ANNUAL REPORT 2020

LEADER ENVIRONMENTAL TECHNOLOGIES LIMITED

TRANSFORMING *for the* FUTURE

We are a technology driven environmental solutions provider.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr Lin Yucheng
(Date of appointment: 1 Jan 2021)
Executive Chairman and Chief Executive Officer

Lin Baiyin
Executive Director

Lim Kuan Meng
(Date of appointment: 8 Jun 2020)
Lead Independent Non-Executive Director

Mak Yen-Chen Andrew
Independent Non-Executive Director

Lee Suan Hiang
(Date of appointment: 16 Jul 2020)
Independent Non-Executive Director

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

Lee Suan Hiang *(Chairman)*
Lin Baiyin
Lim Kuan Meng

REMUNERATION COMMITTEE

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

PRINCIPAL PLACE OF BUSINESS AND CONTACT NUMBERS

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

JOINT COMPANY SECRETARIES

Lim Poh Yeow, FCCA
Sharon Yeoh

REGISTERED OFFICE

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

SHARE REGISTRAR

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

AUDITORS

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

PRINCIPAL BANKERS

China Merchants Bank
Changhun Economic Development Rongfeng Village Bank
Everbright Bank Changchun Branch
Development Bank of Singapore Limited
United Overseas Bank Limited

CORPORATE PROFILE

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

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

OUR BUSINESS OBJECTIVES

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

OUR PROPRIETARY TECHNOLOGIES

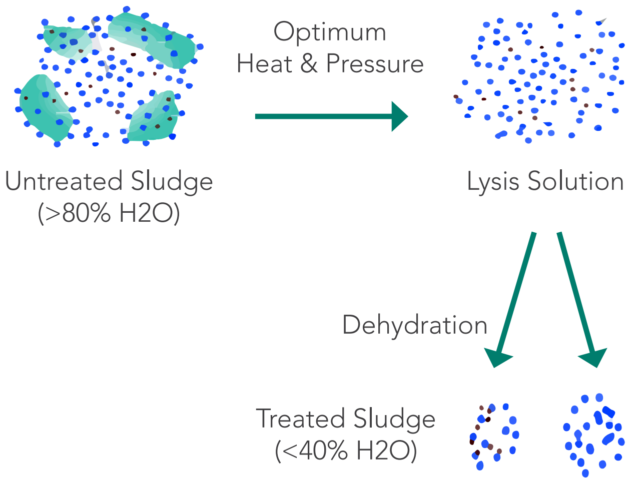
We solve critical environmental problems in China.

Key Environmental Concerns

- Sewage sludge is a by-product of wastewater treatment process
- Traditional sludge-to-landfill disposal method leads to secondary pollution
- Huge shortage of landfill sites in China and globally
- In China, >60 million MT of sludge was produced in 2020*
- Rising wastewater discharge standards in China

Our Treatment-as-a-Service
<u>Sludge Treatment Technologies</u>

- 9 patented technologies to breakdown sludge particles
- This reduces the total sludge mass



- Treated Sludge can be incinerated to generate energy
- By-product of treated sludge can be recycled to produce building materials etc.

<u>Nanosun's Hybrid Membrane</u>

- Cylindrical-hollow structure instead of flat sheet to save space
- Hybrid organic polymer and inorganic crystalline titanium membrane results in enhanced durability (pores will not collapse easily)
- Easy to clean; non-sticky
- Cost-effective
- Uses significantly lesser chemicals
- Eliminate fouling
- Treats industrial wastewater which is recycled for industrial use
- Promotes environmental sustainability

*Source: Intelligence Research Company (2019), 污水处理行业，市场运营态势及投资前景评估报告

EMPOWERING *for* GROWTH

Our engines of growth are our talent and our technologies. We are bolstering our talent pool with the right expertise to drive innovation and efficiency alongside developing new scalable technologies to better cater to industry needs.

OUR CORE BUSINESS – TREATMENT-AS-A-SERVICE

SLUDGE TREATMENT

- Supply integrated sludge solutions for municipal/industrial sludge treatment using our proprietary technologies
- Innovative sludge pretreatment and efficient energy recovery system to achieve the objectives of zero-waste discharge and resource recovery

INDUSTRIAL WASTEWATER TREATMENT

- Treatment and recycling of highly pollutive industrial wastewater using advanced membrane-based technologies, namely, Membrane Bio-reactor ("MBR"), Continuous Membrane Filtration ("CMF") and Reverse Osmosis ("RO")
- Higher margins than municipal wastewater treatment

HIGH PERFORMANCE MEMBRANE SPECIALIST

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

GREENTECH INVESTMENTS

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

GROUP STRUCTURE

Leader Environmental Technologies Limited

100%
Jilin Anjie Environmental Engineering Co., Ltd

Research and development, design, manufacture and installation of environmental protection systems and provision of technical consulting and support services of environmental protection technologies and systems

100%
United Greentech Holdings Pte. Ltd.

Investment holding company

60%
Nanosun Membrane Pte. Ltd.

Manufacturing of high-performance membrane in Singapore and China

100%
United Greentech (Guangzhou) Co., Ltd.

Investment holding company

100%
Bituo Environmental Technologies (Tianjin) Co., Ltd.

100%
United Greentech (Tianjin) Co., Ltd.

Municipal sludge treatment and management, industrial wastewater treatment and recycling, and other environmental related projects

CHAIRMAN'S STATEMENT

"The Group has been actively working on its transformation plans and is beginning to see positive developments as we enter 2021."

DR LIN YUCHENG
Executive Chairman and Chief Executive Officer

I am honoured to take on the role of Executive Chairman and Chief Executive Officer on 1 January 2021. I have since gained deeper understanding of the Group's businesses and am mindful of the challenges we face as we transform the Group to create sustainable and profitable growth for the Group.

COVID-19 is a global challenge presenting mankind with an immense health crisis and unprecedented disruption of businesses in most commercial and industrial sectors. It is also a reminder of the importance to position the organisation to be resilient in the face of challenges.

To address the impact of COVID-19 and to improve the business model of the Group, a strategic review was held in June 2020. The Group aims to transform into a technology driven environmental solutions provider by expanding its business focusing on municipal sludge management, industrial wastewater treatment using membrane technologies, and production of equipment widely used in the sludge and water treatment segments. In addition, the Group will rebalance its revenue streams with more recurring income.

Not all is gloomy as 2020 turned out to be an eventful year for the Company, during which great strides were taken to reposition the Group both operationally and financially. Supporting this step forward is the team's determination and willingness to strive for improvement and advancement which contributed to the various milestones.

KEY MILESTONES

In May 2020, the Company successfully completed a private placement exercise to raise net proceeds of S$1.7 million to finance its working capital.

The management reorganised the group structure to de-register two dormant companies, divested a loss making subsidiary and incorporated three new wholly-owned subsidiaries, namely, United Greentech Holdings Pte. Ltd. in August 2020, United Greentech (Guangzhou) Co., Ltd and United Greentech (Tianjin) Co., Ltd. in September 2020, to engage, invest and partake in the new environmental related businesses.

In September 2020, the Company undertook another fund-raising exercise via Rights Issue to raise net proceeds of approximately S$8.6 million to fund its investment and/or merger and acquisition opportunities in environmental related businesses relating to sludge treatment, industrial wastewater and production of high performance membranes.

Stepping into the first month of 2021, the Group successfully secured two projects, an industrial wastewater treatment project in Shijiazhuang and a municipal sludge build-operate-transfer ("BOT") project in Tianjin of approximately RMB119.0 million. This is a maiden BOT project which will provide the Group with 25 years of recurring income.

On the investment front, the Group has acquired Bituo Environmental Technologies (Tianjin) Co., Ltd., an environmental technology company specialising in municipal sludge treatment with nine patents covering different technologies and processes. The technologies can improve overall energy recovery of the sludge treatment process and bring significant cost savings to the customers which will provide us with a competitive edge when we bid for sludge treatment projects. In addition, the Company has entered into a 60:40 joint venture investment with Nanosun Pte. Ltd. to develop and produce high performance Nano-Ti membranes which are widely applied in the pharmaceutical, life science and medical industries in addition to water treatment. The strategic investment is expected to augment our position as an integrated solution provider of membrane based treatment technologies.

FORGING AHEAD

The Group has been actively working on its transformation plans and is beginning to see positive developments as we enter 2021. Having established a core team of specialists and instilled an enterprise culture of technological innovation and management efficiency, the Group has developed proprietary technologies focusing on addressing pressing environmental issues and new capabilities in sludge management, industrial wastewater treatment and membrane technology.

Municipal sludge is a by-product of wastewater treatment process. Currently at its nascent stage, the sludge treatment and disposal industry in China is expected to become a multi-billion dollar industry due to the sheer volume produced and a lack of proven suppliers of the treatment solutions. The Group has developed integrated solutions with proprietary technologies for treatment and efficient energy recovery system to achieve the objectives of zero waste discharge and resource recovery.

With the increased demand for higher discharge standards imposed by the local authorities and the demand for recycled water for industrial use in China, the industrial wastewater treatment segment has a greater potential of growth and a higher barrier to entry as compared to municipal wastewater treatment. The Group has equipped itself with the advanced membrane technologies to tackle the treatment and recycling of the highly pollutive industrial wastewater.

These are new business opportunities, which can shape our portfolio and become good revenue streams for the Company. The successful implementation and transformation in the past months to a high-tech oriented business focusing on the opportunities in resolving key environmental concern segments gives the Group a differentiated advantage and demonstrates the capabilities and strengths of the Group.

By leveraging our team's expertise, connections, and collective skillsets, we seek to achieve greater impact through collaboration and project investments. This will include equity investments in start-ups in technologies, high-tech products and services for environment protection.

APPRECIATION

On behalf of the Board, I am pleased to welcome Mr Lim Kuan Meng as Lead Independent Non-Executive Director and Mr Lee Suan Hiang as Independent Non-Executive Director on the Board. The Group can tap on their valuable experience as we work towards our strategic goals.

Last but not least, I would like to express my gratitude for the continued support and trust from our shareholders, customers, management team and employees. Barring any unforeseen circumstances, I am optimistic that we will step up to the opportunities and achieve an improved set of results in FY2021.

DR LIN YUCHENG

Executive Chairman and Chief Executive Officer

SETTING *our* SIGHTS

We are strengthening our position as a leading environmental solutions provider by offering services for municipal sludge treatment and disposal, and industrial wastewater treatment based on high-end membrane technologies.

REVENUE

In FY2020, total revenue decreased by RMB23.5 million or 63.1%. This was mainly attributed to (i) no new contracts secured during the financial year; (ii) management's decision to amicably terminate the industrial wastewater project in Linjiang in view of the slow progress and payment; and (iii) the completions of the tail-end of the industrial wastegas and wastewater contracts.

The revenue from the dust elimination segment decreased by RMB7.9 million in FY2020 while the revenue from the industrial wastewater business segment dropped by RMB15.6 million in FY2020 as these contracts were already at the tail-end of completions.

PROFITABILITY

Cost of sales constituted 74.7% and 75.6% of its revenue in FY2019 and FY2020 respectively. Cost of sales decreased by RMB17.4 million or 62.7% which was in line with the decrease in revenue.

Overall gross profit decreased by RMB6.0 million or 64.3% while gross profit margin decreased marginally by 0.9%. The overall decrease in gross profit was in line with the decrease in business activities. As for the gross profit margin, the negative gross profit margin generated from certain industrial wastewater and dust elimination projects in 2H2020 dragged down the higher gross profit margin achieved of 29.9% in HY2020 due to better efficiency. Hence, it resulted in a marginal decrease of the gross profit margin to 24.4% in FY2020, down from 25.3% a year ago.

OPERATING INCOME AND OPERATING EXPENSES

During the financial year, other income increased by RMB0.2 million or 166.4% mainly due to payouts received in relation to the job support scheme by the Singapore Government and gain on disposal of property, plant and equipment of RMB0.2 million in aggregate. There was no such income in FY2019.

Selling and distribution expenses increased by RMB0.1 million or 5.0% due largely to the headcount additions for the newly incorporated subsidiary in Tianjin.

Administrative expenses increased by RMB3.4 million or 33.0% attributed mainly to (i) additions in headcount resulting in higher payroll and related costs of RMB3.5 million; (ii) increased in operating expenses of the newly incorporated subsidiaries in Guangzhou and Tianjin amounting to RMB1.0 million, and partly offset by lower rental of RMB0.2 million, travelling and entertainment expenses of RMB0.4 million, and others of RMB0.4 million. The decrease in expenses was generally in line with the lower business activities.

Finance costs incurred were lower by RMB0.9 million or 15.8%, which was mainly in line with the reduced bank borrowings (2020: RMB24.0 million vs 2019: RMB50.0 million).

Impairment loss on financial assets and contract assets increased by RMB29.6 million or 184.2% due to higher probability of default, ranging from 10% - 40%, coupled with loss given default of 100% was applied on the outstanding debts in view of the heightened risk posed by the COVID-19 pandemic.

Other expenses increased by RMB2.8 million due to impairment loss on intangible asset of RMB1.0 million relating to patented dust elimination technology, higher exchange loss of RMB1.2 million, loss on disposal of property, plant and equipment of RMB0.3 million, and lower bad debts recovered of RMB0.3 million.

Income tax expense decreased by RMB81,000 in FY2020 due mainly to tax refund of RMB75,000 in FY2020 as opposed to a tax expense of RMB6,000 in FY2019.

In view of the above, loss after taxation deepened by RMB40.8 million or 168.7% to RMB64.9 million in FY2020.

FINANCIAL POSITION

The Group's non-current assets was RMB2.6 million or 26.2% lower as a result of routine depreciation and routine amortisation, impairment loss on patent relating to a dust elimination technology, adjustment of lease modification on warehouse premise, and disposal of motor vehicles amounting to RMB3.8 million in aggregate, partly offset by additions in office leases of subsidiaries in Guangzhou and Tianjin of RMB1.2 million.

OPERATIONS & FINANCIAL REVIEW

Currents assets decreased by RMB64.5 million or 40.6% as at 31 December 2020. The decrease was due to the higher allowances for impairments of RMB29.6 million based on a higher probability applied on the outstanding debts in view of the heightened risk posed by COVID-19 pandemic. In addition, contract assets, trade and other receivables were lower by RMB92.4 million due to collections and in line with the decrease in business activities. The decrease was partly offset by higher cash and cash equivalents of RMB37.9 million, bank deposits pledged of RMB1.5 million to secure an increase in bills payable facility, and amount receivable from a third party of RMB18.1 million in connection with the disposable of a 99.9% owned subsidiary.

Current liabilities also declined by RMB54.2 million or 42.4% as at 31 December 2020. The decline was attributed to lower borrowings of RMB26.0 million due to repayments during the financial year. In addition, trade and other payables, contract liabilities and other liabilities also dropped by RMB28.4 million in aggregate which was in line with the decrease in business activities. The decrease was partly offset by higher lease liabilities of RMB0.3 million because of additions in office leases of subsidiaries in Guangzhou and Tianjin.

CASH FLOW POSITION

Net cash generated from operating activities was RMB17.0 million as compared to net cash from operating activities of RMB19.9 million in the prior year. The decrease was attributed to higher working capital requirements.

Net cash generated from investing activities was RMB0.3 million. This was directly attributable to the proceeds received from the disposal of motor vehicles of RMB0.4 million and interest income received of RMB23,000, partly offset by the purchase of property, plant and equipment and cash outflow from disposal of subsidiary of RMB0.1 million in aggregate.

Net cash generated from financing activities was RMB20.6 million. This was due mainly to the net proceeds received via a private placement and Rights Issue of RMB52.0 million in aggregate, proceeds from loans of RMB11.0 million and proceeds from bills payable of RMB1.5 million, partly offset by the repayments of loans of RMB37.0 million, increase in fixed deposits pledged of RMB1.5 million, lease liabilities of RMB0.4 million and interest expenses paid in respect of bank loans and repayments of lease liabilities of RMB5.0 million.

BOARD OF DIRECTORS

DR LIN YUCHENG, Age 58
Executive Chairman & CEO

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

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

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

LIN BAIYIN, Age 54
Executive Director

Mr Lin began his career in Wastewater Treatment in 1994. In 2005, Lin Baiyin established Anjie Environmental and was appointed as CEO of Leader Environmental Technologies from 2006 to 2020.

He is a member of the executive committee of the 4th Council of the CAEPI, the vice president of the JAEPI, the standing Vice President of the Fujian Chamber of Commerce in Changchun City and the Vice President of the Fuzhou Chamber of Commerce in Changchun City.
Mr Lin holds a Diploma in Commercial Economic Enterprise Management from the School of Continuing Education of the Beijing Normal University in 2000. He obtained the senior economist qualification from the Jilin Provincial Personnel Department in 2009.

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

BOARD OF DIRECTORS

LIM KUAN MENG, Age 50
Lead Independent Non-Executive Director

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

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

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

MAK YEN CHEN ANDREW, Age 51
Independent Non-Executive Director

Mr Mak is a practising lawyer with more than 25 years of experience in legal practice. His current practice focuses on mergers and acquisitions, joint ventures, securities and capital markets, listed company work, general corporate/commercial work and cross-border transactions. Andrew is also familiar with corporate governance.

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

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

LEE SUAN HIANG, Age 70
Independent Non-Executive Director

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

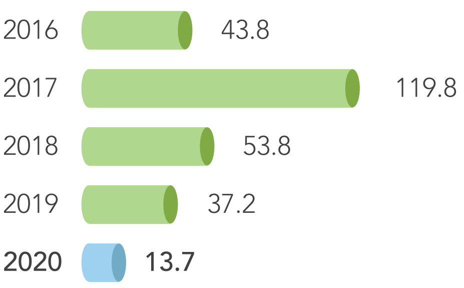
He is the Immediate Past-President of the EDB Society and Chairman of Global Cultural Alliance Ltd. He also holds directorships in several listed companies. He is Chairman of Anacle Systems Ltd and a director of Viking Offshore & Marine Ltd and MindChamps PreSchool Ltd. He was awarded the Public Administration Gold Medal in 1998, World Academy of Productivity Science Fellowship Award in 2000, the World SME Association Award in 2001, the Japan External Trade Organisation (JETRO) Award in 2002, Asian Productivity Organisation Honorary Fellowship Award in 2004, the Chevalier de l'Ordre des Arts et Lettres from the Republic of France in 2010, the National Day Public Service Medal in 2019, and the NTUC Friend of Labour Award in 2012 and Meritorious Service Award in 2020.

INVESTING *in our* FUTURE

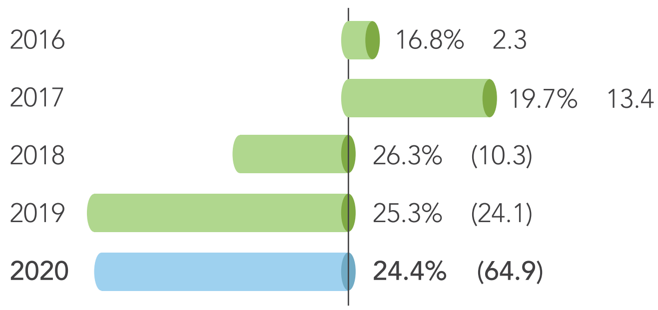
Just as our work is focused on environmental sustainability, we also place emphasis on a sustainable performance. We continually explore avenues to improve long-term recurring income, reduce risk via diversification and improve financing and operating methods to preserve and grow stakeholder benefits.

FINANCIAL HIGHLIGHTS

REVENUE (RMB' million)

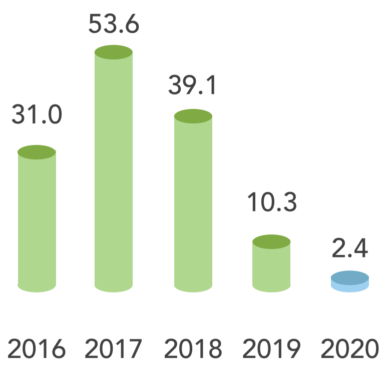


GROSS PROFIT MARGIN (%) and
NET (LOSS)/PROFIT (RMB' million)

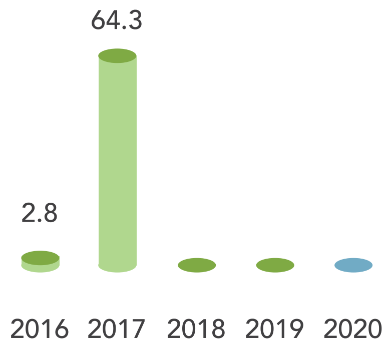


BY BUSINESS SEGMENT (RMB' million)

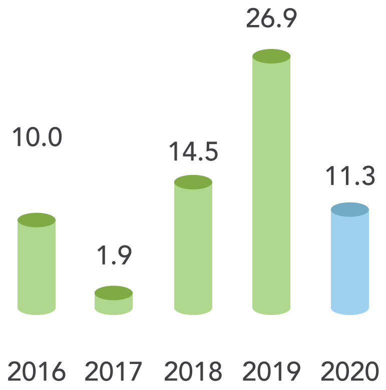
Dust Elimination



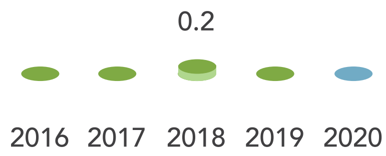
Desulphurization



Industrial Wastewater



Design & Technical



FINANCIAL CONTENTS

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").

The Board is pleased to outline in this report the Company's corporate governance practices and structures in the financial year ended 31 December 2020 ("FY2020"), with specific reference made to each of the principles set out in the Code. Other than deviations which are explained in this report, the Company has generally adhered to the principles and guidelines set out in the Code.

BOARD MATTERS

The Board's Conduct of Affairs

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

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

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

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

- to approve the release of the Group's half-year and full-year 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.

<u>Provision 1.1 - Conflicts of Interest</u>

Each Director is required to promptly disclose any conflict or potential conflict of interest 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. In addition, he will also abstain from voting on such conflict-related matters.

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

Provision 1.2 - Director's Orientation and Training

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

Upon appointment to the Board, a new director will receive a formal letter of appointment together with relevant information which includes directors' duties and responsibilities, Board and Board committees' meeting schedule, the Company's latest annual report, constitution, respective Board committees' terms of reference, remuneration framework for directors and guidelines 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.

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.

During FY2020, the Directors were provided with briefings by professionals at Board meetings on regulatory changes and changes in financial reporting standards and issues which have a direct impact on financial statements.

Directors are encouraged to attend relevant training programmes conducted by the relevant institutions and organisations. The cost of such training will be borne by the Company.

Provision 1.3 - Matters Requiring Board's Approval

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

i. material acquisition and disposal of assets/investments;

ii. corporate/financial restructuring and corporate exercises;

iii. budgets/forecasts;

iv. material financial/funding arrangements and capital expenditures;

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

vi. Approve the payments of operating expenses, capital injections and investments from the use of proceeds in connection with the private placement and Rights Issue exercises completed on 29 May 2020 and 3 September 2020 respectively.

The Board has delegated, but without abdicating its responsibility, the day-to-day management and running of the Group to the Management headed by the Executive Chairman and Chief Executive Officer ("CEO"), Dr Lin Yucheng. He is involved in the management of the Group's operations and shall discharge his duty and responsibility at all times as fiduciary in the best interests of the Group.

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

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

		Board Committees			**Annual General Meeting**
	Board	**Audit**	**Nominating**	**Remuneration**	
Number of meetings held	**4**	**4**	**1**	**1**	**1**
	Number of meetings attended				
Dr Lin Yucheng@	2	2*	–	–	–
Mr Lin Baiyin	4	4*	1	1*	1
Mr Mak Yen-Chen Andrew	4	4	1*	1	1
Mr Lim Kuan Meng^	2	2	–	–	–
Mr Lee Suan Hiang^	2	2	–	–	–
Mr Goh Kay Seng Edwin#	1	1	1	1	–
Mr Liu Kaiyi#	2	2	1	1	1

* By Invitation

@ Dr Lin Yucheng was appointed as the Company's Executive Director on 8 June 2020, and subsequently as Executive Chairman and CEO of the Company on 1 January 2021.

^ Mr Lim Kuan Meng and Mr Lee Suan Hiang were appointed to the Board on 8 June 2020 and 16 July 2020 respectively.

\# Mr Goh Kay Seng Edwin and Mr Liu Kaiyi stepped down from the Board on 15 June 2020 and 16 July 2020 respectively.

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 Company'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 key management personnel. Requests for the Company's information by the Board are dealt with promptly.

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

The Company did not enter into any major transaction or business proposal out of the ordinary course of business in FY2020.

Provision 1.7 - Access to Management and Company Secretary

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

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

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

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

Dr Lin Yucheng	Executive Chairman and Chief Executive Officer
Mr Lin Baiyin	Executive Director
Mr Lim Kuan Meng	Lead Independent Non-Executive Director
Mr Mak Yen-Chen Andrew	Independent Non-Executive Director
Mr Lee Suan Hiang	Independent Non-Executive Director

Provision 2.1 - Board Independence

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. The Board now comprises three Independent Non-Executive Directors and two Executive Directors which displays strong and independent element on the Board, and Independent Non-Executive Directors makes 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 judgement in the best interests of the Group.

The Nominating Committee has reviewed and determined, according to the Code's definition of "Independent Director" and relevant guidance, that for FY2020, each of Mr Lim Kuan Meng, Mr Mak Yen-Chen Andrew and Mr Lee Suan Hiang is non-executive and independent. Mr Lee Suan Hiang has vested interest in the Company's shares during his tenure as a director, but he will abstain from discussion or voting on any conflict-related matter due to his vested interest in the Company.

For FY2020, Mr Mak Yen-Chen Andrew who has served on the Board as Independent Non-Executive Director for more than nine years had submitted the assessment on his independence status to other directors.

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.

Mr Lim Kuan Meng and Mr Lee Suan Hiang were appointed on 8 June 2020 and 16 July 2020 respectively in place of Mr Goh Kay Seng Edwin and Mr Liu Kaiyi who had stepped down from the Board on 15 June 2020 and 16 July 2020 respectively.

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 ethnics on the Board ("Board Diversity") and views Board Diversity as an essential element to attainment of its strategic objectives and sustainable development.

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

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.

In the light of the foregoing, although the Company does not have a written policy on Board Diversity, it is evident that the 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.

Provision 2.5 - Meeting of Independent Directors without Management

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

Executive Chairman and Chief Executive Officer ("CEO")

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

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

Provision 3.1 of the Code requires the separation of the role of Chairman and the CEO so that there is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making. The Company has deviated from Provision 3.1 of the Code as Dr Lin Yucheng is the Executive Chairman and CEO of the Group.

The Board is of the view that, at this point in time, it is in the best interests of the Group to adopt a single leadership structure, whereby the Chairman of the Board and the CEO is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

The Board will take into consideration the separation of the role of the Chairman and the CEO as stipulated as part of the on-going succession planning and Board renewal process.

All major proposals and decisions made by the Executive Chairman and CEO are discussed and reviewed by the AC. His performance and appointment to the Board is reviewed periodically by the Nominating Committee ("NC") and his remuneration package is reviewed periodically by the Remuneration Committee ("RC"). As the Audit Committee ("AC"), NC and RC consist of all independent directors or majority non-executive directors; 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.

The Company has a Lead Independent Non-Executive Director who is also the Chairman of the AC. To uphold the spirit of corporate governance and in accordance with the Code, the Lead Independent Non-Executive Director will be available to shareholders where they have concerns and for which contact through the normal channels of the Chairman and CEO has failed to resolve or is inappropriate. In light of the foregoing, the Board is of the view that the Company's practices are consistent with the intent of Provision 3.1 of the Code.

Provision 3.2 - Role of Executive Chairman and CEO

The Group's Executive Chairman, Dr Lin Yucheng, is also the CEO of the Group. The Board is of the view that it is not necessary to separate the roles of the Executive Chairman and the CEO, after taking into consideration the size, scope and the nature of the operations of the Group. Moreover, Dr Lin Yucheng's long and extensive experience in the industry will enhance the core competencies of the Board. The Board strongly believes that Dr Lin provides valuable entrepreneurial leadership, sets strategic objectives, and ensures the necessary financial and human resources are in place for the Company to meet its objectives. Taking cognisant of all the above factors, the Board is of the view that it is in the best interests of the Group to adopt a single leadership structure so as to ensure that the decision-making process of the Group would not be unnecessarily hindered. In addition, there are sufficient safeguards and checks in place to ensure that Management is accountable to the Board as a whole.

As the Executive Chairman and CEO of the Group, Dr Lin Yucheng is in charge of the management and day-to-day operation of the Group. He is also responsible for developing the overall strategic directions of the Group, as well as the business strategies and policies of the Group.

To ensure effectiveness of the Board, he is assisted by the Directors, Company Secretary and Management, to schedule meetings and to prepare meeting agenda. A culture of openness and debate is promoted at the Board.

Provision 3.3 - Appointment of Lead Independent Director

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

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

Board Membership

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

Provisions 4.1 and 4.2 - NC composition and terms of reference

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

- Mr Lee Suan Hiang — Chairman, Independent Non-Executive Director*
- Mr Lim Kuan Meng — Member, Lead Independent Non-Executive Director*
- Mr Lin Baiyin — Member, Executive Chairman and Chief Executive Officer

* Messrs Lee Suan Hiang and Lim Kuan Meng were appointed as Independent Non-Executive Director on 16 July 2020 and 8 June 2020 respectively in place of Mr Liu Kaiyi, former Chairman of the NC, and Mr Goh Kay Seng Edwin, member of NC, who had stepped down from the Board on 16 July 2020 and 15 June 2020 respectively.

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 106 of the Constitution provides that the retiring Directors are eligible to offer themselves for re-election. Regulation 114 of the Constitution provides that appointment of 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 Mr Lee Suan Hiang be nominated for re-election at the forthcoming AGM, and they consent to their re-elections. Mr Lim Kuan Meng will, upon re-election, as an Independent Non-Executive Director, remain as the Chairman of the AC, and member of RC and NC, while Mr Lee Suan Hiang will, upon re-election, as an Independent Non-Executive Director, remain as the Chairman of the NC and member of AC and RC of the Company. In making the recommendations, the NC has considered the Directors' overall contributions and performances. None of the Directors had participated in reviewing, recommending and approving his own re-election.

Currently, there are no alternate directors on the Board.

Directors seeking Re-election pursuant to Rule 720(6) and 210(5)(d)(iii) of the Listing Manual of the SGX-ST are stipulated in the table below:

Name of Director	Dr Lin Yucheng	Mr Lim Kuan Meng	Mr Lee Suan Hiang	Mr Mak Yen-Chen Andrew
Date of Appointment	8 June 2020	8 June 2020	16 July 2020	21 June 2010
Date of last re-appointment (if applicable)	N.A.	N.A.	N.A.	30 April 2019
Age	58	50	70	51
Country of principal residence	Singapore	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Nominating Committee, together with the full Board, has assessed on Dr Lin's background, qualification, experience and commitment, and continues to be of the opinion, that Dr Lin's long and extensive experience in the industry will enhance the core competencies of the Board. The Board believes that Dr Lin provides valuable entrepreneurial leadership, sets strategic objectives, and ensures the necessary financial and human resources are in place for the Company to meet its objectives. Based on the Board's assessments, it has not come across anything adverse regarding Dr Lin's character and integrity, and it believes that he is able to effectively lead the Company.	After assessing Mr Lim's contribution and performance, the NC has recommended that he be re-elected as Director of the Company.	After assessing Mr Lee's contribution and performance, the NC has recommended that he be re-elected as Director of the Company.	The NC noted that, notwithstanding that he has served the Board beyond nine years, he continues to demonstrate strong independence in character and judgement in engaging and challenging Management in the interests of the Group at the Board and Board Committee meetings. Hence, the NC recommended that he be re-elected as Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive appointment. He is responsible for the formulation of business strategies, overall management and overseeing the daily operations of our Group.	The appointment is non-executive.	The appointment is non-executive.	The appointment is non-executive.

Name of Director	Dr Lin Yucheng	Mr Lim Kuan Meng	Mr Lee Suan Hiang	Mr Mak Yen-Chen Andrew
Job title (e.g. Lead ID, AC Chairman, AC Member etc)	Executive Chairman and Chief Executive Officer	Independent Non-Executive Director, Chairman of AC, Member of NC and RC	Independent Non-Executive Director, Chairman of NC, Member of AC and RC	Independent Non-Executive Director, Chairman of RC, Member of AC
Professional qualification	Ph.D from Imperial College, London	Bachelor of Accountancy (Merit) degree from Nanyang Technological University of Singapore, and a member of Institute of Singapore Chartered Accountants	Bachelor of Arts (Honours) Degree in Industrial Design (Engineering) from Manchester Polytechnic, UK, a graduate of the Advanced Management Programme at Harvard University (USA), the International Executive Programme at INSEAD (France) and the Leaders in Administration Programme at the Singapore Civil Service College	Bachelor of Laws (Honours) degree from the National University of Singapore and an Advocate and Solicitor of the Supreme Court of Singapore
Working experience and occupation(s) during the past 10 years	July 2003 – 2015 United Envirotech Limited (Chairman and Chief Executive Officer) 2015 – June 2018 CITIC Envirotech Ltd, Group CEO and Executive Director June 2018 – May 2019 Singapore Envirotech Accelerator Pte.Ltd. Memstar Holding Pte. Ltd.	June 2007 – July 2013 Audit Partner of Deloitte & Touche LLP December 2013 – present Managing Partner of Pinnacle Partnership LLP August 2013 – present Manging Partner of JB Chua & Co July 2014 – present Director of Pinnacle Financial Advisory Services Pte Ltd	2011 – 2016 Chief Executive Officer of Real Estate Developers' Association of Singapore. 2003- 2009 Chief Executive Officer of National Arts Council	2006 – 2013 Partner, Kelvin Chia Partnership 2014 – 2015 Partner, Loo & Partners LLP 2016 – present Consultant, Fortis Law Corporation
Shareholding interest in the listed issuer and its subsidiaries	198,000,000 ordinary shares in the listed issuer (Direct Interest)	N.A.	5,000,000 ordinary shares in the listed issuer (Direct Interest) 3,000,000 ordinary shares in the listed issuer (Deemed Interest)	N.A.
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	Nil	Nil

Name of Director	Dr Lin Yucheng	Mr Lim Kuan Meng	Mr Lee Suan Hiang	Mr Mak Yen-Chen Andrew
Conflict of interest (including any competing business)	Nil	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes
Other Principal Commitments* Including Directorships*	Nil	Nil	Nil	Nil
* "Principal Commitments" has the same meaning as defined in the code.				
** These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8) Past (for the last 5 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	No

CORPORATE GOVERNANCE REPORT

Name of Director	Dr Lin Yucheng	Mr Lim Kuan Meng	Mr Lee Suan Hiang	Mr Mak Yen-Chen Andrew
b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being partnership) of which he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	Mr Lim is the Independent Non-Executive Director, Triyards Holdings Limited, a company listed on the SGX-ST which is currently placed under Judicial Management.	No	Mr Mak is an Independent Non-Executive Director of Falcon Energy Group Limited, a company listed on the SGX-ST ("Falcon"). In view of the change in Falcon's financial position, the risk of legal claims, and the threat of winding up proceedings from creditors, on 25 July 2019, Falcon filed HC/OS 957/2019 in the High Court of Singapore for moratorium protection under Section 211B of the Companies Act to obtain breathing space to formulate a restructuring plan for the benefit of its creditors. A similar application was filed by Asetanian Marine Pte Ltd ("AMPL"), a subsidiary of Falcon, in HC/OS 956/2019. On 15 January 2021, Falcon and AMPL filed HC/OS 32/2021 and HC/OS 33/2021 respectively to convene scheme meetings pursuant to Section 210(1) of the Companies Act. Pursuant to an Order of Court dated 3 February 2021, meetings of scheme creditors of Falcon will be held on 30 April 2021.
(c) Whether there is any unsatisfied judgement against him?	No	No	No	No

Name of Director	Dr Lin Yucheng	Mr Lim Kuan Meng	Mr Lee Suan Hiang	Mr Mak Yen-Chen Andrew
(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	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No	No

Name of Director	Dr Lin Yucheng	Mr Lim Kuan Meng	Mr Lee Suan Hiang	Mr Mak Yen-Chen Andrew
(f) Whether at any time during the last 10 years, judgement 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	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No	No

Name of Director	Dr Lin Yucheng	Mr Lim Kuan Meng	Mr Lee Suan Hiang	Mr Mak Yen-Chen Andrew
(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	No
i) Whether he has ever been the subject of any order, judgement 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	No
(j) Whether he has ever, to his knowledge, been concerned with the management of conduct, in Singapore or elsewhere, of the affairs of:-				
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No	No

Name of Director	Dr Lin Yucheng	Mr Lim Kuan Meng	Mr Lee Suan Hiang	Mr Mak Yen-Chen Andrew
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business in trusts in Singapore or elsewhere; or	No	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No	No

Name of Director	Dr Lin Yucheng	Mr Lim Kuan Meng	Mr Lee Suan Hiang	Mr Mak Yen-Chen Andrew
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.	No	No	Yes. In May 2015, Mr Lee received a "supervisory warning" from the MAS for failing to notify a listed corporation (of which he was a director) of changes in his interest in the securities of the incorporation within two business days of acquisition of the interest, as required under Section133 of the Securities and Futures Act, Chapter 289 of Singapore. In the letter issued by the MAS, the MAS indicated its position not to take further regulatory action in respect of the matter.	
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 page 35 of the Annual Report for the details N.A.	This relates to re-appointment of Director. Yes Please refer to page 35 of the Annual Report for the details N.A.	This relates to re-appointment of Director. Yes Please refer to page 36 of the Annual Report for the details N.A.	This relates to re-appointment of Director. Yes Please refer to page 35 of the Annual Report for the details N.A.
Please provide details of relevant experience and the Nominating Committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.	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 the Listing Rule 210(5)(d) as the Independent Directors: (i) are not employed by the Company or any of its related corporations for the current or any of the past three financial years; and (ii) do not have an immediate family member who is employed or has been employed by the Company or any of its related corporations for the past three financial years, and whose remuneration is determined by the Remuneration Committee.

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

Taking into account of the above, the Board has affirmed the independence status of Mr Mak Yen-Chen Andrew and resolved that he continues to be considered an Independent Director, notwithstanding he has served on the Board beyond nine (9) years from the date of his first appointment.

Apart from Dr Lin Yucheng, Mr Lim Kuan Meng and Mr Lee Suan Hiang being nominated for re-election at the forthcoming AGM as set out on page 24 of the Annual Report, the NC has also recommended the nomination of Mr Mak Yen-Chen Andrew for re-election as Director at the forthcoming AGM under Rule 210(5)(d)(iii) of the Listing Manual. The Board has accepted this recommendation and being eligible, Mr Mak Yen-Chen Andrew will be offering himself for re-election at the AGM. The additional information of the retiring Directors is set out on pages 25 to 33 of this Annual Report.

With effect from 1 January, 2022, a director will not be independent if he has served for an aggregate of more than 9 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 (the "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. The Board has recommended that the approval of the shareholders be sought through a Two-Tier Voting process at the forthcoming AGM for the continuation of office of Mr Mak Yen-Chen Andrew, who has served as an Independent Non-Executive Director of the Company for an aggregate term of more than nine years.

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 (6) companies. However, any Directors may hold more than six (6) 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 (6) 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: 58	Executive Chairman and CEO	8 June 2020 and 1 January 2021	N.A.	**Past Directorship (in the last three preceding years)** CITIC Envirotech Ltd
Lin Baiyin Age: 54	Executive Director	18 December 2006	30 April 2018	NIL
Mak Yen-Chen Andrew Age: 51	Independent Non-Executive Director	21 June 2010	30 April 2019	**Present Directorships** Far East Group Limited Falcon Energy Group Limited **Past Directorships (in the last three preceding years)** China Jishan Holdings Limited
Lim Kuan Meng Age: 50	Lead Independent Non-Executive Director	8 June 2020	N.A.	**Present Directorships** Triyards Holdings Limited (in Judicial Management) **Past Directorship (in the last three preceding years)** Falcon Energy Group Limited

Name	Appointment	Date of initial Appointment	Date of last re-election	Directorship in other listed companies
Lee Suan Hiang Age: 70	Independent Non-Executive Director	16 July 2020	N.A.	**Present Directorship** Viking Offshore and Marine Limited Anacle Systems Limited MindChamps PreSchool Limited **Past Directorships (in the last three preceding years)** Memstar Technology Ltd Advance SCT Limited CITIC Envirotech Ltd United Engineers Limited Perennial Real Estate Holdings Limited

Key information on the individual directors in the Company is set out on pages 11 and 13 of this Annual report.

Board Performance

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

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

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

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

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

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

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

Provisions 6.1 and 6.2 - RC Composition and Terms of Reference

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

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

* Messrs Lim Kuan Meng and Mr Lee Suan Hiang were appointed as Independent Non-Executive Directors on 8 June 2020 and 16 July 2020 respectively in place of Mr Goh Kay Seng Edwin and Mr Liu Kaiyi, both members of RC, who had stepped down from the Board on 15 June 2020 and 16 July 2020 respectively.

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

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.

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 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/her 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 to 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.

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

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

The remunerations for Executive Directors and KMP take into account the sustained performance of the Group and the individual, taking into account its strategic objectives and long term interests. The remuneration packages include a fixed salary and a variable performance related bonus which is designed to align the interests of the Executive Directors with those of shareholders and promote the long-term success of the Group.

The Company has entered into a service agreement with the former Executive Chairman and CEO, Mr Lin Baiyin, who is now an Executive Director. His service agreement is valid for an initial period of three years with effect from 21 June 2010. Upon the expiry of the initial period of three years, the aforesaid service agreement of Mr Lin Baiyin has been 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 six months' prior notice in writing, or in lieu of notice, payment of an amount equivalent to six months' salary. In the light of the economic challenges and uncertainties posed by the COVID-19 pandemic, Mr Lin Baiyin will take a pay cut of more than 25% of the remuneration as stipulated in his service agreement.

In addition, the Company has also entered into a service agreement with Dr Lin Yucheng on 8 June 2020. Dr Lin Yucheng is 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.

Provision 7.2 - Remuneration of Non-Executive Directors

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

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

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

Considering the size of the current business operations of the Group as well as its existing workforce, the Company does not have any long-term incentive plan for the Executive Directors and key management personnel other than the Leader Environmental Performance Share Scheme. This is about to change as the Company is undergoing transformation to become a technology driven, comprehensive one-stop environmental solutions provider by expanding its business focus on municipal sludge management, industrial wastewater treatment using membrane technologies, and production of equipment widely used in the sludge and water treatment segments. In order to achieve these objectives, 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 who have made positive contributions to the Company. The new employee share option scheme and performance share plan will be put in place to replace the Leader Environmental Performance Share Scheme once the said scheme and plan are approved by the shareholders at an Extraordinary General Meeting.

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, the Executive Chairman and Chief Executive Officer, Executive Director and KMPs to ensure that the remuneration structure is competitive and sufficient to attract, retain and motivate Directors and KMPs 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.

The remunerations for the Executive Directors are based on the terms as set out in his service contract entered into with the Company. Based on the terms of the service contract which were applicable for FY2020, Mr Lin Baiyin, being the former Executive Chairman and Chief Executive Officer, is entitled to (i) a basic monthly salary (ii) an annual incentive bonus ("Incentive Bonus"), which is dependent on the performance of the Company and the Group, as further outlined below, (iii) a discretionary bonus, to be recommended by the RC and approved by the Board, and (iv) contributions to defined contribution plans. In FY2020, the former Executive Chairman and Chief Executive Officer's remuneration only comprised basic monthly salary and related contributions to defined contribution plans. Dr Lin Yucheng, who was appointed Executive Director of the Company on 8 June 2020, was remunerated with a basic monthly salary starting from 8 June 2020, and a 13th month annual wage supplement for his services rendered in FY2020.

The discretionary bonus of the Executive Director is generally awarded based on a certain number of months of his basic monthly salary, and will only be given if recommended by the RC and approved by the Board. In line with the market practice, it is intended as an additional tool to incentivise the Executive Director for his efforts, contributions and performances which may not be directly linked to the financial performances of the Company and Group. So far, no discretionary bonuses have been paid to Mr Lin Baiyin and Dr Lin Yucheng in FY2020.

The aggregate Incentive Bonus for FY2020 is calculated and based on the consolidated net profit before tax, extraordinary items and exceptional items ("NPBT") of the Group (as shown in the audited consolidated accounts of the Company and its subsidiaries) as follows:

NPBT	**Amount of incentive bonus**
More than RMB100.0 million but less than RMB120.0 million	2.5% of NPBT
RMB120.0 million and above	4.0% of NBPT

The performance conditions computed based on NPBT were benchmarked closely to market practice and the quantum of the reward is comparable to companies of the same size. No Incentive Bonuses were also paid to Dr Lin Yucheng and Mr Lin Baiyin in FY2020. The aforesaid incentive bonus structure will be discontinued, and replaced by a new incentive structure to be applied in FY2021 which was approved by the RC.

The Executive Directors are also entitled to participate in the current performance share scheme (known as the "Leader Environmental Performance Share Scheme"). The entitlement would be based on the achievement of certain key performance indicators for a specific time period set and approved by the RC. The performance share scheme offers an additional tool 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 performance shares to be awarded to the Executive Directors will be subject to shareholders' approval. No performance shares will be awarded to the Executive Directors in FY2020.

Remuneration of the Directors and CEO and KMP

A breakdown showing the level and mix of each individual Director's remuneration for the financial year ended 31 December 2020 is set out below:

Remuneration band (in S$)/Name of Directors	**Salary**	**Fees***	**Bonus[2]**	**Other Benefits[1]**
	%	**%**	**%**	**%**
S$100,000 to S$249,999				
Dr Lin Yucheng	89.3	–	7.3	3.4
Mr Lin Baiyin	96.3	–	–	3.7
Below S$100,000				
Mr Mak Yen-Chen Andrew	–	100	–	–
Mr Lim Kuan Meng***	–	100	–	–
Mr Lee Suan Hiang***	–	100	–	–
Mr Goh Kay Seng Edwin**	–	100	–	–
Mr Liu Kaiyi**	–	100	–	–

* *The fees payable to the Independent Non-Executive Directors which was approved at the last AGM held on 28 May 2020 was S$107,000 as opposed to the actual amount paid of approximately S$124,000 in FY2020. The payments were in excess of the approved amount of approximately S$17,000 due to the addition of local Director in second half of FY2020. The excess payment will be put forth as one of the meeting agendas at the Company's AGM to be held on 30 April 2021 which require shareholders' approval.*

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

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

** *Mr Goh Kay Seng Edwin and Mr Liu Kaiyi had resigned as Independent Non-Executive Director on 15 June 2020 and 16 July 2020 respectively.*

*** *The Director's fees paid to Mr Lim Kuan Meng and Mr Lee Suan Hiang were pro-rated as they were appointed to the Board on 8 June 2020 and 16 July 2020 respectively.*

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 Performance Share Scheme and the award is based on the fulfilment of certain key performance indicators over a specific timeframe as set by the various department heads and approved by the RC.

The disclosure of the top four KMP's' remunerations (who are not Directors of the Company or the CEO) of the Group for the FY2020 are set out below:-

Name of Key Executive	Salary	Bonus[1]	Other benefits[2]
	%	%	%
Below S$250,000			
Li Li[3]	88.3	7.3	4.4
Ngoo Lin Fong[3]	87.1	7.2	5.7
Lim Poh Yeow	83.8	6.8	9.4
Dr Guo Chenghong[3]	84.6	7.0	8.4

1 *Other than the 13th month annual wage supplement, there were no variable bonus or performance shares paid/awarded to any key management personnel in FY2020.*

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

3 *Li Li, Deputy CEO, also the General Manager of the new incorporated subsidiary in Tianjin, Ngoo Lin Fong, Deputy CEO cum Finance Director, and Dr Guo Chenghong, Chief Technical Officer were appointed on 1 July 2020, 1 September 2020 and 1 August 2020 respectively.*

The annual aggregate remunerations (inclusive of CPF contributions) paid to the top four KMP of the Company (who are not Directors or the Executive Chairman and CEO) for FY2020 was approximately S$450,000 (RMB2.2 million).

No employee who is an immediate family member of a Director was paid more than S$100,000 during FY2020. "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, 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 employees to disclose such details due to the sensitive nature of such information and as our industry is highly competitive in respect of the recruitment of experienced executives. The disclosure of the indicative range of the Directors' (below S$100,000 and S$100,000 to S$249,999) and KMPs' remunerations (below S$250,000) as well as the composition of the remunerations into its fixed salary, fees, bonus and other benefits do provide a reasonable and meaningful amount of information on the Company's remuneration framework for the shareholders to understand the link between the Company's performance and the remunerations of the Directors and KMP. In addition, the Group also disclosed the aggregate remunerations paid to four KMP of the Company (who are not Directors or the CEO) for FY2020 and any employees who are related to substantial shareholders or directors, and are paid more than S$100,000 annually. The fees paid to the Independent Non-Executive Directors do not have variable components and are subjected 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 Performance Share Scheme

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

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

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

To date, total ordinary shares of 4,600,000 and 13,950,000 were issued and awarded to eligible employees in FY2013 and FY2015 respectively in recognition of their past performances and contributions to the Group. The aforesaid performance share scheme will be discontinued, and the new employee share option scheme and performance share plan will be adopted in FY2021 once they are approved by the shareholders during the Company's Extraordinary General Meeting.

ACCOUNTABILITY AND AUDIT

Accountability

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

Provision 9.1 - Significant Risks, Objectives and Value Creation

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

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

Business/Operational Risks

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

Compliance Risks

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

The Board is also responsible for ensuring compliance with legislative and regulatory requirements, including requirements under the Listing Rules. In line with the Listing Rules of the SGX-ST, the Board provides a negative assurance statement to the shareholders in its quarterly financial statement announcements, 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.

Management regularly (and as and when requested) presents the Board with the Group's quarterly financial results, prospects and annual financial statements 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 a further understanding of the Group's latest businesses and operating environments. In this respect, the Management provides the Board with a balanced and understandable assessment of the Group's performance, position and prospects on a regular basis.

Financial Risks

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

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

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

For the financial year under review:-

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

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

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

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

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

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

(i) The CFO and senior management 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 continuously strengthen the existing internal controls already put in place.

(ii) The AC has met with Management and external auditors once during FY2020 to discuss the specific risk areas for the forthcoming audit and the audit work to be performed. The audit plans were subsequently circulated to all the Board members for reference. 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 came on board as Executive Director on 8 June 2020 and subsequently as Executive Chairman and Chief Executive Officer on 1 January 2021. During the course of his work, he proposed the tightening of the internal controls with regard to payments to be made by the subsidiaries in Changchun City, PRC. Any payments to a single person or corporate amounting to RMB500,000 or more will require his authorisation and approval before any payment can be made. The bank token to release the payment from the bank portal is now kept by the finance manager based in the Guangzhou office, and she will be responsible for making the payment once it is approved by the Executive Chairman and CEO. In addition, he also proposed, reviewed, and approved the written policies on delegation of authority and payment approval, which are implemented for the existing subsidiaries as well as the newly incorporated subsidiaries in Guangzhou and Tianjin. These additional internal controls are instituted to ensure that no single person can unilaterally approve and authorise payments in China, which enables the management team from Singapore to better monitor and manage the operations of its Chinese subsidiaries, as the said management team will be kept informed of the material payments to be made, and will be able to request for further supporting documents to substantiate these material payments if found lacking.

(iv) With the approval from the AC, MS Risk Management Pte Ltd was appointed to review the appropriateness, adequacy and effectiveness of the existence of the key internal controls identified in the above-mentioned written policies, and to propose recommendations to improve the delegation of authority and payment processes. The review work was completed on 12 March 2021, and the internal audit report has identified two areas of improvements, and will be considered for implementations by Management with a view to make the internal controls environment of the Group more robust.

(v) Apart from the above, the Board of Directors has also received assurance from the CEO and CFO (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances for the year ended 31 December 2020; and (b) regarding the adequacy and effectiveness of the Group's risk management and internal control systems.

The Board, 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 and CEO as well as the aforementioned assurance received from the CEO and CFO. Thus, based on the above said factors, the Board concurs with Management 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 FY2020. The AC will continue to monitor the effectiveness of these controls and augment them with new controls implementation to ensure the controls remain relevant and adequate in our ever-changing operational and business landscape. Going forward, the AC will continue to engage the internal auditors to perform periodic reviews on the Group's internal controls.

Audit Committee

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

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

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

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

* Messrs Lim Kuan Meng and Lee Suan Hiang were appointed as Independent Non-Executive Directors on 8 June 2020 and 16 July 2020 respectively. The former AC Chairman, Mr Goh Kay Seng Edwin stepped down from the Board on 15 June 2020 due to health reasons.

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 (2) years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as there has been any financial interest in the auditing firm or auditing corporation.

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

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

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

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

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

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

- to review 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; and

- 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

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, the Committee 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 and he 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.

<u>Provision 10.4 - Financial Reporting Matters</u>

Provided below is an overview of the matters which were identified as the Key Audit Matters ("KAM") in the Independent Auditor's Report on the consolidated financial statements of the Group for FY2020. 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 FY2020:

Matters considered	Action
Revenue recognition for construction contracts and provision for foreseeable losses	During the presentation of FY2020'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, control testing on project costings and substantive testing on major cost components. No irregularities or exceptions were highlighted in the audit findings. Additional works were also performed by the auditors to assess the reasonableness of the percentage of completion of the contracts; evaluation of the competency, capabilities and objectivity of the in-house engineers; and arithmetic checks on the calculations of the percentage of completion, and verification of the computations of cumulative and current financial year's construction revenue. Confirmations on the basis of contract assets wherein the rights of payments are unconditional, when such project costs become receivables and deemed project completion are based on Management's assessments were requested from six key customers. There were no major exceptions noted from the work performed. With regard to provision for foreseeable losses, the external auditors have communicated to the Board that they have reviewed and performed checks on the budgeted costs of the individual projects against actual costs incurred. They also discussed with Management on any potential delays, cost overruns, liquidated damages, penalty clauses, among others, that are expected of the projects undertaken in FY2020 which may require provision for foreseeable losses. The audit findings indicated that apart from one of the substantially completed dust elimination projects and the terminated project, the remaining projects are still profitable, and were mainly in line with Management's representation. Taking into account the above procedures, coupled with the quarterly reviews performed on the financial position of the Group as at 31 December 2020, the AC concurred with Management that the Group's revenue recognition is in line with the new accounting standard on revenue recognition and no provision for foreseeable losses on the projects is required. This understanding is consistent with and supported by the audit findings from the external auditors during the year-end audit.
Impairment of contract assets, trade receivables and retention receivables	The AC has performed quarterly reviews of the financial statements and discussed with Management on material contract assets, trade receivables and retention receivables. In addition, the AC also reviewed the audit findings to obtain an understanding of the work performed by the auditors in respect of SFRS(I) 9. Discussions were also held with the CFO to understand the basis adopted with regards to the higher probability of default applied, which resulted in additional impairments, and the relevance of the assumptions used. Based on the work performed, the AC concurred with Management that the additional impairments of trade receivables, contract assets and retention receivables of RMB0.5 million, RMB4.6 million and RMB44,000 respectively were necessary in light of the heightened risk and economic challenges posed by COVID-19 pandemic. The Board will continue to follow up closely with the Executive Director ("ED"), Mr Lin Baiyin to pursue these outstanding debts.

Matters considered	Action
Impairment of advances to trade and non-trade suppliers, a third party and tender and security deposits	The AC has performed quarterly reviews of the financial statements and discussed with Management on material advances to trade and non-trade suppliers, third party, and tender and security deposits. The material balances were followed up closely in every quarterly Board meeting with the ED. Apart from the discussion with the CFO, the AC also reviewed the audit findings to understand the approach taken and the relevance of the assumptions to determine the impairments for advances to trade and non-trade suppliers, third party and tender and security deposits as at 31 December 2020. In addition to the above, the Board also performed the following works: For advances to trade suppliers, the Board noted that the bulk of the impairments mainly relate to advances paid to nine suppliers of RMB22.1 million. Management will be working on the final settlements with these suppliers after completion of its remaining projects, and recover any excess payments after offset against related amounts owed in trade payables and accrued purchases. With regards to the advances to a third party, the Board noted that there was significant progress made to recover RMB11.3 million of the outstanding advances from the supplier, from RMB37.6 million in 2019 to RMB26.3 million in 2020. Subsequent to the financial year end, the supplier made a further refund of RMB3.9 million to Anjie Environmental to reduce its outstanding advances to RMB22.4 million. So far, this supplier has not defaulted whenever there is a request to refund the amount relating to the terminated contract. The supplier is currently in the midst of concluding a final settlement agreement with Anjie Environmental for the refunds of RMB15.0 million by the end of June 2021, and the balance of RMB7.4 million by the end of September 2021. As for the impairment on tender and security deposits, they were for deposits paid on 5 potential wastewater and dust elimination contracts, which ranged from approximately RMB0.2 million to approximately RMB1.0 million. These projects are currently under review by the Company as Management may no longer be keen to pursue, and will be working closely with the respective vendors to recover these deposits amounting to RMB2.5 million. Based on the above work performed, the AC concurred with Management that the impairments to trade suppliers and tender and security deposits of RMB8.6 million and RMB1.5 million respectively in FY2020 were necessary based on the expected credit loss model, with higher probability of default applied on the aging of debts in view of the heightened risk and economic challenges posed by COVID-19 pandemic. As for the advances to third party, the Board also agreed that the amount of RMB22.4 million has been long outstanding ie more than 3 years, and since no major receipts are expected from this supplier prior to the signing of the audited accounts, the Board concurred with Management on the full provision of the outstanding balance of RMB22.4 million. The basis applied was consistent with the Group's treatment of overdue debts of more than 3 years old. Notwithstanding the 100% allowance made in accordance with the expected credit loss model under SFRS(I) 9, the Board will continue to follow up closely with the ED on the recoverability of the aforesaid advances .

<table>
<tr><th>Matters considered</th><th>Action</th></tr>
<tr><td>Impairment of investment in subsidiaries</td><td>No impairment assessment is deemed necessary for the subsidiaries in Guangzhou and Tianjin as they are newly incorporated in FY2020. As for Anjie Environmental, Management provided 100% of the allowance for impairment on its remaining carrying value of RMB8.0 million after taking cognizance of the small amounts of uncompleted contracts from dust elimination and industrial wastewater projects to be completed in FY2021, the lack of future earnings visibility of the subsidiary due to no new contracts signed so far coupled by its net liability position. These were mainly in line with the work performed by the auditors, and also consistent with the representations from Management. Accordingly, the Board concurred with Management on its basis and the need to fully impair the aforesaid subsidiary.</td></tr>
<tr><td>Going concern</td><td>The Board has relied on the auditors' review of the 2-year profit forecasts, and also the evaluation of the following additional information to establish the Group's ability to continue as a going concern:

(i) Repayments to pare down the bank borrowings from RMB50.0 million to RMB23.2 million, and extensions of remaining short-term bank loans from China Merchants Bank for another three months to 31 March 2021;

(ii) Refunds received of RMB3.9 million from certain third party after year end to mitigate the credit risk;

(iii) Subsequent receipts of RMB0.1 million relating to retention monies coupled by RMB17.0 million of advance received from customer in respect of certain industrial wastewater project secured in Shijiazhuang;

(iv) Expected receipt of RMB16.0 million from the purchaser of Anjie New Energy on 31 March 2021, and the balance of RMB2.1 million payable on 30 September 2021;

(v) In addition to its remaining balance of engineering, procurement and construction works of approximately RMB3.0 million to be performed and completed in FY2021, the Group also secured a RMB56.5 Million contract to treat and recycle industrial wastewater, and a RMB62.5 million Build-Operate-Transfer ("BOT") contract to treat the municipal sludge from the wastewater treatment plants in January and February 2021 respectively. Both projects are expected to be completed within 6 months and 1 year respectively, and will contribute positively to the revenue of the Company for the financial year ending 31 December 2021; and

(vi) Last, but not least, as at date of this report, the Company has on 31 January 2021 entered into a placement agreement with Stirling Coleman Capital Limited as the placement agent to issue an aggregate of up to 352,941,100 new ordinary shares in the capital of the Company to raise gross proceeds of up to S$60.0 million to finance and undertake more environmental related projects in respect of sludge treatments, industrial wastewater, production of high performance membranes and greentech investments.

On 25 February 2021, the Placement Agent confirmed that it has received firm commitments from subscribers of S$59,999,987.00 (approximately S$60.0 million. The placement is subject to, inter alia, (i) the approval of Shareholders at an extraordinary general meeting of the Company to be convened and (ii) the approval in-principle for the listing and quotation of the Placement Shares on the Main Board of the SGX-ST having been obtained from the SGX-ST.

Taking the above into considerations, the Board concurred with Management that the going concern assumption is still valid for the Company and Group. The Group will be able to continue its operations in the next twelve months from the reporting date.</td></tr>
</table>

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 FY2020, the aggregate amount of audit fees payable to the external auditors was approximately RMB803,000 (FY2019 - RMB758,000). The amount of fees payable to other independent auditors from Singapore and China amounted to approximately RMB75,000 (FY2019 – RMB152,000) during the financial year. The external auditors did not provide any non-audit services to the Company for FY2020.

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

The AC reviews adequacy, effectiveness, independence, scope and results of the external auditors throughout:

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 FY2020 did not affect the independence or objectivity of the external auditors.

On the above basis with the concurrence of the Board, the AC has recommended the appointment of Foo Kon Tan LLP to 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, reviewing the internal controls of the Group to ensure prompt and accurate recording of transactions and proper safeguarding of assets and reviewing 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 the Management, and the internal auditors report directly to the AC Chairman. The AC reviews the internal audit plan and determines the scope of audit examination. It also oversees the implementation of the improvements required on internal control weaknesses identified and ensures that Management provides the necessary co-operation to enable the internal auditors to perform its function.

The Company currently does not have a separate internal audit function. The AC will, as and when necessary, make an assessment and then recommend to the Board the appointment of internal audit professionals (with the requisite qualifications and experience) to undertake the internal audit function of the Group for the relevant financial years. The AC confirms 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 affirmed 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 the Management to enable the internal auditor to perform its function.

For FY2020, the internal audit function was outsourced to MS Risk Management Pte.Ltd. ("MSRM"), which is an affiliated firm of Moore Stephens LLP, a leading accounting and consulting firm that has been established in Singapore for more than 30 years. MSRM is a member of the Institute of Internal Auditors Singapore ("IIA") and staffed with persons with the relevant qualifications and experience, to perform the review of policies and testing of controls of the Group's processes consistent with the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors. The internal audit team is led by Ms Lao Mei Leng, a Director of MSRM and also an Audit Partner of Moore Stephens LLP. Ms Lao is a practising member of the Institute of Singapore Chartered Accountants ("ISCA") and a member of IIA and Singapore Institute of Directors ("SID"). She has more than 20 years of audit experience and provides audit services, documentation of policies and procedures, sustainability reporting, SOX compliance and corporate governance review to a number of public-listed companies, MAS-regulated entities and government agencies. Ms Lao is assisted by a Manager who directly oversees the engagement team and has over 13 years of experience in providing risk management services.

Whistle blowing Policy

The Company has put in place a whistle-blowing 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. During FY2020, 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 Audit Committee has explicit authority to investigate any matter within the terms of reference which are necessary to enable it to discharge the functions properly. The AC meets with the external auditors separately, at least once a year, without the presence of Management to discuss the reasonableness of the financial reporting process, and to review the adequacy of audit arrangements, with particular emphasis on the observations and recommendations of the external auditors, the scope and quality of their audits and the independence and objectivity of the external auditors.

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

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

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

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

Shareholders are informed of general meetings at least 14 days in advance through notices accompanied by the annual reports to shareholders. These notices are publicly announced via SGXNet and will be and posted on the corporate website going forward.

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 28 May 2020. An independent firm was appointed as the scrutineer to conduct the polling process at the last AGM. The results of the poll voting on each resolution tabled at the last AGM, including the total number of votes cast for or against each resolution, were also announced after the said meeting 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 AGM.

Provision 11.3 - Attendees at General Meetings

The Chairman of the Board, the Chairman of each of the Board Committee and the directors are present and available at all general meetings to address issues raised by shareholders. The Company's external auditors are also present to address queries relating to conduct of audit and the preparation and content of the auditor's report. The attendance of the directors who attended the virtual Annual General Meeting in FY2020 is set out under Provision 1.5 of this report. There was also a virtual Extraordinary Meeting held by the Company on 28 May 2020 which was attended by the former Executive Chairman and CEO, Mr Lin Baiyin and Independent Non-Executive Director, Mr Mak Yen-Chen Andrew.

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 would be provided to the shareholders upon their written request. Going forward, the company would also publish the minutes of general meetings of shareholders on its corporate website, www.leaderet.com as soon as practicable.

In view of the current COVID-19 situation in Singapore, the forthcoming AGM to be held in respect of FY2020 will be convened and held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions prior to the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, will be put in place for the AGM to be held in April 2021.

Provision 11.6 - Dividend Policy

The Company does not have a fixed dividend policy and did not pay any dividend in FY2020 as the Group needs to preserve its cash for working capital requirements. Furthermore, pursuant to the Companies Act (Chapter 50), the Company is unable to pay dividends due to its huge accumulated loss position.

The payment of future dividend will continue to be hampered by the rule unless the Group can turn in exceptional performances 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 the 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. With the appointment of Dr Lin Yucheng as the Company's Executive Chairman and CEO, the Company is looking to building confidence and strengthening its relationship with shareholders going forward. Apart from the release of material and price sensitive information relating to the Company on the SGXNet, the Company maintains a corporate website at http//www.leaderet.com, where the public can readily access information relating to the Company and the Group.

On 7 February 2020, the Singapore Exchange Regulation (SGXRegCo) adopted a risk-based approach to quarterly reporting. Most listed companies, unless otherwise required by the SGX, report their results semi-annually. The Company had on 14 August 2020 moved to semi-annual reporting of its financial performance after it had successfully resolved the issues raised by the Company's statutory auditor, and obtained an unqualified opinion without any material uncertainty relating to going concern in the Company's annual report for the financial year ended 31 December 2019. Apart from the financial information, the Company may consider providing voluntary business updates to shareholders in between its half-yearly financial reports so that the shareholders are kept informed of the Company's development and progress.

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

Provision 12.3 - Investor Relations Practices

The Company has recently engaged a consultant to manage its investor relations so as to facilitate communications with institutional investors, analysts and media on a regular basis. They will help to address their queries or concerns and also to provide updates to the investors public 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

The Company has appropriate channels in place to identify and engage with its material stakeholder groups. 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 to substantially reduce emissions of harmful and toxic gases into the environment.

- Adoption of safety measures or practices such as ensuring proper drainage and perimeter demarcation, setting up electrical points in compliance to China's regulation and reducing general construction waste Safeguarding the health, safety of employees

- 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 2020 which will be published separately from the 2020 Annual Report before end of May 2021 and is also available in electronic format.

Provision 13.3 - Corporate Website

The Company will make disclosure of all material information to shareholders. All material information on the performance and development of the Group and of the Company is 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 going forward. The website will be updated regularly, and serve as an important resource for investors and stakeholders. The Company continuously reviews ways to enhance its corporate reporting process and the ease of access to information released.

DEALINGS IN SECURITIES

In compliance with Rule 1207(19) of the Listing Rules on best practices on dealing in securities, the Company has issued circulars to its Directors and officers informing that its Directors, Executive Officers and any other persons as determined by Management, to refrain from trading the Company's shares during the black-out period which is two weeks before the release of half yearly results, and one month before the release of the full-year results.

The Company has reminded its Directors and Executive Officers that it is an offence under the Securities and Futures Act (Chapter 289) 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 Company has further reminded its Directors and Executive Officers to refrain from trading the Company's securities on short-term considerations.

The Board confirms that, for FY2020, 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 FY2020 or still subsisting as at 31 December 2020 which involved the interests of any of the Directors or controlling shareholders of the Company.

INTERESTED PERSON TRANSACTIONS

The Board meets quarterly to review whether there will be any interested person transactions to be entered. If the Company is intending to enter into an interested person transaction, the AC and the Board will ensure that the transaction is carried out fairly and at arm's length based on normal commercial terms and will not be prejudicial to the interest of the Company and its non-controlling shareholders. The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of the SGX-ST. There is no interested person transaction entered into by the Group during FY2020 under review in accordance with Rule 907 of the Listing Rules.

USE OF PRIVATE PLACEMENT PROCEEDS

The use of the private placement proceeds was fully utilised and are as follows:

	S$	S$
Net placement proceeds		1,702,384
<u>Use of proceeds in accordance with the disclosure in the Company's Circular</u>		
Printing of annual reports, advertisements and other related costs for the Company's annual general meeting	(26,814)	
Rental expenses	(25,079)	
Repayment of loans owing by the Group to a Director	(124,600)	
Professional fees and other miscellaneous costs	(225,082)	
Directors' fees	(180,693)	
Payroll and related costs	(184,005)	
Upfront payment for FY2020's annual reports, advertisements and other related costs	(2,186)	
		(768,459)
<u>Utilisations of S$838,000 placement proceeds re-designated for working capital</u>		
Director's fee	(20,685)	
Director's remunerations	(489,459)	
Payroll and related costs	(319,343)	
Development, deployment and maintenance of the Company's corporate website	(6,955)	
Professional fees	(535)	
Miscellaneous expenses	(1,023)	
		(838,000)
Unutilised balances from placement expenses, Director's fees, payroll and related costs, rental and repayments of Director's loan now re-designated for the following payments:		
Director's remunerations	(41,554)	
Professional fees	(17,273)	
Upfront payment for FY2020's annual reports, advertisements and other related costs	(7,168)	
Corporate communications, development, deployment and maintenance of the Company's corporate website	(9,955)	
Additional listing application fees payable to SGX-ST	(8,560)	
Travelling and entertainment expenses, reimbursements of mobile phone bills, transportations, dental and medical claims and meeting related expense	(7,337)	
Auditors' airfares incurred for the audit of subsidiaries in China	(4,078)	
		(95,925)
Balance of private placement proceeds		–

USE OF RIGHTS ISSUE PROCEEDS

The use of the Rights issue proceeds was as follows:

	Company S$	United Greentech Holdings Pte. Ltd. S$	United Greentech (Guangzhou) Co., Ltd S$	United Greentech (Tianjin) Co., Ltd S$
Gross proceeds from the Right Issues	8,846,510			
Fees and expenses directly attributable to the Rights Issue				
Issue manager's and escrow agent's fees paid	(61,525)			
Costs relating to handling and submission of share certificates to CDP	(33,638)			
Legal fees for the submission of additional listing application to SGX-ST	(32,640)			
Additional Listing Application Fees paid to SGX-ST	(32,100)			
Type-setting of Offer Information Statement and printing of forms in relation to the Rights Issue	(8,164)			
Fees paid to registrar	(6,560)			
Fees paid to receiving bank	(6,000)			
Audit fees paid to auditors	(6,420)			
Corporate secretarial fees	(5,444)			
Opening of securities account to trade nil-paid rights and ATM application fees	(6,420)			
Net proceeds	8,647,599			
Injection and increased in share capital in wholly-owned subsidiary	(6,100,000)	6,100,000		
Bank charges	(1,020)			
Amount earmarked for joint venture investment with Nanosun Pte. Ltd. (per announcement dated 21 January 2021) to produce high performance membrane	(2,546,579)			
Injection of share capital for purpose of incorporating wholly-owned subsidiary		(5,959,500)	5,959,500	
Acquisition of an environmental technology company (per announcement dated 11 January 2021)			(281,881)	
Payroll and related costs			(51,021)	
Rental, management fees and utilities			(18,705)	
Professional fees			(473)	
Accounting software			(4,531)	
Miscellaneous expenses			(743)	
Injection of share capital for purpose of incorporating wholly-owned subsidiary			(5,137,500)	5,137,500
Project related expenses (including performance bond for Shijiazhuang)				(1,682,197)
Payroll and related costs				(209,255)
Travelling and entertainment expenses				(12,531)
Rental, management fees and utilities				(22,705)
Office equipment, computers and furniture				(5,564)
Motor vehicle expenses				(2,693)
Marketing expenses				(658)
Communications and internet expenses				(1,100)
Miscellaneous expenses				(1,659)
Balance of Rights Issue proceeds (Net)	–	140,500	464,646	3,199,138

DIRECTORS' STATEMENT

For the financial year ended 31 December 2020

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2020 and the statement of financial position of the Company as at 31 December 2020.

In the opinion of the directors,

(a) the accompanying financial statements of the Group and of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and the financial performance, change in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, except as disclosed in Note 2(f), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

Name of directors

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

Lin Yucheng (appointed on 8 June 2020)
Lin Baiyin
Lim Kuan Meng (appointed on 8 June 2020)
Mak Yen-Chen Andrew
Lee Suan Hiang (appointed on 16 July 2020)

Arrangements to enable directors to acquire shares and debentures

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

Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Number of ordinary shares					
	Holdings registered in the name of director			Holdings in which a director is deemed to have an interest		
	As at 1.1.2020 or date of appointment, if later	**As at 31.12.2020**	**As at 21.1.2021**	As at 1.1.2020 or date of appointment, if later	**As at 31.12.2020**	**As at 21.1.2021**
Director						
Lin Yucheng	110,000,000	**198,000,000**	**198,000,000**	–	**–**	**–**
Lin Baiyin	1,000,000	**1,000,000**	**1,000,000**	207,304,000	**120,304,000**	**120,304,000**
Lee Suan Hiang	–	**5,000,000**	**5,000,000**	–	**3,000,000**	**3,000,000**

The directors' interests in the ordinary shares of the Company as at 21 January 2021 were the same as those as at 31 December 2020.

Share option

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

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

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

Audit committee

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

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

The Audit Committee performs the functions set out in Section 201B(5) of the Companies Act, Cap. 50, the SGX Listing Manual and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed the following:

(i) the overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;

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

(iii) the quarterly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2020 as well as the auditor's report thereon;

(iv) effectiveness of the Company's material internal controls, including financial, operational and compliance controls and information technology controls and risk management systems via reviews carried out by the internal auditors;

(v) met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;

(vi) reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

(vii) reviewed the cost-effectiveness and the independence and objectivity of the external auditor;

(viii) reviewed the nature and extent of non-audit services provided by the external auditor;

(ix) recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;

Audit committee (Cont'd)

(x) reported actions and minutes of the Audit Committee to the Board of Directors with such recommendations as the Audit Committee considered appropriate; and

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

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

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

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

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

Independent auditor

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

On behalf of the Directors

LIN YUCHENG

LIN BAIYIN

Dated: 31 March 2021

INDEPENDENT AUDITOR'S REPORT

To the members of Leader Enviromental Technologies Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Leader Environmental Technologies Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT

To the members of Leader Enviromental Technologies Limited

Key Audit Matters (Cont'd)

<table>
<tr><th>Key audit matters</th><th>Risk</th><th>Our responses and work performed</th></tr>
<tr>
<td>Revenue recognition for construction contracts and provision for foreseeable losses</td>
<td>The Group is primarily involved in the business of design and construction of environmental protection systems, primarily for industrial wastegas and wastewater treatments.

We focus on revenue recognition and provision for foreseeable losses because:

(i) the accuracy and timing of revenue recognition for construction contracts under the percentage of completion method require the determination of the stage of completion of the project and timing of revenue recognition which involves significant management judgement and use of estimates; and

(ii) where it is probable that the total contract costs would exceed the total construction revenue and remaining costs.

No provision for foreseeable losses has been recognised for the financial year ended 31 December 2020.

The Group's disclosures about revenue recognition and contract assets and contract liabilities and the significant accounting estimates and judgements are included in Notes 2(d), 2(e) and 6 to the financial statements.</td>
<td><u>Contract costs</u>

We obtained an understanding of on-going contracts through discussions with management and examination of contract documentation (including correspondences with customers).

In relation to the actual costs incurred, we:

● checked the total contract balance and salient information of the project;

● assessed the competence and objectivity of the surveying engineers;

● agreed the progress of the construction to certified progress reports from engineers; and

● performed substantive testing procedures by verifying contracts costs including any variation orders to the underlying documentation.

In relation to estimated total contract costs, we:

● discussed with the project managers to assess the reasonableness of estimated total contract costs;

● evaluated management's underlying assumptions made using our understanding of past completed projects; and

● agreed the cost to completion for each contract by substantiating costs that have been committed to quotations from and contracts with suppliers.

We compared the contract revenue against the estimated total contract costs to determine project profit and anticipated losses, if any.

<u>Revenue</u>

We have reviewed and evaluated the accounting policy on revenue recognition, taking into account the performance obligations stipulated in the sales transactions;

We have performed walkthroughs of the revenue control process, and tested the design and implementation of key controls identified and ascertained that key controls are operating effectively;</td>
</tr>
</table>

Key Audit Matters (Cont'd)

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

Key Audit Matters (Cont'd)

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

Key Audit Matters (Cont'd)

Key audit matters	Risk	Our responses and work performed
Impairment of trade receivables, contract assets and retention receivables (Cont'd)		Due to the extent of recovery of business in the People's Republic of China (PRC) economy in the construction industry, the unemployment rate in the PRC is considered appropriate to be applied: ● Where there is no credit impair to be expected, a percentage has been applied to the debt on a general basis. ● Where there is a credit impair expected, a percentage has been applied to the specific debt if doubtful on the basis of the extent of the probability of default. ● Where there is a credit-impaired and regarded as in default, a full sum of the specific debt will be written off to profit or loss. We have concurred with management's assessment on the basis to which the ECL has been applied. Please refer to Note 29.2 for further analysis.
Impairment of advances paid to trade and non-trade suppliers and a third party, and tender deposits	As disclosed in Note 2(d) to the financial statements, the Group is subject to credit risk with significant judgement and accounting estimates used in determining the recoverability and expected credit losses (ECL) of deposits paid to trade and non-trade suppliers if the underlying project is aborted. The Group's disclosures about advances paid to trade and non-trade suppliers and a third party, and tender deposits are in Note 8 to the financial statements.	The deposit to trade suppliers are made without the trade supplier invoices obtained at the point before the expenses were incurred. The deposit to trade suppliers will be reclassified and recognised as project costs upon the receipt of trade supplier invoices. We reviewed management's assessment of the commencement of the projects relating to the advances paid to suppliers to the underlying documentation and its recoverability if the project is subsequently cancelled. Payments are made to the trade suppliers for the following reasons: ● the items purchased from trade suppliers must be customised to meet the needs of specific projects. Suppliers would require advances in order to commit to the production of these customised items.

Key Audit Matters (Cont'd)

Key audit matters	Risk	Our responses and work performed
Impairment of advances paid to trade and non-trade suppliers and a third party, and tender deposits (Cont'd)		● some customers impose a requirement on the project bidders to pay deposit to the customer-appointed supplier(s) during the bidding stage or upon signing of the contract so as to ensure that the Group would be capable of providing the required initial capital to facilitate timely delivery of items to project sites and to complete the project on a timely basis. The security in place is monitored by the employee to be accountable to the refund pending on the outcome of the bid. In FY2020, the balance of deposit to trade suppliers stood at RMB 26,315,000 for 2 proposed projects belonging to a subsidiary. Given the prolonged delay in commencing the project and no indication of commencement, these deposits have been reclassified as advances to a third party. We considered the potential risks and implications associated with deposit paid to these suppliers and we have identified specific procedures to address these risks: (a) We circularised the deposit paid to these suppliers; (b) We reviewed management's assessment of the commencement of the projects relating to the deposit paid to these suppliers to the underlying documentation; (c) For projects that have not materialised and commenced at all, we have classified the capacity of such supplier as a third party. We traced to the subsequent refund of the deposit being placed. As at the date of this report, the Group had collected a partial refund of RMB 3.9 million from this third party, formerly regarded as a supplier. We did consider the fact and circumstances of the project as to the cause of delay, such factors include the need to acquire additional land for the construction of the projects which did not materialise; and (d) We have concurred with management's assessment on the basis to which the ECL has been applied. We assessed the adequacy of the related disclosures in the notes to the financial statements.

Key Audit Matters (Cont'd)

Key audit matters	Risk	Our responses and work performed
Going concern	Under the going concern assumption, the Group and the Company are viewed as continuing in business for the foreseeable future. General purpose financial statements are prepared on a going concern basis, unless the management either intends to liquidate the entity or to cease operations or has no realistic alternative but to do so. We have identified going concern as a key audit matter because of the appropriateness of the going concern assumption would affect the presentation of the financial statements due to the history of continuing losses in previous year and for the current year.	We have obtained the cash flows forecast for the next twelve months approved by the management, particularly the expected payment to be made for bank borrowing when falls due. We discussed with Mr. Lin, the then CEO of the Company as to the likelihood of the inflows from advances and deposits to be received. We also consider the future operations and the prospect of the fund raising to which the present CEO endeavours. We have assessed the competency and capabilities of the management in preparing the forecasts. We have obtained and have independently challenged management's underlying assumptions used in the cash flow forecast based on our understanding of the Group. We have performed test checks on the underlying assumptions. We have performed procedures regarding subsequent events to identify those that either mitigate or otherwise affect the Group's and the Company's ability to continue as a going concern. The Group's disclosures on the use of the going concern basis in the preparation of the financial statements are provided in Note 2(f).
Impairment of investment in subsidiaries	Investment in subsidiaries are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss of RMB 8 million has been recognised during the year as the carrying amount of the investment in subsidiaries exceeds its recoverable amount The recoverable amount is based on certain key assumptions, such as cash flow projections to review the completion of the existing contracts. These assumptions which are determined by management are judgemental. The Company's disclosures of impairment of investment in subsidiaries are in Note 5 to the financial statements.	We have identified the valuation of investment in subsidiaries is significant to our audit. We considered the potential risks and implications associated with the investment in subsidiaries and we have identified specific procedures to address these risks: (a) Reviewed for external and internal indications of impairment for the investment in subsidiaries; (b) Assessed if the recoverable amount of investment in subsidiaries are measured as the higher of "fair value less costs of disposal" and "value-in-use"; (c) Obtained an understanding of the valuation model and assumptions used; (d) Challenged management's assumptions;

To the members of Leader Enviromental Technologies Limited

Key Audit Matters (Cont'd)

Key audit matters	Risk	Our responses and work performed
Impairment of investment in subsidiaries (Cont'd)		(e) Reviewed management's cash flows forecast and assessment of value-in-use assumptions and estimates including the discount rate used for the assessment; (f) Assessed the competency, capability and objectivity of the management expert and appropriateness of their work; and (g) Assessed the adequacy of impairment of investment in subsidiaries disclosure in the note to the financial statements. Management's disclosures on the impairment of investment in subsidiaries are included in notes to the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the "Directors' Statement", "Corporate Governance Report", "Operations and Financial Review" and "Financial Highlights" sections of the annual report, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the other sections of the annual report (the "Other Sections") which are expected to be made available to us after that date.

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

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

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

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Yeo Boon Chye.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 31 March 2021

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

		The Group		The Company	
		2020	2019	**2020**	2019
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	3	**7,314**	8,630	**17**	–
Intangible assets	4	**–**	1,282	**–**	–
Investment in subsidiaries	5	**–**	–	**30,016**	8,000
		7,314	9,912	**30,033**	8,000
Current Assets					
Contract assets	6	**3,697**	20,087	**–**	–
Inventories	7	**915**	934	**–**	–
Trade and other receivables	8	**38,919**	126,440	**215**	–
Prepayments	9	**101**	43	**15**	14
Bank deposits pledged	10	**3,000**	1,525	**–**	–
Cash and cash equivalents	11	**47,628**	9,707	**13,737**	58
		94,260	158,736	**13,967**	72
Total assets		**101,574**	168,648	**44,000**	8,072
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	12	**276,699**	224,747	**276,699**	224,747
PRC statutory common reserve	13	**31,748**	31,748	**–**	–
Merger reserve	14	**(454)**	(454)	**–**	–
Premium paid on acquisition of non-controlling interests	15	**–**	(170)	**–**	–
Accumulated losses		**(280,463)**	(215,435)	**(242,146)**	(227,465)
Total equity		**27,530**	40,436	**34,553**	(2,718)
Non-Current Liabilities					
Deferred tax liabilities	16	**–**	–	**–**	–
Lease liabilities	17	**446**	459	**–**	–
		446	459	**–**	–
Current Liabilities					
Contract liabilities	6	**1,671**	5,691	**–**	–
Trade and other payables	18	**41,924**	56,961	**7,002**	7,074
Borrowings	19	**23,990**	50,000	**–**	–
Lease liabilities	17	**617**	323	**–**	–
Other liabilities	20	**5,396**	14,778	**2,445**	3,716
		73,598	127,753	**9,447**	10,790
Total liabilities		**74,044**	128,212	**9,447**	10,790
Total equity and liabilities		**101,574**	168,648	**44,000**	8,072

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

The Group	Note	2020 RMB'000	2019 RMB'000
Revenue	21	**13,736**	37,239
Cost of sales		**(10,378)**	(27,821)
Gross profit		**3,358**	9,418
Finance income	22(a)	**23**	22
Other income	22(b)	**389**	146
Selling and distribution expenses		**(1,356)**	(1,291)
Administrative expenses	22(c)	**(13,911)**	(10,461)
Finance costs	22(a)	**(4,951)**	(5,877)
Impairment loss on financial assets and contract assets	22(e)	**(45,714)**	(16,084)
Other expenses	22(d)	**(2,771)**	(4)
Loss before taxation	22(e)	**(64,933)**	(24,131)
Taxation	23	**75**	(6)
Loss after taxation		**(64,858)**	(24,137)
Other comprehensive income after tax		**–**	–
Total comprehensive loss for the year		**(64,858)**	(24,137)
Loss attributable to:			
Owners of the parent		**(64,858)**	(24,133)
Non-controlling interests		**–**	(4)
		(64,858)	(24,137)
Total comprehensive loss attributable to:			
Owners of the parent		**(64,858)**	(24,133)
Non-controlling interests		**–**	(4)
		(64,858)	(24,137)
Loss per share			
- Basic and diluted (RMB cents)	24	**(6.11)**	(2.79)*

* Loss per share for FY2019 has been adjusted retrospectively to reflect the effects of the rights issue on 3 September 2020 in accordance with SFRS(I) 1-33.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

The Group	Share capital RMB'000	PRC statutory common reserve RMB'000	Merger reserve RMB'000	Accumulated losses RMB'000	Premium paid on acquisition of non– controlling interests RMB'000	Total attributable to equity holders of the parent RMB'000	Non– controlling interests RMB'000	Total equity RMB'000
	← Attributable to owners of the Company					→		
At 1 January 2019	224,747	31,748	(454)	(191,302)	(170)	64,569	4	64,573
Loss for the year	–	–	–	(24,133)	–	(24,133)	(4)	(24,137)
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	(24,133)	–	(24,133)	(4)	(24,137)
At 31 December 2019	**224,747**	**31,748**	**(454)**	**(215,435)**	**(170)**	**40,436**	**–**	**40,436**
Loss for the year	**–**	**–**	**–**	**(64,858)**	**–**	**(64,858)**	**–**	**(64,858)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive loss for the year	**–**	**–**	**–**	**(64,858)**	**–**	**(64,858)**	**–**	**(64,858)**
Issuance of new shares pursuant to the private placement	**9,087**	**–**	**–**	**–**	**–**	**9,087**	**–**	**9,087**
Issuance of new shares pursuant to the rights issue	**44,355**	**–**	**–**	**–**	**–**	**44,355**	**–**	**44,355**
Share issue expenses	**(1,490)**	**–**	**–**	**–**	**–**	**(1,490)**	**–**	**(1,490)**
Disposal of controlling interest in a subsidiary	**–**	**–**	**–**	**(170)**	**170**	**–**	**–**	**–**
Total transactions with owners	**51,952**	**–**	**–**	**(170)**	**170**	**51,952**	**–**	**51,952**
At 31 December 2020	**276,699**	**31,748**	**(454)**	**(280,463)**	**–**	**27,530**	**–**	**27,530**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2020

The Group	Note	2020 RMB'000	2019 RMB'000
Cash Flows from Operating Activities			
Loss before taxation		**(64,933)**	(24,131)
Adjustments for:			
Depreciation of property, plant and equipment	3	**1,103**	1,070
Loss on disposal of property, plant and equipment, net	22(e)	**486**	252
Amortisation of intangible assets	22(e)	**260**	261
Gain on disposal of a subsidiary	5(a)	**(3)**	–
Impairment loss on intangible assets	22(e)	**1,022**	–
Allowance for impairments on financial assets and contract assets	22(e)	**45,714**	16,084
Gain on re-measurement of lease liabilities	22(e)	**(17)**	–
Gain on de-registration of subsidiaries	22(e)	**(9)**	–
Finance costs	22(a)	**4,951**	5,877
Finance income	22(a)	**(23)**	(22)
Operating loss before working capital changes		**(11,449)**	(609)
Decrease in contract assets		**11,747**	18,468
Decrease in inventories		**19**	347
Decrease in trade and other receivables		**20,791**	6,402
(Increase)/decrease in prepayments		**(58)**	14
Decrease in contract liabilities		**(4,020)**	(382)
Increase in trade and other payables		**5,534**	376
Decrease in other liabilities		**(5,605)**	(4,685)
Cash generated from operations		**16,959**	19,931
Income tax refund/(paid)		**75**	(6)
Net cash generated from operating activities		**17,034**	19,925
Cash Flows from Investing Activities			
Disposal of a subsidiary, net of cash disposed of	5(a)	**(75)**	–
Acquisition of property, plant and equipment	A	**(57)**	(14)
Proceeds from disposal of property, plant and equipment		**403**	451
Interest income received		**23**	22
Net cash generated from investing activities		**294**	459
Cash Flows from Financing Activities			
Proceeds from issuance of ordinary shares via a private placement	12	**9,087**	–
Proceeds from issuance of ordinary shares via rights issue	12	**44,355**	–
Share issue expenses	12	**(1,490)**	–
Repayments of third party borrowings	B	**–**	(10,249)
Proceeds from bank borrowings	B	**11,000**	60,000
Repayments of bank borrowings	B	**(37,010)**	(64,860)
Repayments of lease liabilities	B	**(434)**	(238)
Proceeds from bills payable, net	B	**1,475**	335
Interest paid	B	**(4,915)**	(5,846)
Increase in bank deposits pledged	B	**(1,475)**	(335)
Net cash generated from/(used in) financing activities		**20,593**	(21,193)
Net increase/(decrease) in cash and cash equivalents		**37,921**	(809)
Cash and cash equivalents at beginning of year		**9,707**	10,516
Cash and cash equivalents at end of year	11	**47,628**	9,707

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

NOTE:

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

In 2020, the Group makes cash payments to acquire property, plant and equipment of RMB 57,000 (2019 - RMB 14,000). In addition, there are non-cash addition to the Group's right-of-use assets of RMB 1,161,000 (2019 - RMB 989,000) through entering into new leases.

B Reconciliation of liabilities arising from financing activities

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

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

	1 January 2019	Addition during the year	Interest expense	Cash flows: Repayments/ pledged/ interest paid	Cash flows: Proceeds	31 December 2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bills payables	1,190	–	–	–	335	1,525
Bank borrowings	54,860	–	5,194	(70,054)	60,000	50,000
Third-party borrowings	10,249	–	652	(10,901)	–	–
Lease liabilities	–	989	31	(238)	–	782
Bank deposits pledged	(1,190)	–	–	(335)	–	(1,525)

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

1 General information

The Company is incorporated as a limited liability company and domiciled in Singapore and is listed on the Singapore Exchange.

The registered office of the Company is located at 38 Beach Road, South Beach Tower, #29-11, Singapore 189767, and the principal place of business of the Group is located in Room 1303, No. 5445 Lin He Street, Economic Development Zone, Changchun City, Jilin Province, The People's Republic of China ("PRC"), Postal Code: 130033.

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

The consolidated financial statements of the Group and statement of financial position of the Company for the financial year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' statement.

2(a) Basis of preparation

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

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

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

On 1 January 2020, the Group and the Company have adopted all the new and revised SFRS(I), SFRS(I) interpretations ("SFRS(I) INT") and amendments to SFRS(I), effective for the current financial year that are relevant to them.

Reference	**Description**
Amendments to SFRS (I)	
SFRS(I) 1-1, SFRS(I) 1-8	Definition of Material
SFRS(I) 3	Definition of a Business
SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7	Interest Rate Benchmark Reform
Various SFRS(I)s	Amendments to References to the Conceptual Framework in SFRS(I) Standards

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

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

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

Reference	Description	Effective date (Annual periods beginning on or after)
SFRS(I) 17	Insurance Contracts	1 January 2023
Amendments to SFRS(I)		
SFRS(I) 10, SFRS(I) 1-28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
SFRS(I) 16	COVID-19 Related Rent Concessions	1 June 2020
SFRS(I) 1-1	Classification of Liabilities as Current or Non-current	1 January 2023
SFRS(I) 3	Reference to the Conceptual Framework	1 January 2022
SFRS(I) 1-16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
SFRS(I) 1-37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4, SFRS(I) 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Various SFRS(I)s	Annual Improvements to SFRS(I)s 2018 - 2020	1 January 2022
Various SFRS(I)s	Amendments to SFRS(I) 17	1 January 2023

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

2(d) Significant accounting estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

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

Significant judgements used in applying accounting policies

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

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

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

Estimation of total contract costs for construction contracts

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

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

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

If the remaining estimated contract costs increase/decrease by 10% from management's estimates, the Group's loss for the year will increase/decrease by approximately RMB 370,000 (2019 - RMB 2,009,000).

Determination of functional currency

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

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

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

Impairment of investment in subsidiaries (Note 5)

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

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

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

Impairment of investment in subsidiaries (Note 5) (Cont'd)

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

Critical accounting estimates and assumptions used in applying accounting policies

Expected credit losses (ECL) on contract assets, and trade and other receivables (Notes 6, 8, and 29.2)

As at 31 December 2020, the Group's trade and other receivables (excluding VAT and other tax receivables) and contract assets amounted to RMB 38,807,000 (Note 8) and RMB 3,697,000 (Note 6) (2019 - RMB 126,356,000 and RMB 20,087,000) respectively.

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

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

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

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

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

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

Expected credit losses (ECL) on contract assets, and trade and other receivables (Notes 6, 8, and 29.2) (Cont'd)

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

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

As at 31 December 2020, the expected credit losses model has been updated by reflecting the latest available macroeconomic outlook and identified unemployment rate as the key indicators and inputs, where appropriate.

The carrying amount of the Group's and the Company's trade and other receivables and contract assets are disclosed in Note 8 and Note 6 respectively. As at the reporting date, the allowance for impairment for the Group's trade and other receivables and contract assets are RMB 48,726,000 (2019 - RMB 19,103,000). The Group's and the Company's credit risk exposure for trade and other receivables and contract assets are set out in Note 29.2.

Allowance for inventory obsolescence (Note 7)

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

If the net realisable value of the inventory increase/decrease by 10% from management's estimates, the Group's loss will decrease/increase by RMB 91,000 (2019 - RMB 93,000). The carrying amount of the Group's inventory is disclosed in Note 7 to the financial statements.

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

Property, plant and equipment and right-of-use ("ROU") assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment and ROU assets to be within 3 to 30 years. The carrying amounts of the Group's property, plant and equipment and ROU assets as at 31 December 2020 is RMB 7,314,000 (2019 - RMB 8,630,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. If the actual useful lives of the property, plant and equipment and ROU assets differ by 10% from management's estimates, the carrying amounts of the property, plant and equipment and ROU assets of the Group will be approximately RMB 100,000 (2019 - RMB 97,000) higher or RMB 123,000 (2019 – RMB 119,000) lower.

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

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

Estimation of the incremental borrowing rate ("IBR") (Note 17)

For the purpose of calculating the ROU assets and the lease liabilities, an entity applies the interest rate implicit in the lease ("IRIIL") and, if the IRIIL is not readily determinable, the entity shall use its IBR applicable to the leased asset. The IBR is the rate of interest that the entity would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. For most of the leases whereby the Group is the lessee, the IRIIL is not readily determinable. Therefore, the Group estimates the IBR relevant to each leased asset by using observable inputs (such as market interest rate and asset yield) when available and then making certain lessee specific adjustments (such as a Group entity's credit rating). The carrying amount of the Group's ROU assets and lease liabilities are disclosed in Notes 3 and 17 respectively. An increase/decrease of 50 basis points in the estimated IBR will decrease/increase the Group's ROU assets and lease liabilities by approximately RMB 4,000 (2019 - RMB 7,000) respectively.

2(e) Significant accounting policies

Consolidation

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

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

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

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

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

- de-recognises the assets (including goodwill, if any) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;

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

Consolidation (Cont'd)

- recognises any surplus or deficit in profit or loss;

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

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

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

- power over the investee;

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

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

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

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

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Group, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

<u>A change in the ownership interest</u>

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

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

Consolidation (Cont'd)

A change in the ownership interest (Cont'd)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill if any), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under SFRS(I) 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Acquisitions

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

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

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

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

Disposals

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

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

Consolidation (Cont'd)

Disposals (Cont'd)

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

Transactions with non-controlling interest

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

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

Intangible assets

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

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

Patents

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

Research and development costs

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

Development costs are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful life of 6 years.

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

Intangible assets (Cont'd)

Research and development costs (Cont'd)

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

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

Directly attributable costs include direct raw materials, employee costs incurred on product development with an appropriate portion of relevant overheads. However, until completion of the development of the product or process, the asset is subject to impairment testing only. Amortisation commences upon the launch of the sales of the product or from the date the process is put into use.

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

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

Commercial properties	30 years
Machinery and equipment	10 years
Motor vehicles	5 - 10 years
Office equipment	5 - 10 years
Warehouse and office premises on lease	1 - 3 years, based on remaining lease period, whichever is shorter

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

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

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

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

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

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

Investment in subsidiaries

In the Company's separate financial statements, investment in subsidiaries are stated at cost less allowance for impairment losses on an individual subsidiary basis.

Leases

Where the Group is the lessee,

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

● *Right-of-use ("ROU") assets*

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

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

● *Lease liabilities*

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

Lease payments include the following:

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

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

- Amount expected to be payable under residual value guarantees;

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

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

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

Leases (Cont'd)

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

- *Lease liabilities (Cont'd)*

  For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component. Lease liabilities are measured at amortised cost using the effective interest method. Lease liabilities shall be remeasured when:

  - There is a change in future lease payments arising from changes in an index or rate;
  - There is a change in the Group's assessment of whether it will exercise an extension option; or
  - There is modification in the scope or the consideration of the lease that was not part of the original term.

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

- *Short-term and low-value leases*

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

Financial instruments

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

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

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

Financial assets

Classification and measurement

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

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

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

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

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

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

At initial recognition

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

At subsequent measurement

Debt instruments

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

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

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

Financial assets (Cont'd)

Impairment

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

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

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

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

(i) Significant increase in credit risk

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

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

Financial assets (Cont'd)

Impairment (Cont'd)

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

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

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

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

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

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

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

Financial assets (Cont'd)

Impairment (Cont'd)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

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

Financial assets (Cont'd)

Impairment (Cont'd)

(v) Measurement and recognition of expected credit losses

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

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

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

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

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

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

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

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

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

Financial assets (Cont'd)

Recognition and derecognition

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

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

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

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

Contract assets

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

Trade receivables

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

Contract liabilities

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

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

Cash and cash equivalents

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

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

Inventories

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

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

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

Share capital

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

Financial liabilities

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

Financial liabilities at amortised cost

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

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

Trade and other payables and other liabilities

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

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

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

Financial guarantees

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

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

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

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

Borrowings

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

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

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

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

Employee benefits

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

<u>Pension obligations</u>

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

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

Employee benefits (Cont'd)

Employee leave entitlements

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

Key management personnel

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

Income taxes

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

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

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

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

Deferred income tax is measured:

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

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

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

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

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

Value-added tax ("VAT")

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

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

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

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

Related parties

A related party is defined as follows:

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

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

(ii) has significant influence over the Company; or

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

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

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

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

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

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

Any impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to equity. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

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

Government grant

Government grant is recognised at its fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Government grants received are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the consolidated statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

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

Revenue recognition

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

Construction of specialised equipment

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

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

The period between the transfer of the promised goods and payment by the customer may exceed one year. For such contracts, there is no significant financing component present as the payment terms is an industry practice to protect the customers from the performing entity's failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceed the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised.

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (eg. Inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs assets only if (a) these cost relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these cost generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

Revenue recognition (Cont'd)

Construction of specialised equipment (Cont'd)

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

Design and technical services

Revenue from design and technical services are recognised when services are rendered.

Interest income

Interest income is recognised on a time-apportioned basis using the effective interest rate method.

Functional currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in Chinese Renminbi ("RMB"), which is also the functional currency of the Company. All financial information presented in RMB has been rounded to the nearest thousand ("RMB'000").

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting period are recognised in the profit or loss.

However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

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

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

Conversion of foreign currencies (Cont'd)

Group entities

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

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

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

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

Operating segments

For management purposes, operating segments are organised based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers are directly accountable to the Chief Executive Officer who regularly review the segment results in order to allocate resources to the segments and to assess segment performance.

Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees, if any.

2(f) Going concern

The Group reported a loss after tax of RMB 64.9 million (2019 - RMB 24.1 million) during the financial year ended 31 December 2020. However, the Group and the Company has net current assets of RMB 20.7 million (2019 - RMB 31.0 million) and RMB 4.5 million (2019 - net current liabilities of RMB 10.7 million) respectively as at 31 December 2020. The Group has a positive operating cash flow of RMB 17.0 million (2019 - RMB 19.9 million) during FY2020.

The Group and the Company manage the liquidity risk by ensuring there are sufficient cash to meet all their normal operating commitments in a timely and cost-effective manner, on the following basis:

(i) the Group's bank borrowings of RMB 0.8 million has been repaid on 9 February 2021. The repayment of remaining RMB 23.2 million has been made on 31 March 2021;

(ii) on 31 January 2021, the Group has entered into a placement agreement pursuant to which the Company has agreed to offer, and the Placement Agent has agreed to procure subscriptions on a best effort basis for, an aggregate 352,941,100 new ordinary shares in the capital of the Company ("Placement Shares") at a placement price of S$ 0.17 for each Placement Share. The total gross proceeds of the placement will be up to approximately S$ 60 million. The Company will be seeking specific Shareholder's approval for the allotment and issue of the Placement Shares at an extraordinary general meeting of the Company ("EGM") to be convened;

(iii) The projects confirmed to be materialised are as follows:

The Group	Contract sum RMB million
Industrial wastewater treatment and recycling	56.5
Build-Operate-Transfer ("BOT") contract on wastewater treatment plants	62.5
Total	119.0

The Group continues to review potential projects in areas of industrial wastewater and water sludge treatments;

(iv) the Group has obtained an undertaking from its controlling shareholder to enable the Group to meet its debts as and when they fall due;

(v) as at the date of this financial statements, there are subsequent receipts of about RMB 4.0 million received from trade and other receivables and contract assets; and

(vi) the management has prepared a cashflow forecast for the next 12 months from 1 April 2021, where the above assumptions of possible cash flows are considered, in addition to the 2-year profit forecast.

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

3 Property, plant and equipment

The Group	Commercial properties RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Warehouse premise on lease RMB,000	Office premises on lease RMB'000	Total RMB'000
Cost							
At 1 January 2019	7,749	1,163	4,971	854	–	–	14,737
Additions	–	–	–	14	–	–	14
Additions – new lease	–	–	–	–	989	–	989
Disposals/written off	–	–	(812)	(63)	–	–	(875)
At 31 December 2019	**7,749**	**1,163**	**4,159**	**805**	**989**	**–**	**14,865**
Additions	**–**	**–**	**–**	**57**	**–**	**–**	**57**
Additions – new leases	**–**	**–**	**–**	**–**	**–**	**1,161**	**1,161**
Re-measurement adjustment	**–**	**–**	**–**	**–**	**(465)**	**–**	**(465)**
Disposals/written off	**–**	**–**	**(2,684)**	**–**	**–**	**–**	**(2,684)**
Disposal of a subsidiary	**–**	**–**	**(89)**	**(20)**	**–**	**–**	**(109)**
At 31 December 2020	**7,749**	**1,163**	**1,386**	**842**	**524**	**1,161**	**12,825**
Accumulated depreciation							
At 1 January 2019	1,671	681	2,441	544	–	–	5,337
Depreciation	242	103	425	80	220	–	1,070
Disposals/written off	–	–	(115)	(57)	–	–	(172)
At 31 December 2019	**1,913**	**784**	**2,751**	**567**	**220**	**–**	**6,235**
Depreciation	**242**	**102**	**258**	**85**	**239**	**177**	**1,103**
Disposals/written off	**–**	**–**	**(1,794)**	**–**	**–**	**–**	**(1,794)**
Disposal of a subsidiary	**–**	**–**	**(24)**	**(9)**	**–**	**–**	**(33)**
At 31 December 2020	**2,155**	**886**	**1,191**	**643**	**459**	**177**	**5,511**
Net book value							
At 31 December 2020	**5,594**	**277**	**195**	**199**	**65**	**984**	**7,314**
At 31 December 2019	5,836	379	1,408	238	769	–	8,630

The commercial properties which comprise of four units of office block are located at 吉林省长春市经济技术开发区临河街5445号圣豪汇商1301 to 1304号房.

Based on the latest transaction prices of similar unit of office buildings located in the same area, the value is to be RMB 7.8 million which is higher than the carrying amount.

3 Property, plant and equipment (Cont'd)

The Group has pledged its four units of commercial properties to a bank to secure the banking facility of RMB 24 million (2019 - RMB 50 million) (Note 19).

The Group	2020 RMB'000	2019 RMB'000
Depreciation expenses are allocated to:		
Cost of sales	**347**	324
Selling and distribution expenses	**99**	134
Administrative expenses	**657**	612
	1,103	1,070

The Company	Office equipment RMB'000
Cost	
At 1 January 2019 and 31 December 2019	**11**
Additions	**20**
At 31 December 2020	**31**
Accumulated depreciation	
At 1 January 2019 and 31 December 2019	**11**
Depreciation	**3**
At 31 December 2020	**14**
Net book value	
At 31 December 2020	**17**
At 31 December 2019	**–**

Right-of-use assets

Nature of the Group's leasing activities

(i) Commercial properties

The Group has made an upfront payment to secure the right-of-use of the 38-year leasehold properties, which is used for the Group's back office operations. These leasehold properties are recognised within "Property, plant and equipment" above. There are no further liabilities in so far as the commercial properties are concerned.

(ii) Warehouse premise on lease

The Group leases warehouse space for storage of inventories and fabrication and installation of material for projects.

The lease agreement is modified on 1 May 2020 arising from the reduction of rental floor area.

3 Property, plant and equipment (Cont'd)

Right-of-use assets (Cont'd)

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

(iii) *Office premises on lease*

The Group leases two office premises for back office operation of its two newly incorporated subsidiaries in China.

Saved as disclosed, there is no externally imposed restriction or covenant on these lease arrangements.

(a) *Carrying amounts*

The Group	**2020** RMB'000	2019 RMB'000
Commercial properties	**5,594**	5,836
Warehouse premise	**65**	769
Office premises	**984**	–
	6,643	6,605

(b) *Depreciation charge during the year*

The Group	**2020** RMB'000	2019 RMB'000
Commercial properties	**242**	242
Warehouse premise	**239**	220
Office premises	**177**	–
	658	462

(c) *Interest expense*

The Group	**2020** RMB'000	2019 RMB'000
Interest expense on lease liabilities (Note 17)	**36**	31

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

The Group	**2020** RMB'000	2019 RMB'000
Lease expense – short term leases	**242**	463

(e) Total cash outflows for all the leases in 2020 for the Group was RMB 676,000 (2019 - RMB 701,000).

4 Intangible assets

The Group	Patents	Deferred development costs	Total
	RMB'000	RMB'000	RMB'000
Cost			
At 1 January 2019, 31 December 2019 and **31 December 2020**	**2,978**	**6,641**	**9,619**
Accumulated amortisation			
At 1 January 2019	1,435	6,641	8,076
Amortisation for the year	261	–	261
At 31 December 2019	**1,696**	**6,641**	**8,337**
Amortisation for the year	**260**	**–**	**260**
At 31 December 2020	**1,956**	**6,641**	**8,597**
Accumulated impairment			
At 1 January 2019 and 31 December 2019	**–**	**–**	**–**
Impairment loss for the year [Note 22(d)]	**1,022**	**–**	**1,022**
At 31 December 2020	**1,022**	**–**	**1,022**
Net book value			
At 31 December 2020	**–**	**–**	**–**
At 31 December 2019	1,282	–	1,282

Amortisation expense of RMB 260,000 (2019 - RMB 261,000) has been charged to administrative expenses [Note 22(c)].

Patents

The patents of RMB 2,608,000 belonging to a subsidiary incurred in 2014 relates to internally developed new dust elimination technology with pulsating rotary positioning mechanism to clean dust and this invention patent is registered successfully on 10 December 2014 with a 20-year validity period. Due to the continuous technological advancement in this fast-changing air pollution industry, amortisation is accelerated over a 10-year period instead. The patent which has a remaining tenure of 47 months (2019 - 59 months) has been fully impaired during the financial year due to reduced projects undertaken coupled with the change of the Group's business focus to sludge treatments, industrial wastewater treatments, production of high performance membrane and greentech investments.

Deferred development costs

Deferred development costs relate to technological effectiveness improvement project for dust elimination and desulphurisation system segments. The development has undergone commercial sale and amortisation of the deferred development costs has been made from the month of the commencement of the sale since 2012. The deferred development costs has been fully amortised as at 31 December 2018.

5 Investment in subsidiaries

The Company	2020 RMB'000	2019 RMB'000
Investment in subsidiaries - unquoted equity shares, at cost	**192,622**	162,606
Less: allowance for impairment of investment in subsidiaries		
- At 1 January	**(154,606)**	(154,606)
- Allowance made	**(8,000)**	–
- At 31 December	**(162,606)**	(154,606)
Net investment in subsidiaries - unquoted equity shares	**30,016**	8,000

As at 31 December 2020, the carrying amount of investment in subsidiaries relates to the subsidiary newly incorporated during the financial year.

Allowance for impairment

In FY2019, the recoverable amounts of the investment in the subsidiaries are determined based on VIU approach. Cash flow projections used in the VIU calculations are based on financial budgets approved by the management covering a two-year period. Cash flows beyond the two-year period are extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate for the subsidiaries business in China. The cash flow projections represent expected income less related costs and are based on past experience and expectations for the construction of environmental protection industry in general. A pre-tax discount rate of approximately 20% for the subsidiary group is applied to the cash flow projections.

In FY2020, the Company made further allowance for impairment on the remaining carrying amount of its investment in the subsidiary, Jilin Anjie Environmental Engineering Co., Ltd of RMB 8.0 million (2019 - Nil).

The equity value or recoverable amount is calculated as shown below:

	Jilin Anjie Environmental Engineering Co., Ltd and subsidiaries	
	2020 RMB'000	2019 RMB'000
Equity value	**(3,560)**[(1)(2)]	16,703
Less: Cost of investment	**(8,000)**	(8,000)
(Deficit)/surplus	**(11,560)**	8,703
Key assumptions		
Perpetual growth rate	*	0.00%
Weighted average cost of capital (WACC)	*	20%

(1) No new projects expected to be undertaken in the next twelve months where all assets assumed to be realised in the next twelve months and all liabilities will be settled by the Group.

(2) Arising from the reduced business, the equity value of the subsidiary for current year is based on fair value less costs of disposal.

These assumptions were used for the analysis of the investment in this subsidiary group in China. The management determined budgeted profit margin based on past performance and its expectations of market developments. The weighted average growth rates used were consistent with forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments in which the subsidiary group operates.

5 Investment in subsidiaries (Cont'd)

The Company has the following subsidiaries as at 31 December 2020 and 2019:

Name	Country of incorporation/ principal place of business	Issued and fully paid share capital	Registered capital	Proportion of ownership interest and voting rights held		Principal activities
		RMB	RMB	**2020**	2019	
				%	%	
Held by the Company						
Jilin Anjie Environmental Engineering Co., Ltd. ("Anjie Environmental") [1]	The People's Republic of China	160,000,000	160,000,000	**100.0**	100.0	Research and development, design, manufacture and installation of environmental protection systems and provision of technical consulting and support services of environmental protection technologies and systems
United Greentech Holdings Pte. Ltd. (formerly known as United Greentech Pte. Ltd.) ("United Greentech")[4,5,9]	Singapore	4,920,700	30,016,270	**100.0**	–	Investment holding
Held by Jilin Anjie Environmental Engineering Co., Ltd.						
Jilin Anjie New Energy Group Co., Ltd ("Anjie New Energy") [4,6,10]	The People's Republic of China	12,397,798[6]	100,000,000	**–**[6]	99.9	Investment in construction and operation of new energy generation, water management and other related environmental projects
Dunhuang Yincheng New Energy Co., Ltd ("Yincheng New Energy")[2,4]	The People's Republic of China	100	10,000,000	**–**	100.0	De-registered
Linjiang City Anjie Environmental Co., Ltd. ("Linjiang Anjie")[2,4]	The People's Republic of China	–[3]	50,000,000	**–**	100.0	De-registered

5 Investment in subsidiaries (Cont'd)

Name	Country of incorporation/ principal place of business	Issued and fully paid share capital	Registered capital	Proportion of ownership interest and voting rights held		Principal activities
		RMB	RMB	**2020**	2019	
				%	%	
Held by United Greentech Holdings Pte. Ltd.						
United Greentech (Guangzhou) Co., Ltd ("Greentech Guangzhou")[4,5,7]	The People's Republic of China	–	207,630,000	**100.0**	–	Investment holding
Held by United Greentech (Guangzhou) Co., Ltd						
United Greentech (Tianjin) Co., Ltd. ("Greentech Tianjin")[4,5,8]	The People's Republic of China	–	70,000,000	**100.0**	–	Municipal sludge treatment and management, industrial wastewater treatment and recycling, and other environmental related projects.

1 The entity is audited by Da Xin Certified Public Accountants LLP, Jilin Branch, the People's Republic of China, and audited by Foo Kon Tan LLP for consolidation purposes.

2 The entity is dormant since the date of incorporation and de-registered during the financial year.

3 The Group has not subscribed for the issued share capital as at 31 December 2019.

4 Audited by Foo Kon Tan LLP for consolidation purposes.

5 The entity is incorporated during the financial year.

6 Anjie New Energy has been disposed to an unrelated third party on 31 December 2020.

7 On 29 December 2020, the Group has subscribed and contributed in cash a sum of RMB 29 million in Greentech Guangzhou. The paid-up capital in Greentech Guangzhou was registered with the local Administration of Industry and Commerce in China on 4 January 2021.

8 On 4 January 2021, the Group has subscribed and contributed in cash a sum of RMB 25 million in Greentech Tianjin. The paid-up capital in Greentech Tianjin was registered with the local Administration of Industry and Commerce in China on 5 January 2021.

9 On 7 January 2021, the Company has converted the advances paid to United Greentech amounting to RMB 25,095,570 (S$5,100,000) into equity by way of issuance of 5,100,000 ordinary shares at RMB4.92 (S$1) per share to the Company.

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

Transaction with non-controlling interests

There is no transaction with non-controlling interests during the financial year 2020 and 2019.

There are no subsidiaries with material non-controlling interests as at 31 December 2020 and 2019.

5 Investment in subsidiaries (Cont'd)

5(a) Disposal of a subsidiary

On 31 December 2020, the Group disposed of its 99.9% - owned subsidiary, Jilin Anjie New Energy Group Co., Ltd ("Anjie New Energy").

Details of the disposal are as follows:

The Group	**2020** **RMB'000**
Property, plant and equipment	**76**
Trade and other receivables	**25,659**
Cash and cash equivalents	**75**
Total assets	**25,810**
Trade and other payables	**(22,036)**
Other liabilities	**(3,777)**
Total liabilities	**(25,813)**
Net liabilities derecognised	**(3)**
Less: Non-controlling interest	**–**
Net liabilities disposed of	**(3)**
Cash outflow arising from disposal:	
Net liabilities disposed of (as above)	**(3)**
Gain on disposal	**3**
Sales proceeds*	**–**
Less: Cash and cash equivalents in subsidiary disposed of	**(75)**
Less: Proceeds receivable*	**–**
Net cash outflow on disposal	**(75)**

* The consideration for the sales was RMB 1, taking into account the negative net assets of the disposed subsidiary, and tax consequences, if any.

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

6 Contract assets and liabilities

The Group	**2020** **RMB'000**	2019 RMB'000
Contract assets		
- Specialised equipment construction contracts	**3,697**	20,087
Specialised equipment construction contracts	**11,627**	23,374
Less: loss allowance [Note 29.2]		
- At 1 January	**(3,287)**	–
- Impairment loss [Note 22(e)]	**(4,643)**	(3,287)
- At 31 December	**(7,930)**	(3,287)
Contract assets - total	**3,697**	20,087

6 Contract assets and liabilities (Cont'd)

Contract assets

The contract assets relate primarily to the Group's right to recognise revenue for percentage of work completed but not billed at the reporting date on its industrial wastewater and waste-gas contracts. Upon fulfilling certain agreed performance milestones with customers or commissioning and handing over of projects to customers, the amounts recognised as contract assets are reclassified to trade receivables when the rights become unconditional. The information regarding the credit exposures are disclosed in Note 29.2.

The Group's contract assets decreased by RMB 16.4 million (2019 - RMB 21.7 million) during the financial year in 2020 which is in line with decrease in business activities.

The expected credit loss recognised on contract assets is disclosed in Note 29.2.

The Group	2020 RMB'000	2019 RMB'000
Contract liabilities		
- Specialised equipment construction contracts	**1,671**	5,691

Contract liabilities

The contract liabilities relate to advances received from customers for on–going contracts, for which revenue is recognised for achieving certain contract milestones.

The Group's contract liabilities decreased by RMB 4.0 million (2019 – RMB 0.4 million) during the financial year in 2020 which is in line with the decrease in business activities.

(i) Revenue recognised in relation to contract liabilities

The Group	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in the contract liability balance as at 1 January	**2,861**	6,594

(ii) Unsatisfied performance obligations

The Group	2020 RMB'000	2019 RMB'000
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 31 December	**2,953**	67,960*

* Mainly relates to the project undertaken for contract sum of RMB 57.2 million from 临江市幸福基业开发建设有限公司, where the completion is only about 7% in FY2019.

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

As at 1 January 2019, the gross balance for contract assets and contract liabilities were RMB 41,842,000 and RMB 6,073,000 respectively.

7 Inventories

The Group	2020 RMB'000	2019 RMB'000
Raw materials, at cost	**915**	934
Cost of inventories included in cost of sales	**3,978**	18,752

8 Trade and other receivables

		The Group		The Company	
	Note	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Trade receivables (Gross)	29.2	**406**	3,542	**–**	–
Allowance for impairment	29.2	**(406)**	(79)	**–**	–
Trade receivables (Net)		**–**	3,463	**–**	–
Retention receivables	29.2	**2,214**	5,845	**–**	–
Grant receivables		**46**	–	**46**	–
Other receivables					
- Amount due from a third party		**18,090**	–	**–**	–
- Amount due from a subsidiary		**–**	–	**135**	–
- Advances to trade suppliers	29.2	**10,261**	24,544	**–**	–
- Advances to non-trade suppliers	29.2	**488**	1,843	**–**	–
- Advances to a third party	29.2	**3,900**	37,600	**–**	–
- Tender deposits and security deposits	29.2	**3,223**	49,911	**–**	–
- Advances to employees	29.2	**310**	3,150	**–**	–
- VAT and other tax receivables		**112**	84	**–**	–
- Others		**275**	–	**34**	–
		36,659	117,132	**169**	–
Total		**38,919**	126,440	**215**	–

The Group

Trade receivables are non-interest bearing and are generally on 150 days' terms or longer. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The amount due from a third party relates to a sales and purchase agreement entered on 31 December 2020 by Anjie Environmental with an unrelated third party for the disposal of 99.9% owned subsidiary in Anjie New Energy for a consideration of RMB 1. The purchaser agrees to assume the assets as well as to accept the liabilities of Anjie New Energy except for the intercompany balances owing to Anjie Environmental to the extent of RMB 18.1 million as to the settlement of debt.

Retention receivables relate to amounts (ranging from 5% to 10% of the contract sums or agreed amounts with customers) withheld by customers normally for a period of one year or more as a form of warranty against defects in the construction projects. Specific impairment has been provided on retention receivables amounting to RMB 1.6 million (2019 - RMB 1.5 million) during the financial year given the fact that there remains a probability of default.

8 Trade and other receivables (Cont'd)

The movement in the retention receivables is as follow:

The Group	2020 RMB'000	2019 RMB'000
Retention receivables	**3,805**	7,392
Allowance for impairment (Note 29.2)	**(1,591)**	(1,547)
	2,214	5,845

As at 1 January 2019, the gross balance for trade receivables and retention receivables were RMB 11,315,000 and RMB 2,106,000 respectively.

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

The movement in the advances to trade suppliers is as follow:

The Group	2020 RMB'000	2019 RMB'000
Advances to trade suppliers	**25,406**	37,097
Allowance for impairment (Note 29.2)	**(15,145)**	(12,553)
	10,261	24,544

The advances to trade suppliers are made without the trade supplier invoices obtained at the point before the expenses were incurred. The advances to trade suppliers will be reclassified and recognised as project costs upon the receipt of trade supplier invoices. Advances are made to trade suppliers for the following reasons:

- the items purchased from trade suppliers must be customised to meet the needs of specific projects. Suppliers would require advances in order to commit to the production of these customised items.
- some customers impose a requirement on the project bidders to make advances to the customer-appointed supplier(s) during the bidding stage or upon signing of the contract so as to ensure that the Group would be capable of providing the required initial capital to facilitate timely delivery of items to project sites and to complete the project on a timely basis.

The movement in the advances to non-trade suppliers, not related to contract obligations is as follow:

The Group	2020 RMB'000	2019 RMB'000
Advances to non-trade suppliers	**855**	2,342
Allowance for impairment (Note 29.2)	**(367)**	(499)
	488	1,843

8 Trade and other receivables (Cont'd)

The movement in the advances to a third party is as follow:

The Group	2020 RMB'000	2019 RMB'000
Advances to a third party	**26,315**	37,600
Allowance for impairment (Note 29.2)	**(22,415)**	–
	3,900	37,600

The advances to a third party of RMB 26.3 million (2019 - RMB 37.6 million) comprise of deposits for 2 (2019 - 2) proposed projects belonging to a subsidiary. Below summarise the deposits to this third party:

The Group	2020 RMB'000	2019 RMB'000
Project		
Wastewater treatment – Proposed project 1	**215**	11,500
Wastewater treatment – Proposed project 2	**26,100**	26,100
Total	**26,315**	37,600

There is no indication of commencement since the past three years. The said advances are therefore regarded to be amount owing by third party. The COVID-19 pandemic further delayed the progress of the discussion. The contract has been terminated subsequent to the reporting date.

To mitigate the credit risk exposure, the Group requested and received a further sum of RMB 11.3 million (2019 - RMB 7.7 million) during the financial year. Subsequent to the year end, another RMB 3.9 million was received. The remaining outstanding is more than 3 years is regarded credit impaired. On this basis, management of the Group impairs in full for this debt default. The Group nevertheless continues to pursue the remaining outstanding balance of RMB 22.4 million from the third party, where possible.

Arising from the credit risk exposures, the Group will endeavour to minimise such advances to be given in securing and undertaking industrial wastegas and wastewater contracts. In the event of any uncertainties or delays to the contracts, management will expedite to work closely with the suppliers to seek alternative solutions to the advances.

As at 1 January 2019, the gross balance for advances to trade suppliers and a third party were RMB 26,948,000 and RMB 68,600,000 respectively.

The movement in the tender and security deposits is as follow:

The Group	2020 RMB'000	2019 RMB'000
Tender and security deposits	**4,095**	51,049
Allowance for impairment (Note 29.2)	**(872)**	(1,138)
	3,223	49,911
Total impairment made	**40,796**	15,816

As at 1 January 2019, the gross balance for tender and security deposits was RMB 51,049,000.

8 Trade and other receivables (Cont'd)

The tender and security deposits comprise mainly of the following:

The Group	**2020** **RMB'000**	2019 RMB'000
(i) industrial wastewater project A	**–**	15,000
(ii) industrial wastewater project B	**–**	25,000
(iii) industrial wastewater project C	**1,600**	–

Based on the progress of the project A, a further refund of RMB 6.0 million has been received during the year to reduce the security deposit from RMB 15.0 million to RMB 9.0 million belonging to a disposed subsidiary. The expected credit loss model was applied on the deposit and an allowance of RMB 8.1 million made in view of the slow progress and payment from the supplier.

The Group has withdrawn from the tender in project B, and has received the full refund of RMB 25.0 million from the vendor during the financial year.

The Company

The amount due from a subsidiary is non-trade in nature, unsecured and non-interest bearing, repayable on demand and is to be settled in cash when the borrower's cash flow permits.

9 Prepayments

	The Group		**The Company**	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepaid operating expense	**101**	43	**15**	14

10 Bank deposits pledged

The Group

Bank deposits pledged amounting to RMB 3,000,000 (2019 - RMB 1,525,000) as at 31 December 2020 for the purpose of obtaining bills payable facilities of RMB 3,000,000 (2019 - RMB 1,525,000) (Note 18).

11 Cash and cash equivalents

	The Group		**The Company**	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash on hand	**1**	1	**–**	–
Bank balances	**47,627**	9,706	**13,737**	58
	47,628	9,707	**13,737**	58

The Group's bank balances bear interest at an average interest rate of 0.3% (2019 - between 0.07% - 0.38%) per annum respectively.

12 Share capital

The Company	No. of ordinary shares 2020	2019	Amount 2020 RMB'000	2019 RMB'000
Issued and fully paid ordinary shares, with no par value				
Balance at beginning of year	**617,209,000**	617,209,000	**224,747**	224,747
Shares issued pursuant to private placement	**120,000,000**	–	**9,087**	–
Shares issued pursuant to rights issue	**589,767,200**	–	**44,355**	–
Share issuance expenses	**–**	–	**(1,490)**	–
Balance at end of year	**1,326,976,200**	617,209,000	**276,699**	224,747

On 29 May 2020, the Company has allotted and issued 120,000,000 new ordinary shares ("placement shares") at an issue price of S$0.015 per share, pursuant to its private placement undertaken by the Company. The gross proceeds from the placement amounted to S$1,800,000 (RMB 9,087,239). Total consideration received amounted to S$1,706,013 (RMB 8,594,483), net of share issuance expenses of S$93,987 (RMB 492,756) for the working capital purposes. The newly issued shares rank pari passu in all respects with the previously issued shares.

On 3 September 2020, the Company has allotted and issued 589,767,200 new ordinary shares ("rights issue") at an issue price of S$0.015 per share, pursuant to its renounceable underwritten rights issue undertaken by the Company on the basis of 4 rights shares for every 5 existing ordinary shares of the Company. The gross proceeds from the rights issue amounted to S$8,846,510 (RMB 44,354,632). Total consideration received amounted to S$8,647,689 (RMB 43,357,785), net of share issuance expenses of S$198,821 (RMB 996,847) which is to provide funds for the expansion of the Group's operations. The newly issued shares rank pari passu in all respects with the previously issued shares.

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

13 PRC statutory common reserve

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

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

The Group	2020 RMB'000	2019 RMB'000
Balance at beginning and end of year	**31,748**	31,748

14 Merger reserve

The Group

This represents the difference between the consideration paid and the paid-in capital of the subsidiary based on the pooling of interest method.

15 Premium paid on acquisition of non-controlling interests

The Group	2020 RMB'000	2019 RMB'000
Balance at beginning of year	**170**	170
De-consolidation upon disposal of interest in a subsidiary	**(170)**	–
Balance at end of year	**–**	170

This represented the difference between the consideration paid and the carrying amount of additional equity interest of a subsidiary acquired from non-controlling interests.

16 Deferred tax liabilities

On 22 February 2008, the State Administration of Taxation of China issued a circular Caishui 2008 No.001, which imposes withholding tax on distribution of dividends from post 1 January 2008 profits to foreign investors. Accordingly, no deferred tax liabilities arise from undistributed profits of the Company's PRC subsidiary accumulated up till 31 December 2007. Provision for deferred tax liabilities however, would be required on profits accumulated from 1 January 2008 onwards.

Withholding tax pertains to the PRC withholding tax on the portion of the distributable profits derived by the Group's subsidiary in the PRC, Anjie Environmental, in the current financial year which is expected to be distributed out as dividends to its shareholders.

Unrecognised tax loss

At the end of the financial year, the subsidiary has unrecognised tax losses that are available for offset against future taxable profits of the companies in the Group in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of the tax loss is subject to the agreement of the tax authorities and compliance with the provisions of the tax legislation of the respective countries in which the companies operate. All tax losses will expire after five years from the year of assessment they relate to.

As at 31 December 2020, the unabsorbed losses of RMB 7.5 million relating to Anjie New Energy is no longer available for offset as the subsidiary is disposed to an unrelated third party during the financial year.

16 Deferred tax liabilities (Cont'd)

Unrecognised tax loss (Cont'd)

The unrecognised tax losses will expire as follows:

The Group	2020 RMB'000	2019 RMB'000
Year 2021	–	272
Year 2022	2,414	4,976
Year 2023	–	733
Year 2024	797	4,708
Year 2025	4,398	–
	7,609	10,689

There is no utilisation of losses brought forward from previous year as the subsidiary, Anjie Environmental is in loss making position since financial year 2018.

17 Lease liabilities

The Group

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

	2020 RMB'000	2019 RMB'000
Balance at beginning of year	782	–
Additions – new leases	1,161	989
Re-measurement adjustment	(482)	–
Interest expense [Note 22(a)]	36	31
Payment of lease liabilities	(434)	(238)
Balance at end of year	1,063	782
Undiscounted lease payment due:		
- Year 1	657	357
- Year 2	366	357
- Year 3	95	119
	1,118	833
Less: Unearned interest	(55)	(51)
Lease liabilities	1,063	782
Presented as:		
Current	617	323
Non-current	446	459
	1,063	782

During the financial year, a re-measurement adjustment in lease liabilities of RMB 482,000 arising from modification of the lease agreement to downsize the rented area, with a corresponding decrease in right-of-use assets of RMB 465,000 (Note 3) and a gain on re-measurement of RMB 17,000 [Note 22(b)] recognised in the profit or loss.

17 Lease liabilities (Cont'd)

As at 31 December 2020, the Group's short-term lease commitments at the reporting date are not substantially dissimilar to those giving rise to the Group's short-term lease expense for the year.

18 Trade and other payables

	The Group		The Company	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**29,013**	49,903	**–**	–
Bills payables (secured - Note 10)	**3,000**	1,525	**–**	–
Other payables	**2,099**	3,418	**89**	510
VAT and other tax payables	**582**	1,343	**–**	–
Amount due to a related party (Note 26)	**7,089**	–	**–**	–
Amount due to a subsidiary	**–**	–	**6,845**	6,320
Amount due to directors	**141**	772	**68**	244
Net trade and other payables	**41,924**	56,961	**7,002**	7,074

Trade payables are non-interest bearing, which mainly comprise of:

The Group	**2020**	2019
	RMB'000	RMB'000
Suppliers		
(i) 抚顺恒益科技滤材有限公司	**5,190**	6,190
(ii) 鞍钢集团工程技术有限公司	**7,069**	15,199
(iii) 吉林丰源电力环保科技有限公司	**2,371**	4,573
	14,630	25,962

Trade payables are normally settled on 90 days' terms. The profile of the liability owing to contractors and suppliers for the services rendered and supply of goods to the projects are in a way match to the timing of receipts and the extent of completion of the projects as stipulated in the contracts. Such liabilities are only due for payment when the extent of the project completion is accepted and acknowledged by the customer of the Group.

The amount due to a related party is non-trade in nature, unsecured, non-interest bearing, repayable on demand and is to be settled in cash when the Group's cash flow permits. The related company refers to Yarra Food (Shandong) Co., Ltd. a wholly-owned subsidiary of Yarra Food Pte. Ltd., in which a director's immediate family is a shareholder.

The amount due to a subsidiary is non-trade in nature, unsecured, non-interest bearing, repayable on demand and is to be settled in cash when the Company's cash flow permits.

The amount due to directors is non-trade in nature, unsecured, non-interest bearing, repayable on demand and is to be settled in cash when the Group's cash flow permits.

19 Borrowings

The Group	2020 RMB'000	2019 RMB'000
Current		
Bank loans:		
China Merchants Bank Co., Ltd (招商银行长春大经路支行)	**23,990**	50,000

As at 31 December 2020, the Group has short-term loan facility of RMB 24 million (2019 - RMB 50 million), repayable on varying dates, with the earliest date being 19 February 2021 (2019 - 11 March 2020) and the latest date being 31 March 2021 (2019 – 16 December 2020). Subsequent to the reporting date, a sum of RMB 0.8 million (2019 - RMB 5 million) has been repaid on 9 February 2021 (2019 - 21 February 2020).

This term loan facility is mainly secured by corporate guarantees from Leader Environmental Technologies Limited and personal guarantees provided by Mr. Lin Baiyin, the Executive Director of the Company and his spouse and partially secured by the commercial properties held by the subsidiary – Anjie Environmental (Note 3).

In 2019, the Group obtained unsecured loans of RMB 10 million with an interest rate of 5.22% per annum from a financial institution. These unsecured loans of RMB 10 million were fully repaid in 2019.

The effective weighted average interest rate for the secured bank loans is 10.31% (2019 - 9.19%) per annum.

The carrying amounts of current borrowings approximate their fair values.

20 Other liabilities

	The Group		The Company	
	2020 **RMB'000**	2019 RMB'000	**2020** **RMB'000**	2019 RMB'000
Accrued purchases	**2,053**	5,824	**–**	–
Accrued salary and related expenses	**2,033**	3,197	**1,114**	2,317
Deposits from customers	**–**	4,314	**–**	–
Accrued operating expenses	**1,266**	1,399	**1,331**	1,399
Accrued welfare expenses	**44**	44	**–**	–
	5,396	14,778	**2,445**	3,716

21 Revenue

Revenue by significant categories is as follows:

	Over time	
The Group	**2020** **RMB'000**	2019 RMB'000
PRC		
Contract revenue	**13,736**	37,239

22(a) Finance income and costs

The Group	2020 RMB'000	2019 RMB'000
Finance income:		
Interest income from bank balances	**23**	22
Finance costs:		
Interest expense on lease liabilities (Note 17)	**(36)**	(31)
Interest expense on bank loans and third-party loans	**(4,915)**	(5,846)
	(4,951)	(5,877)

22(b) Other income

The Group	Note	2020 RMB'000	2019 RMB'000
Government grant – Jobs Support Scheme	22(e)	**133**	–
Gain on disposal of a subsidiary	5(a),22(e)	**3**	–
Gain on disposal of property, plant and equipment	22(e)	**34**	–
Gain on re-measurement of lease liabilities	22(e)	**17**	–
Gain on de-registration of subsidiaries	22(e)	**9**	–
Others		**193**	146
		389	146

22(c) Administrative expenses

The Group	Note	2020 RMB'000	2019 RMB'000
Employees' salaries and related costs		**5,575**	2,890
Directors' fees and remunerations		**2,638**	1,798
Depreciation of property, plant and equipment	3	**657**	612
Amortisation of intangible assets	4	**260**	261
Short-term lease expenses	3(d)	**154**	304
Transportation expenses		**228**	350
Professional fees		**544**	720
Travelling and entertainment expenses		**1,625**	1,848
Others		**2,230**	1,678
		13,911	10,461

22(d) Other expenses

The Group	Note	2020 RMB'000	2019 RMB'000
Bad debts written off	22(e)	**46**	82
Impairment loss on intangible assets	4,22(e)	**1,022**	–
Exchange loss		**1,236**	58
Loss on disposal of property, plant and equipment	22(e)	**520**	252
Bad debts recovered	22(e)	**(150)**	(450)
Others		**97**	62
		2,771	4

22(e) Loss before taxation

The Group	Note	2020 RMB'000	2019 RMB'000
Loss before taxation has been arrived at after charging:			
Audit fee:			
- auditors of the Company		**803**	758
- other auditors		**21**	98
Non audit fee:			
- other auditors		**54**	54
Loss on disposal of property, plant and equipment, net	22(b), 22(d)	**486**	252
Depreciation of property, plant and equipment	3	**1,103**	1,070
Amortisation of intangible assets	4	**260**	261
Bad debts written off	22(d)	**46**	82
Impairment loss on intangible assets	4,22(d)	**1,022**	–
Allowance for impairments:			
- contract assets	6	**4,643**	3,287
- trade receivables		**497**	3
- trade receivables no longer required		**–**	(1,642)
- retention receivables		**145**	246
- retention receivables no longer required		**(101)**	–
- advances to trade suppliers		**9,039**	12,553
- advances to trade suppliers no longer required		**(414)**	–
- advances to non-trade suppliers		**217**	499
- advances to non-trade suppliers no longer required		**(320)**	–
- tender and security deposits		**1,474**	1,138
- advances to third parties		**30,515**	–
- advances to employees		**19**	–
	29.2	**45,714**	16,084
Employees' compensations*	25	**10,567**	7,612
and (crediting):			
Bad debts recovered	22(d)	**(150)**	(450)
Government grant – Jobs Support Scheme	22(b)	**(133)**	–
Gain on disposal of a subsidiary	5(a),22(b)	**(3)**	–
Gain on disposal of property, plant and equipment	22(b)	**(34)**	–
Gain on re-measurement of lease liabilities	22(b)	**(17)**	–
Gain on de-registration of subsidiaries	22(b)	**(9)**	–

* Includes remuneration of directors and key management personnel as disclosed in Note 26 to the financial statements.

23 Taxation

The Group	2020 RMB'000	2019 RMB'000
Current taxation	**–**	6
Overprovision of current taxation in respect of prior year	**(75)**	–
Tax (credit)/expense	**(75)**	6

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

The Group	2020 RMB'000	2019 RMB'000
Loss before taxation	**(64,933)**	(24,131)
Tax at the domestic rates applicable to losses in the countries concerned [1]	**(16,233)**	(6,033)
Difference in foreign tax rate	**563**	283
Tax effect on non-deductible expenses	**12,207**	4,744
Tax effect on non-taxable income	**(246)**	(523)
Effect of loss not available for offset against future profits - the Company	**1,197**	602
Effect of loss not recognised as deferred tax assets - the subsidiaries (Note 16)	**2,535**	926
Utilization of deferred tax asset previously not recognised	**(23)**	–
Overprovision of current taxation in respect of prior year	**(75)**	–
Others	**–**	7
Tax (credit)/expense	**(75)**	6

1 The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The nature of incomes that are not taxable is as follows:

The Group	2020 RMB'000	2019 RMB'000
Allowance written back - no tax deduction claimed in prior year	**129**	411
Bad debts recovered - no tax deduction claimed in prior year	**117**	112
	246	523

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

The Group	2020 RMB'000	2019 RMB'000
Purchases not supported by value added tax invoices	**22**	16
Entertainment expenses incurred but restricted for tax purposes	**271**	289
Impairment loss on intangible assets	**256**	–
Allowance for impairments for financial assets and contract assets	**11,637**	4,432
Others	**21**	7
	12,207	4,744

24 Loss per share

The loss per share is calculated based on the consolidated losses attributable to ordinary shareholders of the Company divided by the weighted average number of shares in issue of shares during the financial year. The basic and diluted loss per share of the Group are the same as there were no potential dilutive ordinary shares outstanding as at 31 December 2020 and 2019.

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

The Group	2020	2019
Loss for the year attributable to owners of the Company (RMB'000)	**(64,858)**	(24,133)
Weighted average number of ordinary shares	**1,061,041,565**	865,003,610*
Basic and diluted loss per share (RMB cents)	**(6.11)**	(2.79)

* Number of weighted average number of ordinary shares were restated due to retrospective adjustments for rights issue on 3 September 2020.

25 Employee benefits

The Group	2020 RMB'000	2019 RMB'000
Employee benefits expenses (including directors)		
Directors' fees	**620**	536
Salaries and bonuses	**9,265**	5,922
Contribution to defined contribution plans	**682**	1,154
	10,567	7,612

26 Significant related party transactions

In relation to the related party information disclosed elsewhere in the financial statements, the following are significant transactions with related parties at mutually agreed amounts:

The Group	2020 RMB'000	2019 RMB'000
Advances from a related party (see Note 18)	**7,000**	–
Settlement of liabilities by a related party (see Note 18)	**89**	–

26 Significant related party transactions (Cont'd)

Compensation of directors and key management personnel

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

The Group	**2020** RMB'000	2019 RMB'000
Directors' remunerations		
- Directors' fees	**620**	536
- Salaries, bonuses and other short-term benefits	**2,109**	1,142
- Contribution to defined contribution plans	**101**	194
Key management personnel (other than directors)		
- Salaries, bonuses and other short-term benefits	**3,059**	1,143
- Contribution to defined contribution plans	**216**	161
	6,105	3,176

The Group's key management in FY2020 mainly comprise of Deputy CEOs, Chief Technical Officer (CTO) and CFO. The Deputy CEOs and CTO are appointed in second half of the current financial year. The remuneration of directors and key executives are reviewed by the Remuneration Committee having regard to the performance of individuals and market trend.

27 Other matters – letter of undertaking

The Company has given letter of undertaking to provide financial support for the following subsidiaries which had aggregate net tangible deficits of RMB 6,662,000 (2019 - Nil) as at 31 December 2020 to enable them to continue to operate as a going concern and to meet their respective obligations as and when they fall due:

(i) Jilin Anjie Environmental Engineering Co., Ltd

(ii) United Greentech (Tianjin) Co., Ltd

(iii) United Greentech (Guangzhou) Co., Ltd

28 Operating segments

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

(i) Industrial wastegas treatment segment mainly provides treatment solutions for the elimination of dust and desulphurisation from the emission of industrial wastegas. The Group also offered denitrification which relates to treatment solutions for the elimination of nitrogen oxides from the emission of wastegas.

(ii) Industrial wastewater treatment segment provides treatment solutions for the removal and reduction of pollutants in the wastewater, mainly to lower the chemical oxygen (COD) and biochemical oxygen (BOD) from the emission of industrial wastewater.

28 Operating segments (Cont'd)

There are no operating segments that have been aggregated to form the above reportable operating segments.

The Chief Executive Officer monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as set out below, is measured differently from operating profit or loss in the consolidated financial statements.

Group financing and income taxes are managed on a group basis and are not allocated to operating segments.

The chief operating decision maker reviews the results of the segment using segment gross profit. Segment assets, liabilities, non-current assets and other expenses are not disclosed as they are not regularly provided to the chief operating decision maker.

The Group

(a) By business

	Dust elimination RMB'000	Industrial wastewater RMB'000	Total RMB'000
2020			
Revenue			
Sales to external customers	**2,469**	**11,267**	**13,736**
Results			
Segment gross profit	**59**	**3,299**	**3,358**
2019			
Revenue			
Sales to external customers	10,370	26,869	37,239
Results			
Segment gross profit	3,241	6,177	9,418

(b) Geographical information

No geographical information is provided as the principal assets employed by the Group are located in the PRC and the Group's revenue and profits are derived primarily from customers in the PRC.

(c) Information about major customers

During the financial year ended 31 December 2020, revenue from three (2019 - three) major customers amounted to RMB 4.2 million, RMB 3.7 million and RMB 2.0 million (2019 - RMB 10.8 million, RMB 9.3 million and RMB 7.8 million), arising from sales by the dust elimination and industrial wastewater segments.

(d) All non-current assets are located in the PRC other than the Company's office equipment located in Singapore.

29 Financial risk management objectives and policies

The Group and the Company financial risk management policies set out the Group's and the Company's overall business strategies and its risk management philosophy. The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks included credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's and the Company's financial performance through a system of internal controls set by the management.

The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

29.1 Interest rate risk

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

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

<u>Sensitivity analysis for interest rate risk</u>

At the end of reporting period, if RMB interest rates had been 50 (2019 - 50) basis points higher/lower with all other variables held constant, the Group's loss for the year would have been RMB 118,000 lower/higher (2019 - RMB 201,000 higher/lower), arising mainly as a result of lower/higher interest income on cash and bank balances (2019 - higher/lower interest expenses on bank borrowings). The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility compared to prior years.

29.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group trade and other receivables, contract assets and retention receivables. The Group adopts the policy of dealing only with:

- Customers of appropriate credit standing and history, and obtaining sufficient collateral where appropriate to mitigate credit risk; and

- High credit quality counterparties rating by external credit rating companies.

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

29 Financial risk management objectives and policies (Cont'd)

29.2 Credit risk (Cont'd)

In all sales contracts entered into with the Group's customers, the payment terms are based on each stage or milestone of the project. Generally, the payment terms are as follows:

(a) upon signing of a contract, an advance payment between nil and 30% of the total contract value;

(b) upon delivery of equipment and systems to customers, between nil and 60% of the contract value;

(c) after the installation and commissioning of equipment and systems, the issue of the project completion report by the Group and acceptance by customers which usually include the issue of a detailed inspection report by the Environmental Protection Quality Inspection Station, between 90% and 95% of the contract value; and

(d) retention sum of generally between 5% and 10% of the contract value withheld by the customer for a one-year period against any defects.

Majority of the secured contracts to-date were under the above payment terms. Depending on negotiations with the customers, the other contracts also provide for payment terms based on fixed number of instalments, and specified amounts and dates for each of the instalment payments; or payment terms which are based on fixed agreed amounts for each of the progressive payments payable upon completion of each stage or milestone of a contract. In addition, depending on negotiations with and requests from the customers, some of the contracts also provide for retention receivables to be based on an agreed sum with the customers and/or the defects liability period to be extended to two years, or defects liability period of certain components of the systems (such as the fabric filter bags) to be extended to up to three years.

For small scale projects which are relatively less complex, the credit term extended to the customers for the advance payments and progress claims is generally 60 to 90 days from the date of issuance of the notification of payment and progress billings respectively. For large scale projects which require more than a year to complete or projects which are technically more complex, longer credit terms of up to 150 days to the customers will be extended as more time is required by the customers to process the payments.

Measures to curtail credit risk

New or existing customers are subject to assessment of financial condition prior to contract acceptance and collection of customer deposits has become a precondition for the undertaking of new contracts to minimise credit risk. The management has also proscribed any advances to suppliers unless they are able to ascertain that any resultant credit risk is remote. The Board has also resolved that all payments, whether in advance or in arrears, to any single supplier above RMB10 million will require prior approval from the Board. The Group will also adopt uniform policies and standards when assessing new contracts, regardless of whether they are government or privately funded projects. The adoption of a more cautious business strategy should help to mitigate the Group's exposure to credit risks and market risks in the longer term.

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. The maximum exposure of the Company in respect of the intra-group financial guarantee at the reporting date is the facility drawn down by the subsidiary in the amount of RMB 24 million (2019 - RMB 50 million) (see Note 19). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee. The Group and the Company exposure to credit risk arises primarily from trade and other receivables, contract assets, deposits pledge to bank and bank balances.

29 Financial risk management objectives and policies (Cont'd)

29.2 Credit risk (Cont'd)

Measures to curtail credit risk (Cont'd)

For trade receivables, the Group and the Company adopt the policy of dealing only with customers of appropriate credit history and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group and the Company adopt the policy of dealing only with high credit quality counterparties. Bank balances are deposits with reputable banks.

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

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit impaired.	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the group has no realistic prospect of recovery.	Amount is written off

Expected credit losses

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the PRC unemployment rate to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

The Group allocates each exposure to a credit risk category based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk category are defined using qualitative and quantitative factors that are indicative of the risk of default.

12-month ECL loss rates are adjusted based on the unemployment rate in the PRC given the economic uncertainty in so far as the collectability of debt is concerned.

Arising from the impact of COVID-19 pandemic, the China unemployment rate of 5.20% has been applied. The Group monitors changes in credit risk by tracking published default rates. To determine whether published default rates remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing available press and regulatory information.

29 Financial risk management objectives and policies (Cont'd)

29.2 Credit risk (Cont'd)

Expected credit losses (Cont'd)

Lifetime ECL are measured using the probability of default approach. Lifetime probabilities of default are based on historical data and are recalibrated by evaluating a range of possible outcomes which includes available information about current conditions and forecast of future economic conditions. Loss given default (LGD) parameters generally reflect an assumed recovery rate of 100% except when a security is credit-impaired, in which case the estimate of loss is based on the amount recoverable and effective interest rate by reference to China Prime Lending Rate.

In measuring the expected credit losses, trade receivables, retention receivables and contract assets are grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. Advances to employees, advances to trade and non-trade suppliers and tender deposits are grouped based on shared credit risk characteristics.

Impairment losses on financial assets and contract assets recognised in profit or loss were disclosed in Note 22(d) and 22(e).

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

	Trade receivables, contract assets and retention receivables			
The Group	**12-month ECL**	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
2020				
Balance as at 1 January	**212**	**1,470**	**3,231**	**4,913**
Loss allowance recognised in profit or loss during the year on:				
- Originated	**–**	**–**	**1,108**	**1,108**
- Reversal of unutilised amount	**–**	**–**	**(101)**	**(101)**
- Changes in credit risk	**35**	**4,142**	**–**	**4,177**
Disposal of a subsidiary	**(132)**	**–**	**(38)**	**(170)**
Balance as at 31 December	**115**	**5,612**	**4,200**	**9,927**
2019				
Balance as at 1 January	1,718	–	1,301	3,019
Loss allowance recognised in profit or loss during the year on:				
- Originated	–	–	1,930	1,930
- Reversal of unutilised amount	(1,642)	–	–	(1,642)
- Changes in credit risk	136	1,470	–	1,606
Balance as at 31 December	212	1,470	3,231	4,913

29 Financial risk management objectives and policies (Cont'd)

29.2 Credit risk (Cont'd)

Expected credit losses (Cont'd)

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

	Advances to trade and non-trade suppliers employees, tender and security deposits and third parties			
The Group	**12-month ECL**	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
2020				
Balance as at 1 January	**1,180**	**10,511**	**2,499**	**14,190**
Loss allowance recognised in profit or loss during the year on:				
- Originated	**–**	**–**	**22,708**	**22,708**
- Reversal of unutilised amount	**(1,134)***	**–**	**(734)**	**(1,868)**
- Changes in credit risk	**–**	**19,690**	**–**	**19,690**
Disposal of a subsidiary	**(19)**	**(15,902)**	**–**	**(15,921)**
Balance as at 31 December	**27**	**14,299**	**24,473**	**38,799**
2019				
Balance as at 1 January	–	–	–	–
Loss allowance recognised in profit or loss during the year on:				
- Originated	1,180	–	2,499	3,679
- Changes in credit risk	–	10,511	–	10,511
Balance as at 31 December	1,180	10,511	2,499	14,190

* included a sum of RMB 491,000 belonging to a disposed subsidiary

29 Financial risk management objectives and policies (Cont'd)

29.2 Credit risk (Cont'd)

Expected credit losses (Cont'd)

The Group's and the Company's major classes of financial assets are cash and cash equivalents, bank deposits pledged, trade and other receivables and contract assets. Bank deposits pledged and cash and cash equivalents are subject to immaterial credit loss.

The following tables provide information about the exposure to credit risk and ECLs for trade receivables, contract assets and retention receivables:

The Group	Trade receivables, contract assets and retention receivables			
	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Credit impaired
	%	RMB'000	RMB'000	
2020				
Category: performing	**5.20**	**2,234**	**115**	No
Category: doubtful	**60.29**	**9,308**	**5,612**	No
Category: in default	**100.00**	**4,200**	**4,200**	Yes
		15,742	**9,927**	
2019				
Category: performing	2.23	9,520	212	No
Category: doubtful	6.81	21,557	1,470	No
Category: in default	100.00	3,231	3,231	Yes
		34,308	4,913	

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

The Group	Advances to trade and non-trade suppliers, employees, tender and security deposits and third parties			
	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Credit impaired
	%	RMB'000	RMB'000	
2020				
Category: performing	**5.20**	**515**	**27**	No
Category: doubtful	**51.47**	**27,783**	**14,299**	No
Category: in default	**100.00**	**24,473**	**24,473**	Yes
		52,771	**38,799**	
2019				
Category: performing	**2.23**	52,934	1,180	No
Category: doubtful	**29.99**	35,055	10,511	No
Category: in default	**100.00**	2,499	2,499	Yes
		90,488	14,190	

29 Financial risk management objectives and policies (Cont'd)

29.2 Credit risk (Cont'd)

The Company

The Company is not exposed to significant expected credit losses on its bank balances and trade and other receivables. The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements of SFRS(I) 9. The Company has assessed that its subsidiaries have the financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from these guarantees.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's net trade receivables at the end of the reporting period is as follows:

The Group	**31 December 2020**		31 December 2019	
	RMB'000	**% of total**	RMB'000	% of total
By industry sector				
Construction	–	–	37	1.1
Heat supply	–	–	3,061	88.4
Others	–	–	365	10.5
	–	–	3,463	100.0

As at 31 December 2020 and 2019, none of the trade receivables individually exceed 5% of the Group's total assets.

29.3 Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or other financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

29 Financial risk management objectives and policies (Cont'd)

29.3 Liquidity risk (Cont'd)

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows:

The Group	Note	**On demand or within 1 year RMB'000**	**Within 2 to 5 years RMB'000**	**Total RMB'000**
2020				
Non-derivative financial liabilities				
Trade and other payables (excluding VAT and other tax payables)	18	**41,342**	**–**	**41,342**
Borrowings		**24,580**	**–**	**24,580**
Lease liabilities	17	**657**	**461**	**1,118**
Other liabilities	20	**5,396**	**–**	**5,396**
Total undiscounted financial liabilities		**71,975**	**461**	**72,436**
2019				
Non-derivative financial liabilities				
Trade and other payables (excluding VAT and other tax payables)	18	55,618	–	55,618
Borrowings		55,877	–	55,877
Lease liabilities	17	357	476	833
Other liabilities	20	14,778	–	14,778
Total undiscounted financial liabilities		126,630	476	127,106

The Company	Note	**On demand or within 1 year** **2020 RMB'000**	2019 RMB'000
Non-derivative financial liabilities			
Trade and other payables	18	**7,002**	7,074
Other liabilities	20	**2,445**	3,716
Total undiscounted financial liabilities		**9,447**	10,790
Corporate guarantee		**23,990**	50,000
		33,437	60,790

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

The Group and the Company ensure that there are adequate funds to meet all its obligations in a timely and cost-effective manner. The Management aims at maintaining flexibility in funding by keeping committed credit facilities as disclosed in Note 19.

29 Financial risk management objectives and policies (Cont'd)

29.3 Liquidity risk (Cont'd)

Management is of the view that the Group and the Company will have sufficient cash resources to repay its liabilities including the bank loans when due through exploring availability of external financing, implementing measures to actively monitor the collections from trade receivables, utilisation of advances paid to suppliers for projects commencing in the coming financial year and/or recovery of amounts from these suppliers for projects that are not likely to commence, tightening its costs and only commencing projects when the management is confident of the customer's ability to finance the projects and make repayments.

In addition, management is also actively looking for potential business undertaking, opportunities in mergers and acquisitions activities that would provide stable income and liquidity to the Group.

29.4 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group's operations are primarily conducted in the PRC in RMB. Currently, the PRC government imposes control over foreign currencies. RMB, the official currency in the PRC, is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions.

The Group and the Company holds cash and bank balances denominated in foreign currencies for working capital purposes. At the end of reporting period, such foreign currency balances (mainly SGD) amounted to RMB 14,550,000 (2019 - RMB 58,000) for the Group.

There is no formal hedging policy with respect to foreign currency exposure. Exposure to foreign currency risk is monitored on an on-going basis and the Group endeavours to keep the net exposure at an acceptable level.

<u>Sensitivity analysis for foreign currency risk</u>

The following table demonstrates the sensitivity to a reasonably possible change in the SGD against RMB, with all other variables held constant, of the Group's and the Company's loss after tax and equity:

	2020		2019	
	Loss for the year RMB'000	**Equity RMB'000**	Loss for the year RMB'000	Equity RMB'000
The Group				
SGD against RMB				
- strengthened by 5% (2019 - 5%)	**(727)**	**727**	(3)	3
- weakened by 5% (2019 - 5%)	**727**	**(727)**	3	(3)
The Company				
SGD against RMB				
- strengthened by 5% (2019 - 5%)	**(687)**	**687**	(3)	3
- weakened by 5% (2019 - 5%)	**687**	**(687)**	3	(3)

29 Financial risk management objectives and policies (Cont'd)

29.5 Market price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

The Group and the Company does not hold any quoted or marketable financial instruments, hence, is not exposed to any movements in market prices.

30 Capital risk management objectives and policies

The Group's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as going concern;

(b) To support the Group's stability and growth;

(c) To provide capital for the purpose of strengthening the Group's risk management capability; and

(d) To provide an adequate return to shareholders

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure, taking into consideration the future capital requirements of the Group capital efficiency, prevailing and projected revenue, projected operating cash flows and projected capital expenditures. The Group currently does not adopt any formal dividend policy.

Gearing has a significant influence on the Group's capital structure and the Group monitor capital using a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as the sum of lease liabilities, trade and other payables, borrowings and other liabilities less cash and cash equivalents. The Group's gearing ratio has increased due to the increased allowances for impairments which eroded the Group's equity. Notwithstanding the high gearing ratio, management continues to keep a tight rein on costs and maintains focus on collections of trade and other receivables, and contract assets.

The Group has an order book of approximately RMB 3.0 million for FY2021 and subsequent to the financial year end, another two contracts relating to industrial wastewater and sludge treatment of RMB118.97 million (inclusive of VAT) are secured. The Group hopes its prudent approach coupled by the timely executions and deliveries of these contracts plus new contracts to be secured in the coming months will help to increase its cash and cash equivalents. With the improved cash and cash equivalents, it will help to reduce the overall net debts and improves its gearing ratio.

Total capital is calculated as equity plus net debt.

30 Capital risk management objectives and policies (Cont'd)

The Group	Note	2020 RMB'000	2019 RMB'000
Lease liabilities	17	**1,063**	782
Trade and other payables	18	**41,924**	56,961
Borrowings	19	**23,990**	50,000
Other liabilities	20	**5,396**	14,778
Less: Cash and cash equivalents	11	**(47,628)**	(9,707)
		24,745	112,814
Equity attributable to owners of the parent		**27,530**	40,436
Less: PRC statutory common reserve	13	**(31,748)**	(31,748)
Total capital		**(4,218)**	8,688
Capital and net debt		**20,527**	121,502
Gearing ratio		**120.6%**	92.8%

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

The Company and its subsidiaries are not subject to externally imposed capital requirements.

31 Fair value measurement

Definition of fair value

SFRS(I)s define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The short term financial assets' and financial liabilities' carrying amounts approximate their fair values.

31.1 Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 : unobservable inputs for the asset or liability

There is no financial assets and financial liabilities measured at fair value as at 31 December 2020 and 2019.

32 Financial Instruments

Accounting classifications of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

		The Group		The Company	
		2020	2019	**2020**	2019
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Financial assets					
Trade and other receivables* (excluding VAT and other tax receivables)	8	**24,646**	64,212	**215**	–
Advances to a third party	8	**3,900**	37,600	**–**	–
Bank deposits pledged	10	**3,000**	1,525	**–**	–
Cash and bank balances	11	**47,628**	9,707	**13,737**	58
		79,174	113,044	**13,952**	58
Financial liabilities					
Trade and other payables (excluding VAT and other tax payables)	18	**41,342**	55,618	**7,002**	7,074
Borrowings	19	**23,990**	50,000	**–**	–
Lease liabilities	17	**1,063**	782	**–**	–
Other liabilities	20	**5,396**	14,778	**2,445**	3,716
		71,791	121,178	**9,447**	10,790

* Excludes advances to trade suppliers for goods to be received.

33 Subsequent events

(a) Private Placement

The Company has on 31 January 2021, entered into a placement agreement ("Placement Agreement") with Stirling Coleman Capital Limited as the placement agent ("Placement Agent"). Pursuant to the Placement Agreement, the Company has agreed to offer, by way of placement, and the Placement Agent has agreed to procure subscriptions on a best efforts basis for, an aggregate of up to 352,941,100 new ordinary shares in the capital of the Company (the "Placement Shares") at an issue price of S$0.17 ("Placement Price") for each Placement Share, amounting to an aggregate consideration of up to approximately S$60.0 million ("Placement").

(b) Joint venture arrangement with Nanosun Pte Ltd

The Company has entered into a joint venture ("JV") agreement with Nanosun Pte Ltd ("Nanosun") to set up high performance membrane manufacturing facilities in Singapore and China. The Company will own 60% of the JV and the remaining 40% will be owned by Nanosun. The total investment is approximately S$10.0 million. The facilities are expected to be completed in 12 months and will produce high performance membrane products by the end of 2021.

33 Subsequent events (Cont'd)

(c) Acquisition of Bituo Environmental Technologies (Tianjin) Co., Ltd.

The Group's wholly-owned subsidiary, United Greentech (Guangzhou) Co., Ltd., has completed the acquisition of 100% of the shares in the capital of Bituo Environmental Technologies (Tianjin) Co., Ltd. (碧拓环境技术（天津）有限公司) ("Bituo") from Tiptop Envirotech Pte. Ltd. for a purchase consideration ("Consideration") of RMB 1.372 million.

(d) New contracts secured by United Greentech (Tianjin) Co., Ltd

The Group's wholly-owned subsidiary, United Greentech (Tianjin) Co., Ltd has secured the following contracts on 6 January 2021 and 28 January 2021 respectively:

- a RMB 56.5 million design, supply and commissioning ("DSC") contract for the treatment and recycling of industrial wastewater at Shijiazhuang National Economic Development Zone. The project is scheduled to be completed within 180 days; and

- a RMB 62.47 million Build-Operate-Transfer ("BOT") contract to treat the municipal sludge from the wastewater treatment plants in Jinghai District, Tianjin City. The Company will form a subsidiary with 天津市首创水务有限责任公司 ("Tianjin Capital Water Co., Ltd"), with shareholdings of 90% and 10% respectively, to undertake the BOT contract with an exclusive concession of 25 years. It will generate stable and recurring income for the Company during the 25-year concession period. The construction of the project is scheduled to be completed within one year.

(e) Proposed change of Company's name and new Employee Share Option Scheme and Performance Share Plan

On 5 March 2021, the Company has submitted to the SGX-ST on its request to convene an extraordinary general meeting for purpose of obtaining shareholders approval on the proposed change of its name from "Leader Environmental Technologies Limited" to "United Greentech Limited", and the proposed United Greentech Employee Share Option Scheme and Performance Share Plan in place of the existing Leader Environmental Performance Share Scheme.

SHAREHOLDERS' STATISTICS

As at 19 March 2021

Class of Shares	:	Ordinary shares
Number of Ordinary Shares in issue	:	1,326,976,200
Number of Treasury Shares held	:	Nil
Number of Subsidiary Holdings held	:	Nil
Number of Ordinary Shareholders	:	1,295
Voting Rights	:	vote for 1 share

Analysis of Shareholdings

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	1	0.08	80	0.00
100 – 1,000	20	1.55	14,200	0.00
1,001 - 10,000	258	19.92	1,973,600	0.15
10,001 - 1,000,000	949	73.28	100,461,600	7.57
1,000,001 and above	67	5.17	1,224,526,720	92.28
	1,295	100.00	1,326,976,200	100.00

Based on information available to the Company as at 19 March 2021, 59.40% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Top 20 Shareholders list

No.	Name of Shareholder	No. of Shares Held	%
1	LIN YUCHENG	198,000,000	14.92
2	DBS NOMINEES PTE LTD	174,109,120	13.12
3	PAN SHUHONG	165,000,000	12.43
4	OCBC SECURITIES PRIVATE LTD	122,495,000	9.23
5	JINGOLD RESOURCES LIMITED	100,304,000	7.56
6	CITIBANK NOMINEES SINGAPORE PTE LTD	97,172,680	7.32
7	UOB KAY HIAN PTE LTD	33,105,320	2.50
8	RAFFLES NOMINEES (PTE) LIMITED	32,888,760	2.48
9	ZHUO JINGMING	26,880,900	2.03
10	KGI SECURITIES (SINGAPORE) PTE. LTD	23,610,000	1.78
11	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	21,512,880	1.62
12	PHILLIP SECURITIES PTE LTD	20,486,300	1.54
13	ZHANG YULONG OR XU YAN	19,224,000	1.45
14	NGOO LIN FONG	17,817,000	1.34
15	IFAST FINANCIAL PTE LTD	12,679,500	0.96
16	TEO YI-DAR (ZHANG YIDA)	10,663,500	0.80
17	LIM HUI KIANG SERENE (LIN WEIJUAN SERENE)	7,898,000	0.60
18	ABN AMRO CLEARING BANK N.V.	7,827,200	0.59
19	YANG YUGUANG	6,376,000	0.48
20	MAYBANK KIM ENG SECURITIES PTE.LTD	6,214,000	0.47
		1,104,264,160	83.22

SHAREHOLDERS' STATISTICS

As at 19 March 2021

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Registrar of Substantial Shareholders as at 19 March 2021)

	No. of Shares		
	Direct Interests	**Deemed Interests**	**%**
Lin Yucheng	198,000,000	–	14.92
Pan Shuhong	165,000,000	3,199,000	12.68
Jingold Resources Limited	100,304,000	–	7.56
Lin Baiyin[1]	1,000,000	100,304,000	7.63
Chua Beng Huat / Goh Bee Lan	–	71,299,000	5.37

(1) Jingold Resources Limited is an investment holding company incorporated in the BVI and is owned by Lin Baiyin (Executive Director). By virtue of Section 7 of the Companies Act, Cap. 50., Lin Baiyin is deemed interested in the Shares held by Jingold Resources in our Company.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **Leader Environmental Technologies Limited** (the "Company") will be held by way of electronic means on Friday, 30 April 2021 at 1.00 pm (Singapore time) to transact the following businesses:

ORDINARY BUSINESS:

1. To receive and adopt the Directors' Statement and audited Financial Statements for the financial year ended 31 December 2020 together with the Auditors' reports thereon. **(Resolution 1)**

2. To re-elect Mr Mak Yen-Chen Andrew, who is retiring by rotation in accordance with Regulation 104 of the Company's Constitution, as Director of the Company. **(Resolution 2)**
(See Explanatory Note (i))

3. To re-elect Dr Lin Yucheng, who is retiring by rotation in accordance with Regulation 114 of the Company's Constitution, as Director of the Company. **(Resolution 3)**
(See Explanatory Note (ii))

4. To re-elect Mr Lim Kuan Meng, who is retiring by rotation in accordance with Regulation 114 of the Company's Constitution, as Director of the Company. **(Resolution 4)**
(See Explanatory Note (iii))

5. To re-elect Mr Lee Suan Hiang, who is retiring by rotation in accordance with Regulation 114 of the Company's Constitution, as Director of the Company. **(Resolution 5)**
(See Explanatory Note (iv))

6. To approve the sum of S$180,000/- as Directors' fees for the financial year ending 31 December 2021 (FY2020: S$107,000/-), and to pay the Directors' fees in arrears on a quarterly basis over the financial year 2021. **(Resolution 6)**

7. To approve the Directors' fees paid in excess of S$17,060.48 for the financial year ended 31 December 2020 due to the addition of a local director during the financial year. **(Resolution 7)**

8. To re-appoint Messrs Foo Kon Tan LLP as the external auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**

SPECIAL BUSINESS:

To consider and, if thought fit, to pass with or without modification, the following resolutions as Ordinary Resolutions:

9. That, subject and contingent upon the passing of Resolution 10, (a) the continued appointment of Mr Mak Yen-Chen Andrew as an Independent Non-Executive Director, by shareholders in accordance with Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) be and is hereby approved; and (b) the authority conferred by this Resolution shall continue in force until the earlier the following: (i) the retirement or resignation of Mr Mak Yen-Chen Andrew as a director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution. **(Resolution 9)**
(See Explanatory Note (v))

10. That, subject and contingent upon the passing of Resolution 9 above, (a) the continued appointment of Mr Mak Yen-Chen Andrew as an Independent Non-Executive Director, by shareholders (excluding directors, the chief executive officer, and their respective associates) in accordance with Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) be and is hereby approved; and (b) the authority conferred by this Resolution shall continue in force until the earlier the following: (i) the retirement or resignation of Mr Mak Yen-Chen Andrew as a director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution. **(Resolution 10)**
(See Explanatory Note (v))

11. **Authority to allot and issue shares** **(Resolution 11)**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares to be issued (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to the Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (**excluding treasury shares and subsidiary holdings**) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed 20 per centum (20%) of the total number of issued shares (**excluding treasury shares and subsidiary holdings**) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) subject to such calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (**excluding treasury shares and subsidiary holdings**) shall be based on the total number of issued shares (**excluding treasury shares and subsidiary holdings**) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities which were issued and are outstanding or subsisting at the time of the passing of this Resolution;;

(b) new shares arising from vesting of share awards which were issued and are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

and, in sub-paragraph (1) above and this sub-paragraph (2), "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (vi)]

12. To transact any other business that may be transacted at the Annual General Meeting.

By Order of the Board

Lim Poh Yeow
Sharon Yeoh
Joint Company Secretaries
Date: 15 April 2021

EXPLANATORY NOTES:

(i) Mr Mak Yen-Chen Andrew, if re-elected, will remain as an Independent Non-Executive Director, Chairman of Remuneration Committee and a member of Audit Committee. Mr Mak Yen-Chen Andrew is considered independent by the board of directors of the Company for the purposes of Rule 704(8) of the Listing Manual. Mr Mak Yen-Chen Andrew has no relationship with the Company, its related corporations, its substantial shareholders or its officers. Detailed information of Mr Mak Yen-Chen Andrew could be found on page 25 – 33 of the Annual Report.

(ii) Dr Lin Yucheng, if re-elected, will remain as the Executive Chairman and Chief Executive Officer of the Company. Dr Lin Yucheng was appointed as the Executive Chairman and Chief Executive Officer on 1 January 2021. Detailed information of Dr Lin Yucheng could be found on page 25 – 33 of the Annual Report.

(iii) Mr Lim Kuan Meng, if re-elected, will remain as the Chairman of Audit Committee and a member of the Nominating Committee and Remuneration Committee respectively. The Board considers Mr Lim Kuan Meng to be independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. Mr Lim Kuan Meng has no relationship with the Company, its related corporations, its substantial shareholders or its officers. Detailed information of Mr Lim Kuan Meng could be found on page 25 – 33 of the Annual Report.

(iv) Mr Lee Suan Hiang, if re-elected, will remain as the Chairman of Nominating Committee and a member of Audit Committee and Remuneration Committee respectively. The Board considers Mr Lee Suan Hiang to be independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. Mr Lee Suan Hiang has no relationship with the Company, its related corporations, its substantial shareholders or its officers. Detailed information of Mr Lee Suan Hiang could be found on page 25 – 33 of the Annual Report.

(v) In respect of Mainboard Rule 210(5)(d)(iii) of the Listing Manual, to ensure that the independence designation of a Director who has served for more than 9 years as at and from 1 January 2022 is not affected, the Company is seeking to obtain shareholders' approvals for Mr Mak Yen-Chen Andrew's continued appointment as an Independent Director prior to 1 January 2022, as he has served for more than 9 years on the Board of the Company. Mainboard Rule 210(5)(d)(iii) provides that continued appointment as Independent Director, after an aggregate period of more than 9 years on the Board, must be sought and approved in separate resolutions by (A) all shareholders and (B) shareholders excluding Directors, Chief Executive Officer, and their associates. Mr Mak Yen-Chen Andrew is considered independent by the Board of directors of the Company for the purposes of Rule 704(8) of the Listing Manual.

(vi) Resolution 11, if passed, will empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 100 percent. (100%) of the total number of issued shares excluding treasury shares and subsidiary holdings in the capital of the Company, of which up to twenty per cent. (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) may be issued other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares excluding treasury shares and subsidiary holdings in the capital of the Company at the time that Resolution 9 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 9 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

On 8 April 2020, SGX RegCo issued a news release which introduced measures to support issuers amid the challenging business and economic climate due to COVID-19, including enabling the acceleration of fund-raising efforts by allowing Mainboard issuers to provisionally seek a general mandate for an issue of shares and convertible securities on a pro rata basis of up to an aggregate of 100% of its issued shares (excluding treasury shares and subsidiary holdings), versus 50% previously (the "Enhanced Share Issue Limit").

The Company is proposing to avail itself of these measures and to seek shareholders' approval for a general mandate with an Enhanced Share Issue Limit at the upcoming Annual General Meeting. The Board of Directors is of the view that it would be in the interest of the Company and its shareholders to do so in the event that circumstances evolve before the 2021 AGM amid the COVID-19 situation to such an extent that a 50% limit for pro rata issues is no longer sufficient to meet the Company's needs. If this were to occur and no Enhanced Share Issue Limit were to be in place, fund raising efforts would otherwise be unnecessarily hampered and compromised by the time needed to obtain shareholders' approval to issue shares above the 50% threshold.

Pursuant to the updated regulatory announcement on 18 March 2021 by SGX RegCo, the expiry date for the Enhanced Share Issue Limit has been extended. The Enhanced Share Issue Limited will expire at the conclusion of the next annual general meeting or on the date by which the next annual general meeting required by law or the Listing Manual of the SGX-ST to be held, whichever is the earliest, by which date the shares issued pursuant to such mandate must be listed and no further shares shall be issued under such mandate. The Company will notify SGX RegCo, by way of email to enhancedsharelimit@sgx.com, of the date on which the general mandate with the Enhanced Share Issue Limit has been approved by shareholders.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. In view of the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended from time to time), the Annual General Meeting ("the Meeting or AGM") of the Company will be held by way of electronic means and members of the Company will NOT be allowed to attend the AGM in person. Printed copies of this Notice will not be sent to members. Accordingly, this Notice will be sent to members by electronic means via publication on the Company's corporate website at the URL http://leaderet.listedcompany.com/agm.html under "Annual Report 2020", and is also made available on the SGXNet at the URL https://www.sgx.com/securities/company-announcements.

2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the Meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the Meeting, addressing of substantial and relevant questions at the Meeting and voting by appointing the Chairman of the Meeting as proxy at the Meeting, are set out in the accompanying document entitled "Instructions to Shareholders for AGM in 2021". This announcement may be accessed at the Company's corporate website and on SGXNet.

3. A member will not be able to attend the Meeting. The live webcast will not provide for online voting. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, such member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the instrument appointing the Chairman of the Meeting as proxy ("Proxy Form"), failing which the appointment will be treated as invalid.

4. The Chairman of the Meeting, as proxy, need not be a member of the Company.

5. Investors whose shares are held with relevant intermediaries under Section 181(1C) of the Companies Act, Chapter 50, such as CPF and SRS investors, who wish to appoint the Chairman of the Meeting as proxy, should approach their respective intermediaries such as CPF Agent Banks or SRS Operator.

6. The Proxy Form must be submitted through any one of the following means: (a) by depositing a physical copy at the registered office of the Company's share registrar, M&C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902; or (b) by sending a scanned PDF copy by email to gpb@mncsingapore.com, in each case, not less than 48 hours before the time fix for holding the Meeting, and failing which, the Proxy Form will not be treated as valid. **In view of the current COVID-19 situation and the related safe distancing measures, members are strongly encouraged to submit completed proxy forms electronically via email.**

7. The Company shall be entitled to, and will, treat any valid instrument appointing the Chairman of the Meeting which was delivered by a member to the Company before 1.00 p.m. on 28 April 2021 as a valid instrument appointing the Chairman of the Meeting as the member's proxy to attend, speak and vote at the Meeting if: (a) the member had indicated how he/she/it wished to vote for or vote against or abstain from voting on each resolution; and (b) the member has not withdrawn the appointment

8. If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

Personal data privacy:

By submitting an instrument appointing the Chairman of the Meeting to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of the appointment of Chairman of the Meeting as proxy appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Photographic, sound and/or video recordings of the Meeting may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the Meeting. Accordingly, the personal data of a member of the Company (such as his name) may be recorded by the Company for such purpose.

LEADER ENVIRONMENTAL TECHNOLOGIES LIMITED
(Incorporated in the Republic of Singapore)
Company Registration No. 200611799H

ANNUAL GENERAL MEETING
PROXY FORM

Important:
1 The Annual General Meeting ("AGM") will be held by way of electronic means pursuant to the COVID-19) (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. Alternative arrangements relating to attendance at the AGM by way of electronic means (including arrangements by which the meeting can be electronically accessed via live audio visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the accompanying document entitled "Instructions to Shareholders for AGM in 2021".
3. A member will not be able to attend the AGM in person. For investors who have used their CPF monies to buy the Shares, this report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
4. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________________ (Name with NRIC/Passport No/Registration No)

of ______________________________ (Address)
being a member/members of Leader Environmental Technologies Limited (the "Company") hereby appoint the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company ("AGM"), to be held by electronic means on [Friday], 30 April 2021 at 1.00 p.m. and at any adjournment thereof.

		Number of Votes		
No.	**Resolutions relating to:**	**For***	**Against***	**Abstain***
1	Adoption of the Directors' Statement and audited Financial Statements for the financial year ended 31 December 2020 together with the Auditors' report thereon.			
2	Re-election of Mr Mak Yen-Chen Andrew as a Director of the Company.			
3	Re-election of Dr Lin Yucheng as a Director of the Company.			
4	Re-election of Mr Lim Kuan Meng as a Director of the Company.			
5	Re-election of Mr Lee Suan Hiang as a Director of the Company.			
6	Approval of the sum of S$180,000/- as Directors' fees for the financial year ending 31 December 2021 (FY2020: S$107,000/-), and to pay the Directors' fees in arrears on a quarterly basis over the financial year 2021.			
7	Approval of the Directors' fees paid in excess of S$17,060.48 for the financial year ended 31 December 2020 due to the addition of a local director during the financial year.			
8	Re-appointment of Messrs Foo Kon Tan LLP as external auditors of the Company.			
9	Approval of Mr Mak Yen-Chen Andrew's continued appointment as Independent Non-Executive Director by shareholders.			
10	Approval of Mr Mak Yen-Chen Andrew's continued appointment as an Independent Director by shareholders (excluding the Directors and the Chief Executive Officer of the Company, and their respective associates).			
11	Authority for Directors to allot and issue shares pursuant to Section 161 of the Companies Act, Cap. 50.			

** If you wish to appoint the Chairman of the Meeting as your proxy to exercise all your votes, please indicate your vote "For" or "Against" or "Abstain" with a "√" within the boxes provided. Alternatively, if you wish to exercise some and not all of your votes "For" and Against" the resolution and/or to abstain from voting in respect of the resolutions, please indicate the number of votes "For", the number of votes "Against" and/or the number 'Abstain" in the boxes provided for the resolutions.*

Dated this __________ day of ____________________ 2021

TOTAL NUMBER OF SHARES IN :	
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Shareholder(s) or
Common Seal of Corporate Shareholder

(Important: Please read the notes overleaf before completing this form)

Notes

1. Please insert the total number of Shares you hold. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the register of Shareholders of our Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the register of Shareholders, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the register of Shareholders. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares in the capital of the Company held by you.

2. Due to the current COVID-19 restriction orders in Singapore, a member of the Company will not be able to attend the AGM in person. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid. The proxy form may be accessed on the SGX website.

3. The Chairman of the Meeting, as proxy, need not be a member of the Company.

4. This instrument appointing the Chairman of the Meeting as proxy must:

   (a) if sent personally or by post, be lodged at the office of the Company's Share Registrar, M&C Services Private Limited, at 112 Robinson Road #05-01 Singapore 068902; or

   (b) if submitted by email, be received by the Company's Share Registrar, M&C Services Private Limited at gpb@mncsingapore.com,

   in either case, by 1.00 p.m.on 28 April 2021 (being not less than 48 hours before the time appointed for holding the AGM) (or at any adjournment thereof) and in default the instrument of proxy shall not be treated as valid.

   A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. **In view of the current COVID-19 situation and the related safe distancing measures, members of the Company are strongly encouraged to submit completed proxy forms electronically via email.**

5. For any member who acts as an intermediary pursuant to Section 181(6) of the Companies Act, Cap. 50, who is either:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   (b) a capital markets services licence holder which provides custodial services for securities and holds shares in that capacity; and

   (c) Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

   Investors whose shares are held with relevant intermediaries including CPF and SRS investors, who wish to appoint the Chairman of the Meeting as proxy, should approach their respective intermediaries such as CPF Agent Banks or SRS Operators.

6. The instrument appointing the Chairman of the Meeting must be under the hand of the appointor or of his attorney duly authorised in writing or where it is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing the Chairman of the Meeting is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof shall if required by law, be duly stamped must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Cap. 50.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

By submitting an instrument appointing a proxy/(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 15 April 2021.

LEADER ENVIRONMENTAL TECHNOLOGIES LIMITED

(Company Registration No.: 200611799H)

Singapore Office

41 Science Park, The Gemini, #04-11,
Singapore 117610

China Offices

No. 5 Block E Unit 608, Tian He District
Guangyuan Dong Road, Bohui Street
Guangzhou City, China 510599

No. 3 Youyi Road, Blk 2F Friendship Building,
Hexi District, Tianjin, China