoint more than two proxies to attend the AGM and vote (please see note 3 for the definition of "relevant intermediary").
4. For investors who have used their Central Provident Fund ("CPF") and/or Supplementary Retirement Scheme ("SRS") monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them.
5. Please read the notes to this Proxy Form.

ANNUAL GENERAL MEETING
PROXY FORM

*I/We ______________________________ (Name) ______________ (NRIC/Passport Number)

of ____ (Address)

being a *member/members of **LEADER ENVIRONMENTAL TECHNOLOGIES LIMITED** ("Company") hereby appoint

Name	Address	NRIC/Passport Number	Proportion of shareholdings

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of shareholdings

or failing *him/her/them, the Chairman of the AGM as *my/our *proxy/proxies to attend, speak and to vote for *me/us on *my/our behalf at the AGM to be held at Novotel Singapore on Stevens, Draco Room, 28 Stevens Road, Singapore 257878 on **29 April 2024 at 10.00 a.m.**, and at any adjournment thereof. *I/We have directed *my/our *proxy/proxies to vote for or against the resolutions to be proposed at the AGM indicated hereunder. If no specific directions as to voting on the resolutions are given, the *proxy/proxies may vote or abstain from voting at *his/her/their discretion and any other matters arising at the AGM.

Note: Please indicate with an "X" or number of votes in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of AGM. In the absence of specific directions or in the event of any item arising not summarised below, the *proxy/proxies may vote or abstain as *he/she/they may think fit.

		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 2023 together with the Auditors' report thereon.			
2	Re-election of Dr Lin Yucheng as a Director of the Company.			
3	Re-election of Mr Lim Kuan Meng as a Director of the Company.			
4	Re-election of Dr Ng Wun Jern as a Director of the Company.			
5	Approval of proposed Directors' fees up to S$221,667/- for the financial year ending 31 December 2024 to be paid quarterly basis in arrears.			
6	Re-appointment of Messrs Foo Kon Tan LLP as external auditors of the Company.			
7	Authority for Directors to allot and issue shares pursuant to Section 161 of the Companies Act 1967.			
8	Authority for Directors to issue shares under Leader Environmental Technologies Share Option Scheme.			
9	Authority for Directors to grant awards and issue shares pursuant to the Leader Environmental Technologies Share Award Plan.			

Dated this __________ day of ____________________ 2024

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 held by you. If you have Shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members (maintained by or on behalf of the 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 Members, 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 Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you (in both the Depository Register and the Register of Members).

2. A member who is not a relevant intermediary may appoint not more than two proxies to attend, speak and vote on his behalf at the AGM. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy in the form of proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of Shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid. A proxy need not be a member of the Company.

3. A member can appoint the Chairman of the AGM as his/her/its proxy but this is not mandatory. If a member wishes to appoint the Chairman of the AGM as proxy, such member (whether individual or corporate) must give specific instructions as to voting for, voting against, or abstentions from voting on, each resolution in the instrument appointing the Chairman of the AGM as proxy. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the Chairman of the AGM will vote or abstain from voting at his discretion.

4. Pursuant to Section 181 of the Companies Act 1967, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Relevant intermediary is either:

   (i) a banking corporation licensed under the Banking Act 1970 or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   (ii) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act 2001 and holds shares in that capacity; or

   (iii) the Central Provident Fund Board established by the Central Provident Fund Act 1953, in respect of shares purchased on behalf of CPF investors.

5. The instrument appointing a proxy or proxies must be deposited at the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte Ltd), at 9 Raffles Place #26-01, Republic Plaza Tower 1, Singapore 048619; or sent via email to sg.is.proxy@sg.tricorglobal.com in each case by **10.00 a.m. on 27 April 2024** (being not less than 48 hours before the time appointed for the AGM).

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. A corporation that 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 AGM, in accordance with Section 179 of the Companies Act 1967.

General:

The Company shall be entitled to reject an 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 a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM, 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 the AGM dated 12 April 2024.

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LEADER ENVIRONMENTAL TECHNOLOGIES LIMITED

(Company Registration No.: 200611799H)

SINGAPORE OFFICES

41 Science Park Road, #04-11
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8 Tuas West Avenue
Singapore 638431

CHINA OFFICES

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Shushan Economic & Technology Development Zone, Block A Phase 3 South District 508-01 Huguang Road, Hefei City, Anhui, China

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