



Leader Environmental Technologies Limited

Condensed interim financial statements
For the six months ended 30 June 2021

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Legends:

HY2021	– 6 months ended 30 June 2021
HY2020	– 6 months ended 30 June 2020
FY2020	– 12 months ended 31 December 2020
NM.	– not meaningful

Interim Financial Information

Consolidated statement of profit or loss and other comprehensive income

for the half year ended 30 June 2021

	Note	Group		Change %
		HY2021 RMB'000	HY2020 RMB'000	
Revenue	15	28,962	9,727	197.7
Cost of sales		(18,200)	(6,817)	167.0
Gross profit		10,762	2,910	269.8
Finance income		174	5	3,380
Other income		285	51	458.8
Selling and distribution expenses		(2,021)	(645)	213.3
Administrative expenses		(9,440)	(5,312)	77.7
Finance costs		(880)	(2,579)	(65.9)
Impairment loss write back on financial assets and contract assets (net)		10,602	-	NM
Other expenses/(credits)		(1,076)	87	NM
Profit/(loss) before taxation	16	8,406	(5,483)	NM
Taxation	18	(1,376)	(9)	NM
Profit/(loss) for the financial period, net of tax		7,030	(5,492)	NM
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences representing				
Other comprehensive loss for the year, net of tax		(168)	-	NM
Total comprehensive profit/(loss) for the period		6,862	(5,492)	NM
Profit/(loss) for the financial period, net of tax attributable to:				
- Owners of the Company		7,111	(5,492)	NM
- Non-controlling interests		(81)	-	NM
		7,030	(5,492)	NM
Total comprehensive profit/(loss) attributable to:				
- Owners of the Company		7,010	(5,492)	NM
- Non-controlling interests		(148)	-	NM
		6,862	(5,492)	NM
Earnings/(loss) per share				
Basic (RMB in cents)	19	0.54	(0.86)	NM
Diluted (RMB in cents)	19	0.54	(0.86)	NM

Interim Financial Information

Statements of financial position as at 30 June 2021

	Note	Group		Company	
		HY2021 RMB'000	FY2020 RMB'000	HY2021 RMB'000	FY2020 RMB'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	3	3,293	7,314	1,387	17
Goodwill	4	1,796	-	-	-
Investment in subsidiaries		-	-	41,707	30,016
Total non-current assets		5,089	7,314	43,094	30,033
Current Assets					
Contract assets	5	16,648	3,697	-	-
Inventories	6	112	915	-	-
Trade and other receivables	7	21,513	38,919	988	215
Prepayments	8	4,723	101	274	15
Bank deposits pledged		1,160	3,000	-	-
Cash and cash equivalents		34,891	47,628	1,285	13,737
Total current assets		79,047	94,260	2,547	13,967
Total assets		84,136	101,574	45,641	44,000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	12	276,699	276,699	276,699	276,699
PRC statutory common reserve		31,748	31,748	-	-
Merger reserve		(454)	(454)	-	-
Foreign currency translation reserve	13	(101)	-	-	-
Accumulated losses		(273,352)	(280,463)	(247,170)	(242,146)
Equity attributable to owners of the Company		34,540	27,530	29,529	34,553
Non-controlling interests		1,800	-	-	-
Total equity		36,340	27,530	29,529	34,553
Non-Current Liabilities					
Lease liabilities		964	446	625	-
Total non-current liabilities		964	446	625	-
Current Liabilities					
Contract liabilities	5	1,192	1,671	-	-
Trade and other payables	10	29,241	41,924	14,075	7,002
Borrowings	9	-	23,990	-	-
Lease liabilities		986	617	313	-
Other liabilities	11	14,037	5,396	1,099	2,445
Income tax payable	18	1,376	-	-	-
Total current liabilities		46,832	73,598	15,487	9,447
Total liabilities		47,796	74,044	16,112	9,447
Total equity and liabilities		84,136	101,574	45,641	44,000

Interim Financial Information

Statements of changes in equity

Half year ended 30 June 2021

The Group	Attributable to owners of the Company								
	Share Capital RMB'000	PRC statutory common reserve RMB'000	Merger reserve RMB'000	Foreign Currency translation reserve RMB'000	Accumulated losses RMB'000	Premium paid on acquisition of non-controlling interests RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	276,699	31,748	(454)	-	(280,463)	-	27,530	-	27,530
Profit/(loss) for the period	-	-	-	-	7,111	-	7,111	(81)	7,030
Currency translation differences	-	-	-	(101)	-	-	(101)	(67)	(168)
Total comprehensive (loss)/profit for the period	-	-	-	(101)	7,111	-	7,010	(148)	6,862
<i>Transactions with owners, recognised directly in equity</i>									
Issuance of shares by subsidiary - called up and unpaid	-	-	-	-	-	-	-	1,948	1,948
Total transactions with owners	-	-	-	-	-	-	-	1,948	1,948
At 30 June 2021	276,699	31,748	(454)	(101)	(273,352)	-	34,540	1,800	36,340
At 1 January 2020	224,747	31,748	(454)	-	(215,435)	(170)	40,436	-	40,436
Loss for the period	-	-	-	-	(5,492)	-	(5,492)	-	(5,492)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(5,492)	-	(5,492)	-	(5,492)
<i>Transactions with owners, recognised directly in equity</i>									
Issuance of new shares pursuant to the private placement	8,646	-	-	-	-	-	8,646	-	8,646
Total transactions with owners	8,646	-	-	-	-	-	8,646	-	8,646
At 30 June 2020	233,393	31,748	(454)	-	(220,927)	(170)	43,590	-	43,590

Interim Financial Information

Statement of changes in equity (Cont'd)

Half year ended 30 June 2021

The Company	Share capital RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	276,699	(242,146)	34,553
Loss for the period	-	(5,024)	(5,024)
Other comprehensive income	-	-	-
Total comprehensive loss for the period	-	(5,024)	(5,024)
At 30 June 2021	<u>276,699</u>	<u>(247,170)</u>	<u>29,529</u>
At 1 January 2020	224,747	(227,465)	(2,718)
Loss for the period	-	(1,539)	(1,539)
Other comprehensive income	-	-	-
Total comprehensive loss for the period	-	(1,539)	(1,539)
Issuance of new shares pursuant to the private placement	8,646	-	8,646
Total transactions with owners	8,646	-	8,646
At 30 June 2020	<u>233,393</u>	<u>(229,004)</u>	<u>4,389</u>

Interim Financial Information

Consolidated statement of cash flows

Half year ended 30 June 2021

	Note	Group	
		HY2021 RMB'000	HY2020 RMB'000
Cash Flows from Operating Activities			
Profit/(loss) before taxation		8,406	(5,483)
Adjustments for:			
Depreciation of property, plant and equipment		668	577
Loss/(gain) on disposal of property, plant and equipment		416	(5)
Loss on lease rights on disposal		78	-
Amortisation of intangible assets		-	130
Allowance for impairments on financial assets and contract assets		4,338	-
Write-back of impairment loss on financial assets		(14,940)	-
Finance costs		880	2,579
Finance income		(174)	(5)
Operating loss before working capital changes		(328)	(2,207)
(Increase)/decrease in contract assets		(14,351)	5,780
Decrease in inventories		803	4
Decrease in trade and other receivables		31,718	5,867
Increase in prepayments		(4,622)	(130)
Decrease in contract liabilities		(479)	(4,393)
Decrease in trade and other payables		(12,081)	(10,003)
Increase/(decrease) in other liabilities		8,641	(2,091)
Cash generated from/(used in) operations		9,301	(7,173)
Income tax paid		-	(9)
Net cash from/(used in) operating activities		9,301	(7,182)
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment		(943)	(10)
Proceeds from disposal of property, plant and equipment and sale and leaseback transaction		5,097	155
Interest income received		174	5
Acquisition of subsidiary	22	(974)	-
Net cash from investing activities		3,354	150
Cash Flows from Financing Activities			
Proceeds from issuance of ordinary shares via a private placement		-	9,141
Share issue expenses		-	(495)
Proceeds from bank borrowings		-	11,000
Repayments of bank borrowings		(23,990)	(11,000)
Repayments of lease liabilities		(395)	(179)
(Repayments of)/proceeds from bills payable, net		(2,000)	1,475
Interest paid		(847)	(2,560)
Decrease/(increase) in bank deposits pledged		1,840	(1,475)
Net cash (used in)/generated from financing activities		(25,392)	5,907
Net decrease in cash and cash equivalents		(12,737)	(1,125)
Cash and cash equivalents at beginning of year		47,628	9,707
Cash and cash equivalents at end of year	A	34,891	8,582

A Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents in the condensed consolidated statement of cash flows comprise the following balance sheet amounts:

	HY2021 RMB'000	HY2020 RMB'000
Cash and bank balances	36,051	11,582
Less: bank deposits pledged	(1,160)	(3,000)
Cash and cash equivalents	34,891	8,582

Interim Financial Information

Notes to the condensed interim consolidated financial statements

1 Corporate information

Leader Environmental Technologies Limited is incorporated and domiciled in Singapore. These condensed interim consolidated financial statements as at 30 June 2021 and for the six months ended 30 June 2021 comprise the Company and its subsidiaries (collectively, the Group). The principal activity of the Company is that of an investment holding company.

The principal activities of the Group are:

- (a) Sludge treatments and disposals;
- (b) Industrial wastewater treatments;
- (c) Provision of operation and maintenance services in relation to sludge and industrial wastewater treatment plants;
- (d) Production of high performance membrane; and
- (e) Greentech investments in environment related companies.

The Group will embark on the sludge treatment, operation and maintenance activities, preparation works on the manufacturing facility relating to the production of high performance membrane and Greentech investments in second half of the financial year.

2 Basis of preparation

The condensed interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020.

The accounting policies and methods of computation adopted in the interim financial statements are consistent with those of the previous audited financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.3.

2.1 Basis of measurement

The condensed interim financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

2.2 Functional and presentation currencies

The condensed interim financial statements are presented in RMB which is also the Company's functional currency.

2.3 New and amended standards adopted by the Group

On 1 January 2021, the Group and the Company have adopted the following amendments to SFRS(I), effective for the current financial period that are relevant.

Reference	Description
<u>Amendments to SFRS (I)</u>	
SFRS(I) 16	COVID-19 Related Rent Concessions
SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4, SFRS(I) 16	Interest Rate Benchmark Reform – Phase 2

The adoption of these 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.

2.4. Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended 31 December 2020.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed in the FY2020 annual report, and there are no deviations for HY2021.

3. Property, plant and equipment

Acquisitions and disposals

During the six months ended 30 June 2021, the Group:

- Disposed 4 units of its commercial properties located in the Jilin province with carrying value of RMB5,489,000 in June 2021 for a gross proceed of RMB5,000,000 resulting in a loss on disposal of RMB362,000 and a loss on lease rights on disposal of RMB78,000 in the profit or loss account;
- acquired property, plant and equipment with an aggregate cost amounting to RMB2,287,000 (30 June 2020: RMB10,000), which included RMB1,298,000 (30 June 2020: Nil) related to the right-of-use assets and RMB46,000 (30 June 2020: Nil) arose on acquisition of a subsidiary; and
- disposed motor vehicles with a carrying value of RMB152,000 (30 June 2020: RMB150,000), resulting in loss on disposal of RMB54,000.

The right of use assets includes the following:

- entered into a lease agreement for its Singapore office for a three-year period. The lease is on a fixed repayment basis and no arrangement has been entered into for contingent rental payments. On the commencement of the lease, the Company and Group recognised RMB969,000 and RMB942,000 of right-of-use asset and lease liabilities respectively.
- entered into a sale and leaseback arrangement with an unrelated buyer/lessor to lease one of the 4 units of its commercial properties sold in June 2021. The lease commences on 1 July 2021 with a right-of-use asset amounting to RMB329,000 and lease liabilities of RMB280,000.

4. Goodwill

	<u>Group</u> RMB'000
Acquisition of subsidiary during the period and as at 30 June 2021	<u>1,796</u>

The goodwill is recognised on the acquisition of Bituo Environmental Technologies (Tianjin) Co., Ltd, and the goodwill is to be allocated to the Group's cash generating unit ("CGU") identified that are expected to benefit from the synergies derived on the business segment in relation to the sludge treatment projects. The goodwill recognised is not expected to be deductible for tax purposes.

The recoverable amount of this CGU is based on its value in use and are determined by discounting the future cash flows to be generated from the continuing use of the CGU. No impairment loss was required for the carrying amount of goodwill as at 30 June 2021 as the recoverable amount was in excess of carrying amount.

5. Contract assets and liabilities

Contract assets of RMB14.6 million was recorded in respect of the industrial wastewater project in Shijiazhuang based on the percentage work completed, using the input method, but was not billed at the reporting date. During the half year ended 30 June 2021, there was additional allowance for impairments recognised on the contract assets amounting to RMB1.4 million (30 June 2020: Nil) based on the application of the expected credit loss model.

6. Inventories

	<u>Group</u> HY2021 RMB'000	HY2020 RMB'000
Raw materials, at cost	<u>113</u>	915
Income statement:		
Cost of inventories included in cost of sales	<u>1,527</u>	1,833

7. Trade and other receivables

	Group		Company	
	HY2021 RMB'000	FY2020 RMB'000	HY2021 RMB'000	FY2020 RMB'000
Trade and other receivables (Gross)	406	406	-	-
Allowance for impairments	(406)	(406)	-	-
Trade receivables (net)	-	-	-	-
Retention receivables	2,363	2,214	-	-
Grant receivables	44	46	44	46
Other receivables				
- Amount due from a third party	-	18,090	-	-
- Amount due from a subsidiary	-	-	834	135
- Advances to trade suppliers	6,093	10,261	-	-
- Advances to non-trade suppliers	156	488	-	-
- Advances to a third party	-	3,900	-	-
- Tender and security deposits	9,834	3,223	105	-
- Advances to employees	336	310	-	-
- VAT and other tax receivables	728	112	-	-
- Others	1,959	275	5	34
	<u>19,106</u>	36,659	<u>944</u>	169
Total trade and other receivables	<u>21,513</u>	38,919	<u>988</u>	215

The Group recognised allowance for impairment loss on financial assets in respect of advances to trade suppliers amounting to RMB2,110,000 (30 June 2020: Nil), and tender and security deposits amounting to RMB828,000 (30 June 2020: Nil) for the six months ended 30 June 2021 in accordance to the allowance matrix applicable to the expected credit loss model.

8. Prepayments

The bulk of the prepayments relate to advance payments of RMB4.4 million made to Jurong Town Corporation (31 December 2020: Nil) to secure the land and building for the manufacturing facility for high-performance membranes by its subsidiary, Nanosun Membrane Pte Ltd.

9. Borrowings

	Group	
	HY2021 RMB'000	FY2020 RMB'000
Amount repayable within one year or less or on demand		
Secured	-	23,990

The borrowings were fully repaid on 31 March 2021. Previously, the bank borrowings were secured over a corporate guarantee from the Company, personal guarantees by the Executive Director and his spouse, and pledged of 4 units of commercial properties.

10. Trade and other payables

	Group		Company	
	HY2021 RMB'000	FY2020 RMB'000	HY2021 RMB'000	FY2020 RMB'000
Trade payables	18,649	29,013	-	-
Bills payables	1,000	3,000	-	-
Other payables	2,301	2,099	442	89
VAT and other tax payables	503	582	-	-
Amount due to a related party	-	7,089	-	-
Amount due to a subsidiary	-	-	6,845	6,845
Amount due to directors	6,788	141	6,788	68
Total	29,241	41,924	14,075	7,002

11. Other liabilities

	Group		Company	
	HY2021 RMB'000	FY2020 RMB'000	HY2021 RMB'000	FY2020 RMB'000
Accrued purchases	11,551	2,053	-	-
Accrued salaries and related expenses	1,798	2,033	479	1,114
Accrued operating expenses	644	1,266	620	1,331
Accrued welfare expenses	44	44	-	-
Total	14,037	5,396	1,099	2,445

12. Share capital

	HY2021		Company	
	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000
Beginning of interim period	1,326,976,200	276,699	617,209,000	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)
End of interim period	1,326,976,200	276,699	1,326,976,200	276,699

The Company did not hold any treasury shares as at 30 June 2021 and 31 December 2020.

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2021 and 31 December 2020.

13. Foreign currency translation reserve

	Group	
	HY2021 RMB'000	FY2020 RMB'000
Balance as at 1 January	-	-
Other comprehensive loss	(101)	-
Balance as at 30 June	(101)	-

Foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operation whose functional currency is different from that of the Group.

14. Seasonal operations

- (i) The Group's new focus and expansions into new environmental related businesses will not be affected significantly by seasonal or cyclical factors during the financial period.
- (ii) The Group remaining uncompleted dust treatment and industrial wastewater projects in the Northern regions of the PRC due to the harsh winter season which occurs during November to April of the following year.

15. Segment and revenue information

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

- (i) Industrial wastegas treatment segment mainly provides treatment solutions for the elimination of dust from the emission of industrial wastegas; and
- (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.

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.

15.1 Reportable segments

	Dust elimination RMB'000	Industrial wastewater RMB'000	Others RMB'000	Total RMB'000
Group – HY2021				
Revenue				
Sales to external customers	248	28,710	4	28,962
Results				
Segment gross profit/(loss)	80	10,775	(93)	10,762
Group – HY2020				
Revenue				
Sales to external customers	2,324	7,403	-	9,727
Results				
Segment gross profit	1,018	1,892	-	2,910

(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) All non-current assets are located mainly in the PRC other than the Company's office lease and office equipment located in Singapore.

15.2 Disaggregation of Revenue

Revenue, which are all derived from PRC, by significant categories and timing of revenue recognition are as follows:

	HY2021 RMB'000	Group HY2020 RMB'000
Over time:		
Contract revenue	28,958	9,727
At a point in time:		
Sales of parts	4	-
	<u>28,962</u>	<u>9,727</u>

16. Profit/(loss) before taxation

16.1 This include the following charges (credits):

	HY2021 RMB'000	Group	HY2020 RMB'000
Government grant – Jobs Support Scheme and Jobs Growth Scheme	(191)		(46)
Bad debts recovered	-		(150)
Loss/(gain) on disposal of property, plant and equipment, net	416		(5)
Loss on lease rights on disposal	78		-
Allowance for impairments on financial assets and contract assets	4,338		-
Write-back of impairment loss on financial assets	(14,940)		-
Interest income	(174)		(5)
Interest on lease liabilities	33		19
Interest on bank loans	847		2,560
Depreciation of property, plant and equipment	668		577
Amortisation of intangible assets	-		130
Exchange (gain)/loss	(93)		63
Short term operating lease expenses	205		167
<u>Directors' remunerations</u>			
- Directors' fees	436		269
- Salaries and short-term benefits	1,270		542
- Contributions to defined contribution plans	88		28
<u>Key Management Personnel (other than Directors)</u>			
- Salaries and short-term benefits	2,016		843
- Contributions to defined contribution plans	137		49
<u>Other employees (other than Directors and Key Management Personnel)</u>			
- Salaries and short-term benefits	2,584		1,858
- Contributions to defined contribution plans	593		117

The Group's Key Management Personnel mainly comprise Deputy CEOs, Chief Financial Officer and Chief Technical Officer.

17. 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:

	Group	
	HY2021 RMB'000	FY2020 RMB'000
Advances from a related party	-	7,000
Settlement of liabilities by a related party	-	89

There were unsecured loans advanced from a director during the six months ended 30 June 2021 which amounted to RMB6,724,000 (30 June 2020: RMB592,000). The amounts due to directors are non-trade in nature, unsecured, non-interest bearing, repayable on demand and are to be settled in cash when the Group's cash flow permits. As at 30 June 2021, the balance outstanding is RMB6,788,000 (31 December 2020: RMB114,000) and is included in 'trade and other payables'.

Trade and other payables comprised an amount due to Yarra Food (Shandong) Co., Ltd., a wholly-owned subsidiary of Yarra Food Pte. Ltd. of RMB1.0 million, in which a director's immediate family is a shareholder. The outstanding amounts have been fully repaid.

18. Taxation

The Group calculates the income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Group	
	HY2021 RMB'000	HY2020 RMB'000
Current taxation	1,376	9
Tax expense	<u>1,376</u>	<u>9</u>

United Greentech (Tianjin) Co., Ltd (“**Greentech Tianjin**”) is regarded as a qualified environmental protection enterprise by the local government authorities, and is entitled to an exemption from PRC enterprise income tax for three years commencing its first profit-making year of operations, followed by a 50% tax relief for the next three years on income derived from investments in infrastructure and environmental related projects, according to the relevant PRC tax rules.

The income derived from the industrial wastewater project in Shijiazhuang is subjected to income tax at 25% during the half year ended 30 June 2021 as the aforesaid tax exemption does not apply to the supply of specialised equipment for industrial wastewater project. However, the effective corporate tax rate was less than 25% due to the utilisation of unabsorbed loss from previous financial year.

19. Earnings/(loss) per share

The earnings/(loss) per share is calculated based on the consolidated profits/(loss) attributable to ordinary shareholders of the Company divided by the weighted average number of shares in issue of shares during the financial year. The basic and diluted earnings/(loss) per share of the Group are the same as there were no potential dilutive ordinary shares outstanding as at 30 June 2021 and 2020.

The following table reflects the profit or loss and share data used in the computation of loss per share for the 6 month period ended 30 June:

	Group	
	HY2021	HY2020
Profit/(loss) attributable to equity holders of the Company (RMB'000)	7,111	(5,492)
Weighted average number of ordinary shares in issue	1,326,976,200	639,144,484
Basic earnings/(loss) per share (RMB cents)	<u>0.54</u>	<u>(0.86)</u>

20. Net Asset Value

	Group		Company	
	HY2021 RMB	FY2020 RMB	HY2021 RMB	FY2020 RMB
Net asset value per ordinary share (RMB cents per share)	2.60	2.07	2.23	2.60

Net asset value of the Group and Company as at 30 June 2021 and 31 December 2020 is computed based on 1,326,976,200 ordinary shares in issue at the end of the financial period/year respectively.

21. Dividends

No interim dividend is paid during the six months ended 30 June 2021 (30 June 2020: Nil). The Group needs to preserve its cash for working capital requirements.

22. Acquisition and incorporation of subsidiary

In January 2021, the Group's wholly-owned subsidiary, United Greentech (Guangzhou) Co., Ltd., acquired 100% of the issued share capital of Bituo Environmental Technologies (Tianjin) Co., Ltd. (碧拓环境技术(天津)有限公司) ("Bituo") for a purchase consideration ("Consideration") of RMB1.372 million. The goodwill is not deductible for tax purposes.

The identifiable assets and liabilities recognised as a result of the acquisition are as follows:

	HY2021 RMB'000	FY2020 RMB'000
Property, plant and equipment	46	-
Trade and other receivables	530	-
Cash and cash equivalents	398	-
Trade and other payables	(1,398)	-
Total identifiable net assets acquired	(424)	-
Goodwill arising from acquisition recognised as part of intangible assets	1,796	-
Total purchase consideration	1,372	-
Cash outflow on acquisition:		
Cash consideration paid	(1,372)	-
Less: Cash and cash equivalents acquired	398	-
Net cash outflow on acquisition	(974)	-

The goodwill is attributable mainly to the synergies expected to be achieved which enhances the Group's ability to secure sludge treatment projects.

Incorporation of subsidiary

In January 2021, pursuant to the Joint Venture Agreement, the Group has 60% (2020 - Nil) controlling interest in the ownership and voting rights in a joint venture, Nanosun Membrane Pte Ltd ("Nanosun").

The said joint venture is incorporated on 21 January 2021 in Singapore. On 3 May 2021, an initial share capital of RMB11,691,000 was injected by the company into Nanosun based on its 60 percent shareholding interests in the subsidiary. Nanosun shall engage in manufacturing of high-performance membranes in Singapore and China. The above joint venture is deemed to be a subsidiary of the Group since it has the ability to direct relevant activities based on simple majority votes.

23. Fair value measurement

Financial instruments - Accounting classifications of financial assets and financial liabilities.

There is no financial assets and financial liabilities measured at fair value as at 30 June 2021 and 2020.

The carrying amounts of financial assets and financial liabilities in each category are as follows:

	Group		Company	
	HY2021 RMB'000	FY2020 RMB'000	HY2021 RMB'000	FY2020 RMB'000
Financial assets				
Trade and other receivables* (excluding VAT and other tax receivables)	14,692	24,646	988	215
Advances to a third party	-	3,900	-	-
Bank deposits pledged	1,160	3,000	-	-
Cash and bank balances	34,891	47,628	1,285	13,737
	50,743	79,174	2,273	13,952
Financial liabilities				
Trade and other payables (excluding VAT and other tax payables)	28,738	41,342	14,075	7,002
Borrowings	-	23,990	-	-
Lease liabilities	1,950	1,063	-	-
Other liabilities	14,037	5,396	1,099	2,445
	44,725	71,791	15,174	9,447

* Excludes advances to trade suppliers for goods to be received.

24. Commitments

Capital commitments contracted for but not provided for in the condensed interim financial statements:

	Group	
	HY2021 RMB'000	FY2020 RMB'000
Supply of specialised equipment for Shijiazhuang project	13,391	-
Long-term lease of land and building for manufacturing facility for production of high-performance membrane	39,870	-
Build-Operate-Transfer project in respect of municipal sludge treatment in Jinghai District, Tianjin City	56,200	-
Joint investment with local government of Yishui County	119,300	-

25. Events after the reporting period

On 26 April 2021 and 3 May 2021, the Company announced that it was proposing a renounceable non-underwritten rights issue ("Rights Issue") of up to 663,488,100 new ordinary shares of the Company ("Right Shares") at an issue price of S\$0.10 for each Rights Share, on the basis of one (1) Rights Shares for every two (2) existing Shares held by the shareholders of the Company as at a time and date to be determined by the Board for the purpose of determining the entitlements of the Entitled Shareholders (the "Record Date").

The Company obtained the in-principle approval from the SGX-ST on 24 June 2021, and the Rights Shares were subsequently allotted and issued on 4 August 2021. Following the listing and quotation of the Rights Shares on 6 August 2021, the total number of issued and paid-up share capital in the Company increased from 1,326,976,200 ordinary share to 1,534,878,360 ordinary shares. The Company has successfully raised gross proceeds of RMB99.5 million (approximately S\$20.8 million) from the Rights Issue exercise.

In July 2021, the Company made a capital injection amounting to approximately RMB4.7 million (approximately S\$1.1 million) into United Greentech Holdings Pte. Ltd. ("**Greentech Holdings**"). The company subsequently injected a share capital of RMB5.0 million (approximately S\$1.06 million) into United Kaida Greentech (Shangdong) Co., Ltd ("**Greentech Shangdong**"), (联合凯达环境科技(山东)有限公司), a newly incorporated subsidiary with a registered share capital of RMB30.0 million with Greentech Holdings being the beneficial owner of 72% shareholding interest, while Qingdao Kaida and Jinan Hexin owned 18.2% and 9.8% of Greentech Shandong respectively.

In the same period, the proceeds of RMB5.0 million was injected as share capital from Greentech Shangdong into United Greentech (Yishui) Co., Ltd (联合环境技术(沂水)有限公司) ("**Greentech Yishui**"). The company is registered with a share capital of RMB120.0 million, and is a joint investment company formed by Greentech Shandong and the local government of Yishui County ("**Government**") to undertake investments in animal manure, sludge and wastewater treatment projects in Yishui County. Greentech Yishui is 65% owned by Greentech Shandong and 35% owned by the Government.


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Other Information required by Listing Rule Appendix 7.2
Audit

The statements of financial position as at 30 June 2021 and the related consolidated statement of profit or loss and comprehensive income, statements of changes in equity and consolidated statement of cash flows for the six months ended on 30 June 2021 and the selected explanatory notes (“the Condensed Interim Financial Statements”) have not been audited or reviewed by the Company’s auditors.

REVIEW OF GROUP PERFORMANCE
Consolidated Statement of Profit or Loss
(a) Revenue by business segment

	Group		Increase/ (decrease)	%
	6 months ended 30 June 30 June 2021	30 June 2020		
	RMB'000	RMB'000		
Dust elimination	248	2,324	(2,076)	(89.3)
Industrial wastewater	28,710	7,403	21,307	287.8
Others - sales of parts	4	-	4	NM
	28,962	9,727	19,235	197.7

NM - Not meaningful
Revenue

The Group started the new financial year on a positive footing with higher revenue contribution of RMB19.2 million or 197.7%, from RMB9.7 million in HY2020 to RMB28.9 million in HY2021. The bulk of the increase in revenue was derived from the commencement of the industrial wastewater contract. This project generated 96.3% of the Group’s revenue for the six months ended 30 June 2021, and accounted mainly for the segment’s higher revenue of RMB21.3 million or 287.8% against the corresponding period in HY2020.

The higher revenue in the industrial wastewater segment was partly offset by the lower revenue from the dust elimination segment of RMB2.1 million as there was no new contract added, and the only on-going contract was already at the tail end of completion in HY2021.

Gross profit and gross profit margin

The increase in gross profit for the six months ended 30 June 2021 of RMB7.9 million was in line with the increase in revenue.

The gross profit margin increased by 7.3% in HY2021, from 29.9% in HY2020 to 37.2% in HY2021 due mainly to the contribution from the industrial wastewater project. The gross profit margin generated from this project was approximately 38.5%.

- (b) The increase in financial income of RMB0.2 million in HY2021, from RMB5,000 in HY2020 to RMB0.2 million in HY2021 was due to the capital injections into the subsidiaries in China at end of last financial year.
- (c) Other income was higher by RMB0.3 million in HY2021, from RMB51,000 in HY2020 to RMB0.3 million in HY2021 due mainly to subsidies from the Singapore Government in view of the COVID-19 pandemic.



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Other items of expense

- (d) The increase in selling and distribution expenses by RMB1.4 million or 213.3%, from RMB0.6 million in HY2020 to RMB2.0 million in HY2021. The bulk of the increased costs relate mainly to the payroll and related costs incurred on the subsidiary from Tianjin as it was incorporated in 4Q2020.
- (e) Administrative expenses increased by 77.7% to RMB9.4 million in HY2021 attributed mainly to the payroll and related costs incurred on the subsidiaries from Guangzhou and Tianjin, increase in headcount in the Singapore office and operating costs of Nanosun.
- (f) Finance costs decreased by RMB1.7 million or 65.9%, from RMB2.6 million in HY2020 to RMB0.9 million in HY2021 due to the full repayment of bank borrowings in 1Q2021.
- (g) The recoveries of long outstanding advances of RMB14.9 million from certain third party, partly offset by the additional impairments of RMB4.3 million made in its application of the expected credit loss model, resulted in the write-back of impairment loss on financial assets and contracts assets amounting to RMB10.6 million in HY2021. There was no such significant write-back in HY2020.
- (h) Other expenses increased by RMB1.1 million in HY2021 due mainly to loss incurred arising from the disposal of commercial properties, motor vehicles and scrapped materials of RMB1.1 million in aggregate. There was no such transaction in HY2020.

Income tax expense

- (i) There was an income tax payable of RMB1.4 million in HY2021 (HY2020: 9,000) as a result of the profit registered by the subsidiary from the Tianjin office due to the industrial wastewater project in Shijiazhuang. The effective tax rate was approximately 16.4% due to the utilisation of unabsorbed loss brought forward from previous year coupled by loss making of the other subsidiaries.

Profit after taxation

- (j) In view of the foregoing, the Group achieved a profit after taxation of RMB7.0 million as opposed to a loss after taxation of RMB5.5 million in the same corresponding period of last year.



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REVIEW OF GROUP PERFORMANCE (cont'd)

Consolidated Statement of Financial Position

Total Group assets as at 30 June 2021 were RMB84.1 million, decreased by RMB17.4 million from RMB101.6 million as at 31 December 2020.

The decrease was mainly due to the following:

- (a) receipts of amount due from a third part of RMB18.1 million and long outstanding advance to a third party of RMB3.9 million;
- (b) receipts of RMB3.1 million recovered from advances to trade suppliers, and tender and security deposits;
- (c) disposal of commercial properties, motor vehicles and routine depreciation during the financial period of RMB6.3 million in aggregate;
- (d) reduction in inventories of RMB0.8 million which was in line with the decrease in business activities from the subsidiary in Jilin province;
- (e) lower bank deposits pledged of RMB1.8 million due to the maturity of the bills payable; and
- (f) lower cash and cash equivalents of RMB12.7 million.

The decrease was partly offset by the following:

- (a) higher contract assets of RMB13.0 million mainly due to the commencement of the Shijiazhuang project;
- (b) prepayments made to JTC Corporation ("JTC") of RMB4.4 million to secure the long term lease on land and building for the manufacturing facility to produce the high performance membrane and operating expenses of RMB0.2 million;
- (c) Goodwill of RMB1.8 million arising from the acquisition of an environmental technology company, Bituo Environmental Technologies (Tianjin) Co., Ltd which owns the patented rights relating to sludge treatment technologies;
- (d) additions of fixed assets and rights of use assets which amounted to RMB2.2 million in aggregate as further explained in Note 3 to the Condensed Interim Financial Information; and
- (e) issuance of a performance bond for the Shijiazhuang project of RMB8.1 million.



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Total Group liabilities as at 30 June 2021 were RMB47.8 million, decreased by RMB26.2 million from RMB74.0 million as at 31 December 2020.

The decrease was attributed to the following:

- (a) full repayment of the bank borrowings amounting to RMB24.0 million in 1Q2021;
- (b) repayments of trade and other payables and bills payable of RMB13.6 million; and
- (c) repayments of amount due to a related party of RMB7.1 million.

The decrease was partially offset by the following:

- (a) procurement of raw materials relating to the Shijiazhuang project which was pending the receipt of suppliers' invoices of RMB10.0 million;
- (b) additional advances from a director for working capital of RMB6.6 million;
- (c) higher lease liabilities of RMB0.9 million mainly due to the new lease for the Singapore office; and
- (d) income tax payable of RMB1.4 million due to the profit generated by the subsidiary in Tianjin. There was no such corporate tax payable as at 31 December 2020.

Consolidated Statement of Cash Flows

The increase in net cash from operating activities of RMB9.3 million during the first half of 2021 was due mainly to the profit generated during the financial period coupled by the improvement in working capital mainly as a result of collections.

Net cash from investing activities of RMB3.4 million was mainly attributable to the proceeds from the sales and leaseback of the commercial properties and motor vehicles of RMB5.1 million. In addition, there was also interest income of RMB0.2 million in HY2021. The increase of RMB5.3 million was partly offset by the acquisition of a technology company and purchase of fixed assets amounting to RMB1.0 million and RMB0.9 million respectively.

Net cash used in financing activities of RMB25.4 million was mainly due to the full repayments of the bank borrowings and interest incurred of RMB24.8 million, repayments of lease liabilities of RMB0.4 million and the net settlement of the bills payables of RMB0.2 million from the bank deposits pledged.

VARIANCE FROM PROSPECT STATEMENT

Not applicable as no prospect statement is given.

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PROSPECTS

The Group's business has turned around with its first half-year profit after three consecutive years of losses. This is an affirmation of the Group's transformation plans. The Group will continue to build on this positive momentum into the second half of FY2021 and grow its business. The business landscape continues to be challenging as the Chinese economy grew at a slower pace than expected in the second quarter of FY2021. Recently, China has reported an outbreak of the fast-spreading Delta variant, and to contain the spread, it has imposed strict lockdown in a number of cities while it rolls out mass testing and vaccination campaign on its residents. The raging COVID-19 pandemic could put a further dent on the already weak global economic recovery as more uncertainties and restrictive control measures could be instituted. In the circumstances, the Group will remain vigilant in monitoring the business environment, and will tweak or adjust its business strategies accordingly while delivering its secured contracts, and generating a reasonable internal rate of return for its investment projects.

The Group will deploy its net proceeds from the recently concluded Rights Issue exercise into the sludge treatment project in Tianjin and investment projects in second half of the year. Nanosun Membrane has successfully secured a 20-year lease from JTC on the land and building for the manufacturing facility to produce high-performance membranes. In addition, the Group is working diligently to win more orders in the second half of the year, focusing mainly on providing our proprietary environmental solutions to sludge treatment, and water and energy management. In addition, the Company is constantly pursuing a number of potential greentech investments in environmental related projects that could be complementary or bring synergies to the Group's business.

With a healthy project pipeline, the Group endeavours to achieve profit for the financial year by stepping up its efforts on trade collections, and the timely executions of the projects.

In view of the Group's future growth and increasing business activities and operations in China, the Board will be appointing Mr Li Li ("Mr Li"), the current Deputy Chief Executive Officer of the Group, to assume the role of the Chief Executive Officer ("CEO") of the Group with effect from 1 September 2021. Dr Lin Yucheng, the current Executive Chairman and CEO of the Group, will relinquish his CEO position to focus on his role as Executive Chairman of the Group. A separate announcement on this will be released via SGXNet.

Mr Li will devote majority of his time in China. As the CEO present in China, his appointment will enable the Group to serve its customers more effectively, explore potential business opportunities more closely, and negotiate and secure new projects more efficiently. Having a senior management team member in China is imperative in view of the COVID-19 related travel restrictions.


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Use of proceeds from the Rights Issue completed on 3 September 2020

The use of the net proceeds from the Rights Issue is as follows:

	Company S\$	United Greentech Holdings Pte.Ltd. S\$	United Greentech (Guangzhou) Co., Ltd S\$	United Greentech (Tianjin) Co., Ltd S\$
Balance of Rights Issue proceeds (Net) as announced on 1 March 2021	-	140,500	464,646	3,199,138
Payroll and related costs			(145,134)	
Rental, management fees and utilities			(95,790)	
Professional fees			(22,749)	
Accounting software			(9,854)	
Fees relating to incorporation and related expenses			(1,284)	
Miscellaneous expenses			(2,571)	
Payroll and related costs				(450)
Travelling and entertainment expenses				(1,054)
Office maintenance				(5)
Communications and internet expenses				(35)
Motor vehicle expenses				(440)
Office equipment, computers and furniture				(280)
Project related expenses (Shijiazhuang project)				(2,110,279)
Balance of Rights Issue proceeds (Net)	-	140,500	187,264	1,086,595

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If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect

The Group has not obtained a general mandate from its shareholders for IPTs.

Disclosure on Incorporation, Acquisition and Realisation of Shares pursuant to Rule 706A of the SGX-ST Listing Manual

S/N	Company Name	Place of Incorporation	Initial issued and Paid-up Capital ('000)	Principal Activities	Effective interest Held by the Group	Date of announcement
1	Bituo Environmental Technologies (Tianjin) Co., Ltd.	China	RMB1,372	Sludge treatments and disposals	100%	11 January 2021
2	Nanosun Membrane Pte. Ltd.	Singapore	S\$1,000	Production of high-performance membranes	60%	18 January 2021

CONFIRMATION OF UNDERTAKINGS FROM DIRECTORS AND EXECUTIVE OFFICERS

The Company has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual.

NEGATIVE ASSURANCE CONFIRMATION ON INTERIM FINANCIAL RESULTS PURSUANT TO RULE 705(5) OF THE LISTING MANUAL

We, the undersigned, hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which render the unaudited interim financial results for the half year ended 30 June 2021 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Dr Lin Yucheng
 Executive Chairman and Chief Executive Director

Lin Baiyin
 Executive Director

BY ORDER OF THE BOARD
Leader Environmental Technologies Limited

Dr Lin Yucheng
 Executive Director
 13 August 2021