

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.

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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.

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Provision 1.3 – Matters Requiring Board’s Approval

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

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

- i. material acquisition and disposal of assets/investments;
- ii. incorporation of new entities;
- iii. corporate/financial restructuring and corporate exercises;
- iv. material financial/funding arrangements and capital expenditures;
- v. revised delegation of authority matrix, policies and procedures;
- vi. approval of significant payments of operating expenses, capital injections and investments;
- 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.

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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 | | | | Annual General Meeting | Extraordinary General meeting |
|-------------------------------------|------------------|-------|------------|--------------|------------------------|-------------------------------|
| | Board | Audit | Nominating | Remuneration | | |
| 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.

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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.

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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.

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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.

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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 |

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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.

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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. |

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

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| Name of Director | Dr Lin Yucheng | Mr Lim Kuan Meng | Dr Ng Wun Jern |
|--|--|---|--|
| | | | <p>Past – Chairman, Keppel Technology Advisory Panel (ended in 2024)</p> <p>Past – Member, Advisory Panel, The Water Institute, Canada (ended in 2023)</p> <p>Past – Dean, College of Engineering at Nanyang Technological University (ended in 2015)</p> <p>Past – Distinguished Professor, Universiti Kebangsaan, Malaysia (ended in 2021)</p> |
| 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 |

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| Name of Director | Dr Lin Yucheng | Mr Lim Kuan Meng | Dr Ng Wun Jern |
|---|--|--|--|
| <p>Other Principal Commitments Including Directorships – (for the last 5 years)</p> | <p>Past 5 years:</p> <ol style="list-style-type: none"> 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. | <p>Past 5 years:</p> <ol style="list-style-type: none"> 1. Pinnacle Financial Advisory Services Pte Ltd | <p>Past 5 years:</p> <ol style="list-style-type: none"> 1. Nanyang Environment & Water Research Institute (NEWRI) |

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| 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 |
|---|-------------------------------|-------------------------------|-------------------------------|
| <p>(j) Whether he has ever, to his knowledge, been concerned with the management of conduct, in Singapore or elsewhere, of the affairs of:–</p> <p>(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</p> <p>(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</p> <p>(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</p> | <p>No</p> <p>No</p> <p>No</p> | <p>No</p> <p>No</p> <p>No</p> | <p>No</p> <p>No</p> <p>No</p> |

CORPORATE GOVERNANCE REPORT

| Name of Director | Dr Lin Yucheng | Mr Lim Kuan Meng | Dr Ng Wun Jern |
|---|---|------------------|----------------|
| <p>(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,</p> <p>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p> | No | No | No |
| <p>(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?</p> | <p>Yes.</p> <p>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.</p> <p>Till date, investigations are still ongoing and no formal charges have been made against Dr Lin.</p> | 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 | 1 January 2021 | 30 April 2021 | Nil |
| | Executive Director | 8 June 2020 | | |
| 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 | <p>Present Directorship</p> <p>Far East Group Limited H2G Green Limited</p> <p>Past Directorships (in the last three preceding years)</p> <p>Falcon Energy Group Limited</p> |
| Lim Kuan Meng Age: 53 | Lead Independent Non-Executive Director | 8 June 2020 | 28 April 2022 | <p>Present Directorship</p> <p>Triyards Holdings Limited (in process of liquidation)</p> <p>NauticAWT Limited</p> |

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 | <p>Present Directorships</p> <p>Anacle Systems Limited</p> <p>MindChamps PreSchool Limited</p> <p>Past Directorships (in the last three preceding years)</p> <p>Viking Offshore and Marine Limited</p> |
| 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.

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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.

CORPORATE GOVERNANCE REPORT

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.

Financial Risks

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

Sanctions-related Risks, Subject or Activity

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

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

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.

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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;

CORPORATE GOVERNANCE REPORT

- 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 |
|---|---|
| <p>Revenue recognition for construction contracts and project costing</p> | <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> |

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| Matters considered | Action |
|--|---|
| <p>Impairment of contract assets, trade receivables and advances to suppliers</p> | <p>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.</p> <p>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.</p> |
| <p>Impairment of property, plant and equipment ("PPE") and right-of-use ("ROU") assets</p> | <p>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.</p> <p>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.</p> <p>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.</p> |

CORPORATE GOVERNANCE REPORT

| Matters considered | Action |
|---|--|
| <p>Impairment of investment in subsidiaries</p> | <p>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.</p> <p>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.</p> <p>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.</p> |
| <p>Valuation of Convertible Bonds ("CB")</p> | <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> |

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.*

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

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

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

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.

Provision 11.2 – Separate Resolutions at General Meetings

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

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.

Provision 11.3 – Attendees at General Meetings

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

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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 |
| <u>95% of the net proceeds earmarked for business investments and acquisitions of environmental related business as per Offer Information Statement ("OIS")</u> | | |
| Acquisition of Bofeng | | (700) |
| <u>Re-designation of the balance net proceeds from business investments and acquisitions to capital commitment and working capital purposes</u> | | |
| <u>Working capital</u> | | |
| 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) | |
| | <hr/> | (477) |
| Total disbursements | | <hr/> <u>(1,177)</u> |
| Balance of Rights Issue proceeds (Net) | | <hr/> <u>-</u> |

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 |
| <u>95% of the net proceeds earmarked for business investments and acquisitions of environmental related business</u> | |
| Advance to membrane business segment | (1,200) |
| Capital injection into AIWater | (2,694) |
| Investment in equipment for oil sludge business segment | (441) |
| <u>5% of the net proceeds earmarked for working capital purposes</u> | |
| Directors' fees, remunerations, salaries and related costs | (950) |
| Total disbursements | <hr/> <u>(5,285)</u> |
| Balance of CB proceeds (Net) | <hr/> <u>13,721</u> |