



## **Leader Environmental Technologies Limited**

Condensed interim financial statements

For the six months and full year ended 31 December 2022

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Legends:

2HY2022	– 6 months ended 31 December 2022
2HY2021	– 6 months ended 31 December 2021
FY2022	– 12 months ended 31 December 2022
FY2021	– 12 months ended 31 December 2021
NM	– not meaningful

# Condensed Consolidated Statements of Financial Position

For the financial year ended 31 December 2022

	Note	<u>Group</u>		<u>Company</u>	
		31 December 2022 RMB'000	31 December 2021 RMB'000	31 December 2022 RMB'000	31 December 2021 RMB'000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	3	69,277	48,051	690	1,177
Intangible assets	4	4,165	1,616	-	-
Investment in subsidiaries		-	-	109,696	86,062
Associate		5,816	-	-	-
Contract assets	5	47,575	-	-	-
<b>Total non-current assets</b>		<b>126,833</b>	<b>49,667</b>	<b>110,386</b>	<b>87,239</b>
<b>Current Assets</b>					
Contract assets	5	44,696	32,552	-	-
Inventories	6	5,687	468	-	-
Trade and other receivables	7	19,849	30,004	1,221	1,248
Prepayments		137	156	24	37
Cash and bank balances		48,907	95,103	9,476	42,400
<b>Total current assets</b>		<b>119,276</b>	<b>158,283</b>	<b>10,721</b>	<b>43,685</b>
<b>Total assets</b>		<b>246,109</b>	<b>207,950</b>	<b>121,107</b>	<b>130,924</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Share capital	12	375,049	375,049	375,049	375,049
PRC statutory common reserve		32,917	32,410	-	-
Merger reserve		(454)	(454)	-	-
Share option reserve		663	-	663	-
Currency translation reserve		1,650	(437)	-	-
Capital reserve		21	-	-	-
Accumulated losses		(291,739)	(275,285)	(264,182)	(253,677)
<b>Equity attributable to owners of the Company</b>		<b>118,107</b>	<b>131,283</b>	<b>111,530</b>	<b>121,372</b>
Non-controlling interests		20,742	16,348	-	-
<b>Total equity</b>		<b>138,849</b>	<b>147,631</b>	<b>111,530</b>	<b>121,372</b>
<b>Non-Current Liabilities</b>					
Bank borrowings	8	23,542	23,592	-	-
Lease liabilities		1,996	957	132	464
Provision for restoration costs	9	488	377	-	-
<b>Total non-current liabilities</b>		<b>26,026</b>	<b>24,926</b>	<b>132</b>	<b>464</b>
<b>Current Liabilities</b>					
Bank borrowings	8	5,188	2,472	-	-
Lease liabilities		1,801	912	331	319
Trade and other payables	10	10,611	10,266	7,823	7,590
Other liabilities	11	59,822	19,466	1,255	1,179
Income tax payable	16	3,812	2,277	36	-
<b>Total current liabilities</b>		<b>81,234</b>	<b>35,393</b>	<b>9,445</b>	<b>9,088</b>
<b>Total liabilities</b>		<b>107,260</b>	<b>60,319</b>	<b>9,577</b>	<b>9,552</b>
<b>Total equity and liabilities</b>		<b>246,109</b>	<b>207,950</b>	<b>121,107</b>	<b>130,924</b>

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months and financial year ended 31 December 2022

		Group			Group		
	Note	2HY2022 RMB'000	2HY2021 RMB'000	Change %	FY2022 RMB'000	FY2021 RMB'000	Change %
<b>Revenue</b>	14	<b>64,951</b>	20,893	210.9	<b>90,103</b>	49,855	80.7
Cost of sales		<b>(57,070)</b>	(19,274)	196.1	<b>(72,360)</b>	*(38,960)	85.7
<b>Gross profit</b>		<b>7,881</b>	1,619	386.8	<b>17,743</b>	10,895	62.9
Finance income		<b>240</b>	128	87.5	<b>514</b>	302	70.2
Other income		<b>1,791</b>	588	204.6	<b>4,630</b>	873	430.4
Selling and distribution expenses		<b>(537)</b>	(3,129)	(82.8)	<b>(979)</b>	(3,664)	(73.3)
Administrative expenses		<b>(22,799)</b>	(13,184)	72.9	<b>(37,057)</b>	(22,624)	63.8
Finance costs		<b>(647)</b>	(220)	194.1	<b>(992)</b>	(1,100)	(9.8)
Write-back of impairment loss/ (impairment loss) of financial assets and contract assets (net)		<b>1,056</b>	14,845	(92.9)	<b>(1,581)</b>	25,447	NM
Other expenses		<b>(249)</b>	(2,077)	(88.0)	<b>(252)</b>	(3,153)	(92.0)
Share of results of associated company		<b>504</b>	-	NM	<b>504</b>	-	NM
<b>(Loss)/profit before taxation</b>	15	<b>(12,760)</b>	(1,430)	792.3	<b>(17,470)</b>	6,976	NM
Taxation	16	<b>(502)</b>	(901)	(44.3)	<b>(1,784)</b>	(2,277)	(21.7)
<b>(Loss)/profit after taxation</b>		<b>(13,262)</b>	(2,331)	468.9	<b>(19,254)</b>	4,699	NM
<b>Other comprehensive income, after tax</b>							
<b><u>Items that may be reclassified subsequently to profit or loss:</u></b>							
Currency translation differences		<b>1,712</b>	(336)	NM	<b>2,087</b>	(437)	NM
<b><u>Items that will not be reclassified subsequently to profit or loss:</u></b>							
Currency translation differences		<b>1,142</b>	(224)	NM	<b>1,392</b>	(291)	NM
Other comprehensive loss after tax		<b>2,854</b>	(560)	NM	<b>3,479</b>	(728)	NM
<b>Total comprehensive (loss)/income for the year</b>		<b>(10,408)</b>	(2,891)	260.0	<b>(15,775)</b>	3,971	NM
<b>(Loss)/profit attributable to:</b>							
- Owners of the Company		<b>(10,681)</b>	(1,271)	740.4	<b>(15,944)</b>	5,840	NM
- Non-controlling interests		<b>(2,581)</b>	(1,060)	143.5	<b>(3,310)</b>	(1,141)	190.1
		<b>(13,262)</b>	(2,331)	468.9	<b>(19,254)</b>	4,699	NM
<b>Total comprehensive (loss)/income attributable to:</b>							
- Owners of the Company		<b>(8,969)</b>	(1,607)	458.1	<b>(13,857)</b>	5,403	NM
- Non-controlling interests		<b>(1,439)</b>	(1,284)	12.1	<b>(1,918)</b>	(1,432)	34.0
		<b>(10,408)</b>	(2,891)	260.0	<b>(15,775)</b>	3,971	NM
<b>(Loss)/earnings per share</b>							
Basic (RMB in cents)	18	<b>(0.70)</b>	(0.08)	<b>775.0</b>	<b>(1.04)</b>	0.41	<b>NM</b>
Diluted (RMB in cents)	18	<b>(0.70)</b>	(0.08)	<b>775.0</b>	<b>(1.04)</b>	0.41	<b>NM</b>

\* Referral fees of RMB1.78 m which was deemed to be incremental cost of obtaining a contract was reclassified from selling and distribution expenses to cost of sales in FY2021 so as to be consistent with the classification in FY2022.

# Condensed Consolidated Statements of Changes in Equity

For the financial year ended 31 December 2022

	Attributable to owners of the Company							Total attributable to owners of the Company RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	PRC Statutory common reserve RMB'000	Merger reserve RMB'000	Share option reserve RMB'000	Currency translation reserve RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000			
<b>The Group</b>										
At 1 January 2022	375,049	32,410	(454)	-	(437)	-	(275,285)	131,283	16,348	147,631
Loss for the year	-	-	-	-	-	-	(15,944)	(15,944)	(3,310)	(19,254)
Other comprehensive profit	-	-	-	-	2,087	-	-	2,087	1,392	3,479
Total comprehensive profit/(loss) for the year	-	-	-	-	2,087	-	(15,944)	(13,857)	(1,918)	(15,775)
<b>Transactions with owners, recognised directly in equity</b>										
Capital contribution from non-controlling shareholder of subsidiary	-	-	-	-	-	-	-	-	5,411	5,411
Recognition of share-based payments	-	-	-	663	-	-	-	663	-	663
Appropriation of profit to reserve	-	507	-	-	-	-	(510)	(3)	3	-
Acquisition of subsidiary with non- controlling interests	-	-	-	-	-	-	-	-	1,454	1,454
Change in interest in subsidiary with loss of control	-	-	-	-	-	-	-	-	(219)	(219)
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	21	-	21	(337)	(316)
Total transactions with owners	-	507	-	663	-	21	(510)	681	6,312	6,993
At 31 December 2022	375,049	32,917	(454)	663	1,650	21	(291,739)	118,107	20,742	138,849

## Condensed Consolidated Statements of Changes in Equity (Cont'd)

For the financial year ended 31 December 2022

	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	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
<b>The Group</b>								
At 1 January 2021	276,699	31,748	(454)	-	(280,463)	27,530	-	27,530
Profit/(loss) for the year	-	-	-	-	5,840	5,840	(1,141)	4,699
Other comprehensive loss	-	-	-	(437)	-	(437)	(291)	(728)
Total comprehensive (loss)/profit for the year	-	-	-	(437)	5,840	5,403	(1,432)	3,971
<i>Transactions with owners, recognised directly in equity</i>								
Issuance of new shares pursuant to the rights issue	99,515	-	-	-	-	99,515	-	99,515
Share issue expenses	(1,165)	-	-	-	-	(1,165)	-	(1,165)
Capital contributions from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	17,780	17,780
Appropriation of profit to reserve	-	662	-	-	(662)	-	-	-
Total transactions with owners	98,350	662	-	-	(662)	98,350	17,780	116,130
At 31 December 2021	375,049	32,410	(454)	(437)	(275,285)	131,283	16,348	147,631

# Condensed Consolidated Statement of Changes in Equity (Cont'd)

For the financial year ended 31 December 2022

The Company	Share capital RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022	375,049	-	(253,677)	121,372
Loss for the year	-	-	(10,505)	(10,505)
Other comprehensive loss	-	-	-	-
Total comprehensive loss for the year	-	-	(10,505)	(10,505)
<b>Transactions with owners, recognised directly in equity</b>				
Recognition of share based payments	-	663	-	663
Total transactions with owners	-	663	-	663
At 31 December 2022	375,049	663	(264,182)	111,530
At 1 January 2021	276,699	-	(242,146)	132,903
Loss for the year	-	-	(11,531)	(11,531)
Other comprehensive loss	-	-	-	-
Total comprehensive loss for the year	-	-	(11,531)	(11,531)
<b>Transactions with owners, recognised directly in equity</b>				
Issuance of new shares pursuant to the rights issue	99,515	-	-	99,515
Share issue expenses	(1,165)	-	-	(1,165)
Total transactions with owners	98,350	-	-	98,350
At 31 December 2021	375,049	-	(253,677)	121,372

# Condensed Consolidated Statement of Cash Flows

For the financial year ended 31 December 2022

	FY2022 RMB'000	<u>Group</u>	FY2021 RMB'000
<b>Cash Flows from Operating Activities</b>			
(Loss)/profit before taxation	(17,470)		6,976
Adjustments for:			
Depreciation of property, plant and equipment	5,327		1,910
Amortisation of intangible assets	192		180
Property, plant and equipment written off	145		56
Goodwill written-off	5		-
Share options expenses	663		-
Loss on disposal of property, plant and equipment, net	-		389
Loss on rights transferred in sale and leaseback transaction	-		78
Loss arising from loss of control in subsidiary	94		-
Impairment loss on financial assets and contract assets	2,840		307
Impairment loss on financial assets and contract assets no longer required	(1,259)		(25,754)
Gain on re-measurement of lease liabilities	(7)		-
Share of after-tax profit of associate	(504)		-
Finance costs	992		1,100
Finance income	(514)		(302)
Operating loss before working capital changes	(9,496)		(15,060)
Increase in contract assets	(55,899)		(26,527)
(Increase)/decrease in inventories	(4,900)		438
(Increase)/decrease in trade and other receivables	(3,659)		32,324
Increase in prepayments	(305)		(83)
Decrease in contract liabilities	-		(1,671)
Decrease in trade and other payables	(804)		(23,703)
Increase in other liabilities	40,372		13,456
Cash used in operations	(34,691)		(20,826)
Income tax paid	(41)		-
Net cash used in operating activities	(34,732)		(20,826)
<b>Cash Flows from Investing Activities</b>			
Acquisition of property, plant and equipment	(5,305)		(45,368)
Additions to intangible assets	(2,374)		-
Proceeds from sale and leaseback transaction	-		5,000
Proceeds from disposal of property, plant and equipment	-		97
Interest income received	514		302
Cash outflow arising from loss of control in subsidiary	(4,583)		-
Acquisition of subsidiary, net of cash	(2,922)		(974)
Acquisition of additional interest in subsidiary	(316)		-
Net cash used in investing activities	(14,986)		(40,943)
<b>Cash Flows from Financing Activities</b>			
Proceeds from issuance of ordinary shares via rights issue	-		99,515
Share issue expenses	-		(1,165)
Proceeds from bank borrowings	3,229		27,399
Repayments of bank borrowings	(2,865)		(24,826)
Capital contributions from non-controlling shareholders of subsidiaries	5,411		17,780
Repayments of lease liabilities	(1,439)		(973)
Repayments of bill payables, net	-		(3,000)
Interest paid	(816)		(1,025)
Increase in bank deposits pledged	(2,341)		(3,022)
Release of bank deposits pledged	-		3,000
Repayments to a related party	(524)		(7,270)
Net cash from financing activities	655		106,413
Net (decrease)/increase in cash and cash equivalents	(49,063)		44,644
Effects of exchange rate changes on the cash balances held in foreign currencies	229		(135)
Cash and cash equivalents at beginning of year	92,137		47,628
Cash and cash equivalents at end of year	43,303		92,137

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# Condensed Consolidated Statement of Cash Flows (Cont'd)

For the financial year ended 31 December 2022

## A Cash and Cash Equivalents

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

	Group	
	FY2022	FY2021
	RMB'000	RMB'000
Cash and bank balances	48,907	95,103
Less:		
Deposits pledged to secure bank borrowing	(3,604)	(2,966)
Deposit placed as performance bond	(2,000)	-
Cash and cash equivalents	<u>43,303</u>	<u>92,137</u>

Higher deposits pledged of RMB3.6 million (31 December 2021: RMB3.0 million) represent funds earmarked in a debt service reserve account as mandated by certain bank to renew the bank loan for purpose of financing the outright lease payments of leasehold land and building for membrane manufacturing facility.

The deposit placed for the performance bond of RMB2.0 million (31 December 2022: Nil) was for the Group to undertake the sludge treatment project in Bazhou city. The aforesaid project was announced on the SGX-Net dated 6 January 2022.

## B Cash flow analysis

Net cash used in operating activities was RMB34.7 million as compared with cash generated from operating activities of RMB20.8 million in the same period last year mainly due to higher working capital requirements.

Net cash used in investing activities was RMB15.0 million due to acquisitions of property, plant and equipment and intangible assets amounting to RMB5.3 million and RMB2.4 million respectively, cash outflow arising from loss of control in subsidiary of RMB4.6 million, acquisition of subsidiary, net of cash of RMB2.9 million, and acquisition of additional interest in subsidiary of RMB0.3 million. The decrease was partly offset by interest income of RMB0.5 million.

Net cash generated from financing activities was RMB0.7 million due to capital contributions from non-controlling shareholders of RMB5.4 million and proceeds from bank borrowings of RMB3.2 million, partly offset by an increase in bank deposits pledged of RMB2.3 million, repayments of bank borrowings of RMB2.9 million, repayments of lease liabilities of RMB1.4 million, repayments to a related party of RMB0.5 million and interest paid of RMB0.8 million.

# Notes to the Condensed Consolidated Interim Financial Statements

## 1 Corporate information

Leader Environmental Technologies Limited is incorporated and domiciled in Singapore, and its registered office is located at 38 Beach Road, South Beach Tower, #29-11, Singapore 189767. These condensed consolidated interim financial statements as at 31 December 2022 and for the financial year ended 31 December 2022 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) Provision of engineering, procurement and construction (“EPC”) services in respect of sludge and water treatment plants;
- (b) Provision of operation and maintenance services in respect of sludge, oil sludge and water treatment plants;
- (c) Production of high performance membrane products; and
- (d) Greentech investments in start-ups in technologies, high-tech products and services relating to environmental protection.

## 2 Basis of preparation

The condensed consolidated interim financial statements for the six months ended 31 December 2022 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed consolidated 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 interim statements for the period ended 30 June 2022.

The condensed consolidated interim 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 Report for the financial year ended 31 December 2021.

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 consolidated 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 consolidated interim financial statements are presented in RMB which is also the Company’s functional currency.

## Notes to the Interim Consolidated Financial Statements (Cont'd)

### 2.3 New and amended standards adopted by the Group

There are a number of new and revised accounting standards that are effective for annual financial periods beginning on or after 1 January 2022. The Group and Company did not have to change its accounting policies nor made any retrospective adjustments as a result of adopting these standards.

### 2.4. Use of judgements and estimates

In preparing the condensed consolidated 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 2021.

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 FY2021 annual report, and there are no material deviations for the financial year ended 2022.

## 3. Property, plant and equipment ("PPE")

### Acquisitions and disposals

During the six months ended 31 December 2022, the Group:

- (i) acquired assets with an aggregate cost of RMB4,581,000 (31 December 2021: RMB66,379,000). There was nil (31 December 2021: RMB27,881,000) addition of right-of-use assets. A balance of RMB822,000 (31 December 2021: RMB1,598,000) remained unpaid as at 31 December 2022. Furthermore, there were additions in PPE of RMB4,191,000 (31 December 2021: Nil) resulting from the acquisition of a subsidiary;
- (ii) included reclassification from advances to a related party to PPE of RMB7,986,000 (31 December 2021: Nil);
- (iii) wrote-off PPE with net book values of RMB145,000 (31 December 2021: RMB56,000);
- (iv) received rent concession of RMB68,000 (31 December 2021: Nil) relating to certain right-of-use asset; and
- (v) recognised a positive foreign exchange realignment movement of RMB3,736,000 (31 December 2021: RMB860,000) arising from currency translation differences.

## Notes to the Interim Consolidated Financial Statements (Cont'd)

### 4. Intangible assets

Group	Goodwill RMB'000	Patents RMB'000	Software development	Total RMB'000
			costs RMB'000	
<b>As at 30.6.2022</b>				
Opening carrying amount	-	1,616	-	1,616
Additions	-	-	1,039	1,039
Acquisition of subsidiary	5	-	-	5
Write-off	(5)	-	-	(5)
Less: amortisation charge	-	(89)	-	(89)
Closing carrying amount	-	1,527	1,039	2,566
<b>As at 31.12.2022</b>				
Opening carrying amount	-	1,527	1,039	2,566
Additions	-	-	1,335	1,335
Acquisition of subsidiary	-	367	-	367
Less: amortisation charge	-	(103)	-	(103)
Closing carrying amount	-	1,791	2,374	4,165

In 2022, the premium paid for the acquisition of Zhejiang Bofeng Environmental Technology Co., Ltd of RMB367,000 (31 December 2021: Nil) is ascribed to two patented oil sludge treatment technologies which is to enable the Group to partake on the oil sludge treatment business both in China and South East Asia. The patents were amortised over a 5-year period. As at 31 December 2022, the patents have a remaining tenure of 58 months (31 December 2021: Nil).

The capitalised software development costs of RMB2.4 million (31 December 2021: Nil) in 2022 relate to the development and application of an artificial intelligence water treatment model with the key objective of optimising the operations and maintenance of water treatment plants to reduce the overall treatment costs, especially energy and chemical costs. The Group collaborated with certain Science Academy in China, which spanned over a three-year period commencing from January 2022, to develop the software. As the software is still under development, there was no amortisation of the capitalised development costs in FY2022.

In January 2021, the premium paid for the acquisition of Bituo Environmental Technologies (Tianjin) Co., Ltd. was ascribed to two patented sludge treatment technologies which enhance the Group's ability to tender and undertake sludge treatment projects. The patents were amortised over a 10-year period. As at 31 December 2022, the patents have a remaining tenure of 96 months (31 December 2021: 108 months).

#### Impairment test for CGU containing patents

The recoverable amounts of the costs paid in relation to the acquired sludge treatment patents and oil sludge treatment patents were based on their value-in-use, and were determined by discounting the future cash flows to be generated from the continuing use of the respective cash generating units. The key assumptions used in the calculation of recoverable amounts of patent costs were discount rates and growth rates. The discount rates used were pre-tax and based on the risk-free rate for the relevant market, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systemic risk of the specific business activities.

No impairment was required for the carrying amount of patent costs as at 31 December 2022 as the recoverable amounts were in excess of the carrying amounts.

## Notes to the Interim Consolidated Financial Statements (Cont'd)

### 5. Contract assets

Contract assets comprise the following:

	31 December 2022 RMB'000	Group 31 December 2021 RMB'000
Engineering contracts	45,299	38,154
Treatment plant under construction	47,575	-
	<u>92,874</u>	<u>38,154</u>
Less: loss allowance <sup>#</sup>	(603)	(5,602)
	<u>92,271</u>	<u>32,552</u>
 <u>Presentation on the Statements of Financial Position</u>		
Current	44,696	32,552
Non-current	47,575	-
	<u>92,271</u>	<u>32,552</u>

The engineering contracts comprise mainly Shijiazhuang project of RMB15,551,000 (31 December 2021: RMB30,235,000) and the Bazhou project of RMB29,424,000 (31 December 2021: Nil). Both projects were recognised based on the percentage work completed, using the input method, but were not billed at the reporting date. During the full year ended 31 December 2022, there was allowance for impairments recognised on the contract assets amounting to RMB599,000 (30 June 2020: RMB1,400,000) based on the application of the expected credit loss model.

The treatment plant under construction relates to Bazhou project as at the end of the reporting period. A contract asset of RMB47,575,000 (31 December 2021: Nil) is recognised over the period of construction in accordance with the SFRS(I) INT 12. Any amount previously recognised as a contract asset is reclassified to service concession receivables once construction is completed, depending on the nature of the concession agreement signed.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the contract assets.

<sup>#</sup> allowance for impairments of RMB4,147,000 (31 December 2021: Nil) and RMB1,451,000 (31 December 2021: Nil) were reclassified from contract assets to trade receivables and retention receivables respectively.

### 6. Inventories

	FY2022 RMB'000	Group FY2021 RMB'000
Raw materials, at cost	5,622*	468
Finished goods	51	-
Work-in-progress	14	-
	<u>5,687</u>	<u>468</u>
 <b>Income statement:</b>		
Cost of inventories included in cost of sales	<u>66</u>	<u>960</u>

\* The increased raw materials were procured by NTi Memtech Pte. Ltd. (formerly known as Nanosun Membrane Pte. Ltd.) in preparation for the production of membranes in 2023.

## Notes to the Interim Consolidated Financial Statements (Cont'd)

### 7. Trade and other receivables

	<u>Group</u>		<u>Company</u>	
	FY2022 RMB'000	FY2021 RMB'000	FY2022 RMB'000	FY2021 RMB'000
Trade and other receivables (Gross)	6,204	910	-	-
Allowance for impairments	(3,508)	(406)	-	-
Trade receivables (net)	2,696	504	-	-
Retention receivables	2,148	4,702	-	-
Grant receivables	34	204	18	162
Other receivables				
- Amounts due from subsidiaries	-	-	755	1,002
- Advances to trade suppliers	2,093	2,608	-	-
- Advances to non-trade suppliers	1,775	582	354	-
- Advances to related party (Note 17)	582	8,247	-	-
- Tender and security deposits	8,069	8,069	-	-
- Advances to employees	34	11	-	-
- VAT and other tax receivables	1,616	4,758	-	-
- Others	802	319	94	84
	14,971	24,594	1,203	1,086
Total	19,849	30,004	1,221	1,248

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

During the 2HY2022, the Group added impairment loss of RMB687,000 (2HY2021: RMB134,000), RMB373,000 (2HY2021: impairment loss written-back of RMB2,424,000) and RMB294,000 (2HY2021: impairment loss written-back of RMB3,728,000) in respect of advances to non-trade suppliers, trade suppliers and contract assets based on the expected credit loss model.

In addition to the above, the Group also wrote-back impairment loss of RMB1,000,000 and RMB1,400,000 (2HY2021: Nil and impairment loss of RMB173,000) respectively in respect of trade and retention receivables which were no longer required under the allowance matrix applicable to the expected credit loss model.

### 8. Bank borrowings

	<u>Group</u>	
	FY2022 RMB'000	FY2021 RMB'000
<b><u>Non-current liabilities</u></b>		
Bank loans – secured	23,542	23,592
<b><u>Current liabilities</u></b>		
Bank loans – secured	2,388	2,472
Bank loan – unsecured	2,800	-
Total – borrowings (current liabilities)	5,188	2,472
Total borrowings	28,730	26,064

## Notes to the Interim Consolidated Financial Statements (Cont'd)

### 8. Bank Borrowings (Cont'd)

The bank loans obtained by the subsidiary to finance the outright lease payments of the leasehold land and building for purpose of the membrane manufacturing facility are secured by the following:

- (i) legal mortgage of leasehold property at 8 Tuas West Avenue, Singapore;
- (ii) corporate guarantees for all monies owing to be provided by the holding company and Nanosun Pte. Ltd, a related party company; and
- (iii) bank deposit of RMB3,604,000 (31 December 2021:RMB2,966,000) earmarked in a debt service reserve account with the bank to make payments in the event of disruption of cash flows to the extent that the repayments cannot be made.

The bank loans are subjected to floating interest of 1% per annum above 3-month Singapore Inter-Bank Offer Rate ("3M SIBOR") for the first two years, and 3.48% per annum above 3M SIBOR thereafter.

One of the subsidiaries is subject to externally imposed bank covenant as it needs to maintain at all times a tangible net worth of not less than S\$6.0 million (approximately RMB30.9 million). During the financial year ended 31 December 2022, there are no breaches of bank covenants by the subsidiary.

The fair values of the Group's long term loans approximate their carrying amounts.

The unsecured bank loan is denominated in RMB and effective interest rate is 4.35% per annum.

### 9. Provision for restoration costs

	Group	
	FY2022 RMB'000	FY2021 RMB'000
Balance at beginning of year	377	-
Provision for the year	65	384
Unwinding interest	10	-
Currency translation differences	36	(7)
Balance at end of year	<u>488</u>	<u>377</u>
Presented as:		
Non-current	<u>488</u>	<u>377</u>

The provision during the financial year ended 31 December 2022 relates to the estimated costs amounting to RMB65,000 (31 December 2021: 384,000) for restoring the new leased office in Tianjin, which are capitalised and included in the cost of the PPE, and are expected to be utilised at the end of the lease term.

### 10. Trade and other payables

	Group		Company	
	FY2022 RMB'000	FY2021 RMB'000	FY2022 RMB'000	FY2021 RMB'000
Trade payables	7,556	6,657	-	-
Other payables	2,080	1,962	507	274
VAT and other tax payables	941	529	-	-
Amounts due to a related party (Note 17)	34	1,096	-	-
Amounts due to subsidiaries	-	-	7,316	7,316
Amounts due to directors	-	22	-	-
Total	<u>10,611</u>	<u>10,266</u>	<u>7,823</u>	<u>7,590</u>

The amounts due to a related party, subsidiaries and due to directors are non-trade in nature, unsecured, non-interest bearing, repayable on demand, and are to be settled in cash.

## Notes to the Interim Consolidated Financial Statements (Cont'd)

### 11. Other liabilities

	<u>Group</u>		<u>Company</u>	
	FY2022 RMB'000	FY2021 RMB'000	FY2022 RMB'000	FY2021 RMB'000
Accrued purchases	56,678	16,569	-	-
Accrued salaries and related expenses	1,521	1,322	246	339
Accrued operating expenses	1,579	916	1,009	840
Accrued capital expenditure	-	615	-	-
Accrued welfare expenses	44	44	-	-
<b>Total</b>	<b>59,822</b>	<b>19,466</b>	<b>1,255</b>	<b>1,179</b>

Accrued purchases mainly pertain to unbilled invoices from the suppliers in respect of the equipment and systems received for the industrial wastewater project in Shijiazhuang and Public-Private-Partnership in respect of the sludge treatment project in Bazhou city.

### 12. Share capital

	FY2022		<u>Company</u>	
	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000
Balance at beginning of year	1,534,878,360	375,049	1,326,976,200	276,699
Shares issued pursuant to rights issue	-	-	207,902,160	99,515
Share issuance expenses	-	-	-	(1,165)
<b>Balance at end of year</b>	<b>1,534,878,360</b>	<b>375,049</b>	<b>1,534,878,360</b>	<b>375,049</b>

The Company did not hold any treasury shares as at 31 December 2022 and 31 December 2021.

The Company's subsidiaries did not hold any shares in the Company as at 31 December 2022 and 31 December 2021.

On 4 March 2022, the Company has granted options to both Directors and Executives of the Group to subscribe for the company's ordinary shares. Please refer to the announcement dated 4 March 2022 on the SGXNet for the details.

#### Outstanding shares

As at 31 December 2022, share options to subscribe for 12,350,000 ordinary shares (31 December 2021: Nil) were outstanding under the Leader Environmental Technologies Share Option Scheme ("LET ESOS"). These share options are to be vested over a two-year period commencing from 4 March 2022.

### 13. Seasonal operations

The Group's new focus and expansions into new environmental related businesses in respect of sludge treatments, water treatments and high-performance membrane productions will not be affected significantly by seasonal or cyclical factors.



## Notes to the Interim Consolidated Financial Statements (Cont'd)

### 14. Segment and revenue information

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

- (i) provision of engineering solution services in respect of sludge and water treatment;
- (ii) AIWater (ie. Artificial intelligence technology in water treatment management) and sludge treatment services; and
- (iii) others – sales of equipment, parts and membrane.

There are no operating segments that have been aggregated to form the above reportable operating segments. For entities which are not generating revenue, their operating expenses are grouped under “others”.

Others also include the sales of equipment and parts which are considered to be non-core business of the Group, and manufacturing of high-performance membrane products as the manufacturing segment has yet to commence full production, and does not meet any of the Group's quantitative thresholds for determining reportable segments during the financial year ended 31 December 2022 and 2021 respectively.

The Executive Chairman and Chief Executive Officer monitor 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.

The chief operating decision makers review the results of the segment using segment's EBITDA and profit/(loss) before and after taxation. Segment assets, liabilities, non-current assets and other expenses are not disclosed as they are not regularly provided to the chief operating decision makers.

## 14. Segment and revenue information (Cont'd)

### a) Reportable segments

<u>Group</u>	2HY2022				
	Engineering solution services	AIWater and sludge treatment services	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Revenue</b>					
Sales to external customers	64,217	393	341		64,951
Inter-segment sales	298	-	-	(298)	-
Total	64,515	393	341	(298)	64,951
<b>Results</b>					
Segmental results	(599)	322	(10,231)	-	(10,508)
Impairment loss on financial assets and contract assets	20	-	(9)	-	11
Impairment loss on financial assets and contract assets no longer required	1,045	-	-	-	1,045
<b>EBITDA*</b>	466	322	(10,240)	-	(9,452)
Depreciation and amortisation	(785)	-	(2,620)	-	(3,405)
Interest expense	(83)	-	(564)	-	(647)
Interest income	255	-	(15)	-	240
Share of results of associated company	-	504	-	-	504
(Loss)/profit before taxation	(147)	826	(13,439)	-	(12,760)
Taxation	(258)	(208)	(36)	-	(502)
<b>(Loss)/profit for the year</b>	<b>(405)</b>	<b>618</b>	<b>(13,475)</b>	<b>-</b>	<b>(13,262)</b>

## 14. Segment and revenue information (Cont'd)

### a) Reportable segments (Cont'd)

<u>Group</u>	2HY2021		
	Engineering solution services	Others	Total
	RMB'000	RMB'000	RMB'000
<b>Revenue</b>			
Sales to external customers	20,645	248	20,893
<b>Results</b>			
Segmental results	(5,642)	(9,119)	(14,761)
Impairment loss on financial assets and contract assets	4,031	-	4,031
Impairment loss on financial assets and contract assets no longer required	10,814	-	10,814
<b>EBITDA*</b>	9,203	(9,119)	84
Depreciation and amortisation	(412)	(1,010)	(1,422)
Interest expense	(14)	(206)	(220)
Interest income	114	14	128
Profit/(loss) before taxation	8,891	(10,321)	(1,430)
Taxation	(901)	-	(901)
<b>Profit/(loss) for the year</b>	<b>7,990</b>	<b>(10,321)</b>	<b>(2,331)</b>

#### 14. Segment and revenue information (Cont'd)

##### a) Reportable segments

<u>Group</u>	FY2022				Total RMB'000
	Engineering solution services RMB'000	AIWater and sludge treatment services RMB'000	Others RMB'000	Elimination RMB'000	
<b>Revenue</b>					
Sales to external customers	88,062	1,179	862	-	90,103
Inter-segment sales	298	-	-	(298)	-
<b>Total</b>	<b>88,360</b>	<b>1,179</b>	<b>862</b>	<b>(298)</b>	<b>90,103</b>
<b>Results</b>					
Segmental results	4,588	1,278	(16,262)	-	(10,396)
Impairment loss on financial assets and contract assets	(2,831)	-	(9)	-	(2,840)
Impairment loss on financial assets and contract assets no longer required	1,259	-	-	-	1,259
<b>EBITDA*</b>	<b>3,016</b>	<b>1,278</b>	<b>(16,271)</b>	<b>-</b>	<b>(11,977)</b>
Depreciation and amortisation	(1,186)	-	(4,333)	-	(5,519)
Interest expense	(121)	-	(871)	-	(992)
Interest income	354	6	154	-	514
Share of results of associated company	-	504	-	-	504
<b>Profit/(loss) before taxation</b>	<b>2,063</b>	<b>1,788</b>	<b>(21,321)</b>	<b>-</b>	<b>(17,470)</b>
Taxation	(1,503)	(208)	(73)	-	(1,784)
<b>Profit/(loss) for the year</b>	<b>560</b>	<b>1,580</b>	<b>(21,394)</b>	<b>-</b>	<b>(19,254)</b>

## Notes to the Interim Consolidated Financial Statements (Cont'd)

### 14. Segment and revenue information (Cont'd)

#### (a) Reportable segments (Cont'd)

<u>Group</u>	FY2021		
	Engineering solution services RMB'000	Others RMB'000	Total RMB'000
<b>Revenue</b>			
Sales to external customers	49,603	252	49,855
<b>Results</b>			
Segmental results	(798)	(14,785)	(15,583)
Impairment loss on financial assets and contract assets	(307)	-	(307)
Impairment loss on financial assets and contract assets no longer required	25,754	-	25,754
EBITDA*	24,649	(14,785)	9,864
Depreciation and amortisation	(758)	(1,332)	(2,090)
Interest expense	(870)	(230)	(1,100)
Interest income	284	18	302
Profit/(loss) before taxation	23,305	(16,329)	6,976
Taxation	(2,277)	-	(2,277)
Profit/(loss) for the year	21,028	(16,329)	4,699

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

#### (b) Geographical information

No geographical information is provided on the Group's revenue as the Group's revenue and profits are derived primarily from customers in the PRC.

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

	Group	
	FY2022 RMB'000	FY2021 RMB'000
Singapore <sup>(1)</sup>	58,900	46,105
PRC	67,933 <sup>#(2)</sup>	3,562 <sup>#</sup>
	126,833	49,667

# included the intangible assets amounting to RMB4,165,000 (31 December 2021 – 1,616,000).

<sup>(1)</sup> included non-current assets of RMB58,210,000 (31 December 2021: RMB44,928,000), belonging to a subsidiary, whose operation will be classified under a new operating segment – manufacturing of high performance membrane when it commences full production.

<sup>(2)</sup> comprised plant under construction of RMB47,575,000 (31 December 2021: Nil) in respect of the sludge treatment project in Bazhou city.

## Notes to the Interim Consolidated Financial Statements (Cont'd)

### 14. Segment and revenue information (Cont'd)

#### (c) Information about a major customer

Revenue of RMB34.1 million and RMB33.7 million is derived from two PRC customers, and is attributable to the engineering segment for the financial year ended 31 December 2022. In the same corresponding period of last year, the revenue of RMB47.5 million is derived from one PRC customer, and is also attributable to the engineering segment.

#### Disaggregation of Revenue

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

	2HY2022 RMB'000	2HY2021 RMB'000	<u>Group</u> FY2022 RMB'000	FY2021 RMB'000
<b>Over time:</b>				
Engineering revenue	64,217	20,645	88,062	49,603
Treatment income	393	-	1,179	-
<b>At a point in time:</b>				
Others – sale of equipment and parts	341	248	862	252
	<b>64,951</b>	<b>20,893</b>	<b>90,103</b>	<b>49,855</b>

A breakdown of sales:

	FY2022 RMB'000	FY2021 RMB'000	Increase/ (Decrease) %
<b>Group</b>			
Sales reported for the first half year	25,152	28,962	(13.2)
Operating (loss)/profit after tax before deducting non-controlling interests reported for first half year	(5,992)	7,030	NM
Sales reported for second half year	64,951	20,893	210.9
Operating loss after tax before deducting non-controlling interests reported for second half year	(13,262)	(2,331)	468.9

## Notes to the Interim Consolidated Financial Statements (Cont'd)

### 15. (Loss)/profit before taxation

This includes the following charges (credits):

	Group 6 Months Ended		Group 12 Months Ended	
	2HY2022 RMB'000	2HY2021 RMB'000	FY2022 RMB'000	FY2021 RMB'000
Government grant income – Jobs Support Scheme and Jobs Growth incentive Scheme	(93)	(521)	(463)	(712)
Share-based payment expenses	395	-	663	-
Bade debts written off	7	-	7	4
Loss on disposal of property, plant and equipment, net	-	(27)	-	389
Fixed assets written off	145	56	145	56
Loss on rights transferred in sale and leaseback transaction	-	-	-	78
(Write-back of impairment loss)/Impairment loss on financial assets and contract assets	(56)	(4,031)	2,840	307
Impairment loss on financial assets and contract assets no longer required	(1,000)	(10,814)	(1,259)	(25,754)
Interest income	(240)	(128)	(514)	(302)
Interest on lease liabilities	111	42	166	75
Interest on bank loans	530	178	816	1,025
Interest on restoration costs	6	-	10	-
Depreciation of property, plant and equipment	3,302	1,242	5,327	1,910
Amortisation of intangible assets	103	180	192	180
Goodwill written-off	-	-	5	-
Loss arising from loss of control in subsidiary	94	-	94	-
Exchange (gain)/loss	(1,231)	1,923	(2,114)	1,830
Short term operating lease expenses	117	188	232	393
Gain on re-measurement of lease liabilities	-	-	(7)	-
<b>Directors' remunerations</b>				
- Directors' fees	528	426	1,098	862
- Salaries and short-term benefits	1,647	1,486	3,193	2,756
- Contributions to defined contribution plans	69	107	138	195
- Stocks options granted	82	-	138	-
<b>Key Management Personnel (other than Directors)</b>				
- Salaries and short-term benefits	3,204	3,353	4,961	5,369
- Contributions to defined contribution plans	296	438	529	575
- Stocks options granted	254	-	427	-
<b>Other employees (other than Directors and Key Management Personnel)</b>				
- Salaries and short-term benefits	6,104	2,612	10,962	5,196
- Contributions to defined contribution plans	1,174	587	2,187	1,180
- Stocks options granted	59	-	98	-

The Group's Key Management Personnel mainly comprises Chief Executive Officer, Chief Financial Officer, Chief Technical Officer, Deputy Chief Technical Officer, General Manager and Deputy General Manager.

## Notes to the Interim Consolidated Financial Statements (Cont'd)

### 16. 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 6 Months Ended		Group 12 Months Ended	
	2HY2022 RMB'000	2HY2021 RMB'000	FY2022 RMB'000	FY2021 RMB'000
Current year taxation	502	901	1,747	2,277
Under provision in respect of previous period	-	-	37	-
Income tax expense	<b>502</b>	901	<b>1,784</b>	<b>2,277</b>

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, and followed by a 50% tax relief for the next three years on income derived from investments in infrastructure and environmental related projects.

The profit recognised from the operation and maintenance contract in United Greentech (Yishui) Co., Ltd is subject to tax at 25% during the financial year ended 31 December 2022.

The engineering profit derived from the project in Bazhou city and non-recurring technical services rendered are taxable at 25% during the year ended 31 December 2022. Its interest income earned in FY2022 qualified for low profit business relief, and 50% of the interest income is taxable at 5%. Once the sludge treatment plant is constructed and the company commences operation and maintenance work, the tax relief will cease.

In FY2021, the income derived from the industrial wastewater project in Shijiazhuang is subjected to income tax at 25% as the aforesaid tax exemption does not apply to the supply of specialised equipment for industrial wastewater project.

### 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	
	FY2022 RMB'000	FY2021 RMB'000
Advances from a director	-	13,878
Payments of operating expenses and capital expenditure by a related party*	<b>(56)</b>	(1,107)
Advances paid to a related party for the procurement of equipment, systems and machineries, design and engineering services*	<b>582</b>	8,247
Loan from a related party*	-	2,267
Capitalisation of advance/loan from a related party into share capital of a subsidiary*	<b>(1,025)</b>	(2,267)



## Notes to the Interim Consolidated Financial Statements (Cont'd)

### 17. Related party transactions (Cont'd)

<u>Transactions</u>	Group 6 Months Ended		Group 12 Months Ended	
	2HY2022 RMB'000	2HY2021 RMB'000	FY2022 RMB'000	FY2021 RMB'000
Outsourcing of services from a related party*	102	-	413	466
Treatment income	(394)	-	(1,179)	-
Provision of manpower <sup>2</sup>	-	-	(1,218)	-

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

<sup>1</sup> The treatment of animal manure service was rendered to the non-controlling interest of United Greentech (Yishui) Co.,Ltd (“Yishui”).

<sup>2</sup> The provision of manpower was provided to two PRC companies which were wholly-owned by the NCI of United Greentech (Yishui) Co., Ltd (“Yishui”). By virtue of Yishui being a subsidiary of the Group, transactions between Yishui and the two above-mentioned PRC companies will also be disclosed as related party transactions.

### 18. (Loss)/earnings per share

The (loss)/earnings 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 following table reflects the profit or loss and share data used in the computation of loss per share for the 6 month period ended 31 December:

	Group 6 Months Ended		Group 12 Months Ended	
	2HY2022	2HY2021	FY2022	FY2021
<b><u>(Loss)/earnings</u></b>				
(Loss)/profit attributable to equity holders of the Company (RMB'000)	(10,681)	(1,271)	(15,944)	5,840
<b><u>Number of shares</u></b>				
Weighted average number of ordinary shares in issue for purpose of basic earnings per share	1,534,878,360	1,499,320,606	1,534,878,360	1,421,529,064
Effect of dilutive potential ordinary shares from share options				-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	532,110	-	951,277	
	<u>1,535,410,470</u>	<u>1,499,320,606</u>	<u>1,535,829,637</u>	<u>1,421,529,064</u>
(Loss)/earnings per share (RMB cents)				
- basic	(0.70)	(0.08)	(1.04)	0.41
- diluted	<u>(0.70)</u>	<u>(0.08)</u>	<u>(1.04)</u>	<u>0.41</u>

**19. Net Asset Value**

	<u>Group</u>		<u>Company</u>	
	<b>FY2022</b> <b>RMB</b>	FY2021 RMB	<b>FY2022</b> <b>RMB</b>	FY2021 RMB
Net asset value per ordinary share (RMB cents per share)	<b>7.69</b>	8.55	<b>7.27</b>	7.91

Net asset value of the Group and Company as at 31 December 2022 and 31 December 2021 is computed based on 1,534,878,360 ordinary shares in issue at the end of each of the financial year respectively.

**20. Dividends**

No dividend in respect of the 2HY2022 (2HY2021: Nil) has been proposed by the Directors. The Group needs to preserve its cash for working capital requirements.

## Notes to the Interim Consolidated Financial Statements (Cont'd)

### 21. Acquisition of and changes in interests in subsidiaries with and with no loss of control

#### Acquisition of subsidiary

During the second half of FY2022, as announced on the SGXNet on 22 September 2022, the Group acquired 70% of the issued share capital of Zhejiang Bofeng Environmental Technology Co., Ltd. (浙江铂沅环保科技有限公司) for a purchase consideration (“**Consideration**”) of RMB3,393,000. The Group has determined that the acquired inputs (patented technologies and machinery and equipment) and processes will contribute significantly to the ability to generate oil sludge treatment revenue. This transaction has been accounted for by the acquisition method of accounting, and a valuation was performed for accounting purpose to establish the fair value measurement of the net assets acquired.

In financial year 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 Consideration of RMB1,372,000. The recognition of the premium paid was ascribed to two patented sludge treatment technologies as they enhance the Group’s ability to tender and secure sludge treatment projects.

The identifiable assets acquired and liabilities assumed at the date of the acquisition are as follows:

	FY2022 RMB'000	FY2021 RMB'000
Intangible assets – patents	367	1,796
Property, plant and equipment	4,190	46
Trade and other receivables	307	530
Cash and cash equivalents	471	398
Trade and other payables	(481)	(1,398)
Other liabilities	(7)	-
Total identifiable assets acquired and liabilities assumed	4,847	1,372
Less: non-controlling interests (30%)	(1,454)	-
Purchase consideration paid	3,393	1,372
	-	-
<b>Cash outflow on acquisition:</b>		
Cash consideration paid	(3,393)	(1,372)
Less: Cash and cash equivalents acquired	471	398
Net cash outflow on acquisition	(2,922)	(974)

#### Loss of control in subsidiary

Upon a mutual agreement signed with the joint investment partner and approved on 3 August 2022, Greentech Shandong reduced its shareholding interest from 65.0% to 50.0% in Greentech Yishui. As a result, Greentech Yishui will longer be considered a subsidiary of the Group, but deemed to be an associate in the light of the significant influence which it now exercises. The Group recognised a loss of investment of RMB94,000 during the financial year ended 31 December 2022 (31 December 2021: Nil).

## Notes to the Interim Consolidated Financial Statements (Cont'd)

### 21. Acquisition of and changes in interests in subsidiaries with and with no loss of control (cont'd)

#### Changes in interest in subsidiary without loss of control

In September 2022, the Group acquired an additional 9.8% (31 December 2021: Nil) interest from non-controlling interests in United Kaida Greentech (Shandong) Co., Ltd., thereby increasing its ownership from 72.0% to 81.8%. Following the purchase, the carrying amount of net assets in the Group's consolidated financial statements on the date of the acquisition was RMB5,160,000\*. The following summarise the effect of changes in the Group's ownership interest in the subsidiary:

	FY2022 RMB'000
Carrying amount of NCI acquired	337
Consideration paid to NCI	316
Increase in equity interest attributable to owners of the Company	21

The increase in equity interest attributable to owners of the Company is due to profit generated during the financial year.

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

### 22. Fair value measurement

#### Financial instruments – Accounting classifications of financial assets and financial liabilities.

There were no financial assets and financial liabilities measured at fair value as at 31 December 2022 and 2021. The carrying amounts of financial assets and financial liabilities in each category are as follows:

	<u>Group</u>		<u>Company</u>	
	FY2022 RMB'000	FY2021 RMB'000	FY2022 RMB'000	FY2021 RMB'000
<b>Financial assets</b>				
Trade and other receivables* (excluding VAT and other tax receivables)	15,558	14,391	1,221	1,248
Cash and bank balances	48,907	95,103	9,476	42,400
	64,465	109,494	10,697	43,648
<b>Financial liabilities</b>				
Trade and other payables (excluding VAT and other tax payables)	9,670	9,737	7,823	7,590
Bank borrowings	28,730	26,064	-	-
Lease liabilities	3,797	1,869	463	783
Provision for restoration costs	488	377	-	-
Other liabilities	59,822	19,466	1,255	1,179
	102,507	57,513	9,541	9,552

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

## Notes to the Interim Consolidated Financial Statements (Cont'd)

### 23. Commitments

Capital commitments contracted for but not provided for:

	Group	
	FY2022 RMB'000	FY2021 RMB'000
Supply of specialised equipment for Shijiazhuang project	-	1,500
Build-Operate-Transfer project in respect of municipal sludge treatment in Jinghai District, Tianjin City	62,500	56,200
Joint investment with local government of Yishui County	20,000	119,340
Construction of sludge treatment plant relating to Public-Private Partnership project in Bazhou city	78,400	-

### 24. Financial guarantees

	FY2022 RMB'000
Guarantee in respect of bank loan granted to a subsidiary to finance the outright lease payments of land and building for purpose of membrane manufacturing plant	<u>15,558</u>
Bank guarantee to a related party company to secure a credit facility to finance the procurement of equipment, systems and machineries in relation to the membrane manufacturing facility in NTi Memtech Pte. Ltd. (formerly known as Nanosun Membrane Pte. Ltd.)	<u>7,947</u>

As at 31 December 2022 and 31 December 2021, the fair values of the financial guarantees determined based on the expected loss arising from the risk of default are negligible.

### 25. Events after the reporting period

- (a) Subsequent to the reporting date, the Company had convened an extraordinary general meeting to obtain shareholders' approval for the issuance and allotment of the US\$15.0 million convertible bond, and 214,260,000 of conversion shares, and both resolutions were approved by shareholders on 28 February 2023.
- (b) In January 2023, the Group's subsidiary in China has secured a 1-year working capital loan of RMB5.0 million. The effective interest rate for the short term loan is 4% per annum.
- (c) Management is committed to dispose its wholly-owned subsidiary, Jilin Anjie Environmental Engineering Co., Ltd, which is no longer deemed to be a core business of the Group. In addition, the aforesaid subsidiary will not be tendering for new industrial wastegas contracts, and going forward, it will remain inactive. Management has obtained approval from the Board, and is actively seeking potential buyer for the said subsidiary.

For the purposes of Chapter 10 of the SGX-ST Listing Manual, the relative figures using the applicable bases of comparison under Rule 1006 of the Listing Manual based on the unaudited consolidated accounts of the Company for the year ended 31 December 2022 will be as follows:

- (i) the net assets of the subsidiary as compared with the Group's assets is 5.5%; and
- (ii) the loss before taxation and before NCI as compared with the Group's loss before taxation and NCI is 14.2%.

In view of the above, the transaction will be deemed as a disclosable transaction, and the Company will make the relevant announcement on the SGXNet once it enters into a definitive sale and purchase agreement with potential buyer.



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### Other Information required by Listing Rule Appendix 7.2

#### Audit

The condensed consolidated statement of financial position of Leader Environmental Technologies and its subsidiaries as at 31 December 2022 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the full year then ended and certain explanatory notes 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

	2HY2022		2HY2021		FY2022		FY2021	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Engineering revenue	64,217	98.9	20,645	98.8	88,062	97.7	49,603	99.5
Treatment income	393	0.6	-	-	1,179	1.3	-	-
Sale of equipment and parts	335	0.5	248	1.2	856	1.0	252	0.5
Sale of membranes	6	-	-	-	6	-	-	-
	<u>64,951</u>	<u>100.0</u>	<u>20,893</u>	<u>100.0</u>	<u>90,103</u>	<u>100.0</u>	<u>49,855</u>	<u>100.0</u>

#### Revenue

The Group's revenue increased by RMB44.1 million in 2HY2022, from RMB20.9 million in 2HY2021 to RMB65.0 million in HY2022. The bulk of the revenue increase in 2HY2022 was contributed by the recognition of engineering revenue of RMB60.8 million on the Bazhou project, partly offset by the lower revenue recognised from the Shijiazhuang project of RMB17.2 million as this project was at the tail end.

The higher revenue generated in 2HY2022 of RMB44.1 million increased the full year's revenue in FY2022 to RMB90.1 million, an increase of RMB40.2 million when compared against the same corresponding period of last year.

#### Gross profit and gross profit margin

The increase in gross profit generated of RMB6.3 million in 2HY2022 was generally in line with the increase in revenue, and largely contributed to the increase in gross profit of RMB6.8 million in FY2022, from RMB10.9 million in FY2021 to RMB17.7 million in FY2022.

The gross profit margin improved from 7.7% in 2HY2021 to 12.1% in 2HY2022 due mainly to the higher gross profit margins derived from the operation and maintenance services, and technical services rendered, partly offset by the repair costs borne by the subsidiary in 2HY2022 to rectify dust elimination systems previously fabricated and installed for certain heat supply customer.

With a smaller increase in gross profit margin in 2HY2022, the full year's gross profit margin decreased from 21.9% in FY2021 to 19.7% in FY2022.


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**Other items of expense**

- (a) The finance income increased from RMB0.1 million in 2HY2021 to RMB0.2 million in 2HY2022; and increased from RMB0.3 million in FY2021 to RMB0.5 million in FY2022. The increases were mainly due to higher interest earned from the PRC banks from the capital injected into the PRC subsidiaries. These funds are to finance the subsidiaries' working capital and projects.
- (b) Other income increased from RMB0.6 million in HY2021 to RMB1.8 million in 2HY2022 and increased from RMB0.9 million in FY2021 to RMB4.6 million in FY2022. The increases were mainly due to additional government grants received, namely Job Growth incentive, from the Singapore Government due to the COVID-19 pandemic, receipts for the provision of manpower to certain related parties, and higher exchange gain recognised.
- (c) The selling and distribution expenses decreased by RMB2.6 million, from RMB3.1 million in 2HY2021 to RMB0.5 million in 2HY2022 and decreased by RMB2.7 million in FY2022, from RMB3.7 million in FY2021 to RMB1.0 million in FY2022. The decrease was largely attributed to the absence of the final settlement of outsourcing fees of RMB2.3 million in 2HY2022.
- (d) Administrative expenses increased by RMB9.6 million in 2HY2022, from RMB13.2 million in 2HY2021 to RMB22.8 million in 2HY2022 and increased by RMB14.5 million in FY2022, from RMB22.6 million in FY2021 to RMB37.1 million in FY2022. The increases were due mainly to increased payroll and related costs arising from additional headcount and increased business activities of the subsidiaries. In addition, the higher administrative expenses also included an agency fees of RMB1.7 million to pursue a long outstanding debt which led to a successful recovery of RMB4.6 million from the customer.
- (e) Finance costs increased by RMB0.4 million in 2HY2022, from RMB0.2 million in 2HY2021 to RMB0.6 million in 2HY2022 due mainly to the higher effective weighted average interest rate charged on the bank loan to finance the outright purchase of the land and building for purpose of membrane manufacturing facility. The bank loan was drawn down close to end of August 2021, and its effective interest ranged from 2.884% to 5.641% per annum (2HY2021: 1.45% to 1.959% per annum).

The finance costs remained around RMB1.0 million for the FY2022 and FY2021.

- (f) The components for the impairment loss/(write-back of impairment loss) charged to or credited from the profit or loss account are as follows:

	<u>2HY2022</u>	<u>2HY2021</u>	<u>FY2022</u>	<u>FY2021</u>
	RMB'000	RMB'000	RMB'000	RMB'000
<b><i>Credited from/(charged to) profit or loss</i></b>				
Trade receivables	955	-	1,000	-
Retention receivables	1,456	(173)	250	(173)
Advances to non-trade suppliers	(687)	(134)	(687)	(134)
Advances to third party	-	7,475	-	22,415
Advances to trade suppliers	(374)	2,424	(1,545)	314
Contract assets	(294)	3,728	(599)	2,328
Tender and security deposits	-	1,525	-	697
Net credit from profit or loss	1,056	14,845	(1,581)	25,447

In accordance with the allowance matrix applicable to the expected credit loss model, the Group wrote-back impairment loss of trade receivables and retention receivables of RMB955,000 and RMB1,456,000 (2HY2021: Nil and impairment loss of RMB173,000) and added impairment loss of RMB687,000 (2HY2021: RMB134,000), RMB294,000 (2HY2021: impairment loss written-back of RMB3,728,000) and RMB374,000 (2HY2021: impairment loss written-back of RMB2,424,000) respectively to advances to non-trade suppliers, contract assets and advances to trade suppliers respectively. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the contract assets and financial assets.

The absence of the recovery of the long outstanding advances to third party of RMB22.4 mainly contributed to the higher impairment loss of RMB1,581,000 in FY2022



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### REVIEW OF GROUP PERFORMANCE (cont'd)

- (g) Other expenses decreased by RMB1.9 million in 2HY2022, from RMB2.1 million in 2HY2021 to RMB0.2 million in 2HY2022, and decreased by RMB2.9 million in FY2022, from RMB3.2 million in FY2021 to RMB 0.3 million in FY2022. The decrease was due mainly to the accounting of foreign exchange loss of RMB1.8 million in prior year.
- (h) In view of the loss of control of United Greentech (Yishui) Co., Ltd, the Group adopted the equity method to account for its investment. This resulted in the share of results of associated company amounting to RMB0.5 million in 2HY2022 and FY2022 respectively.

### Income tax expense

The Group recorded income tax expenses of RMB0.5 million in 2HY2022 (2HY2021: RMB0.9 million) as a result of the profit registered by certain subsidiaries. Taken together with the income tax expenses in 1HY2022 of RMB1.3 million, the income tax expenses for the year ended 31 December 2022 increased to RMB1.8 million. The effective tax rate was less than its statutory rate of 25% due mainly to certain tax exemptions on income, unabsorbed losses utilized and operating losses from other subsidiaries of the Group.

### (Loss)/profit after taxation

In view of the foregoing, the Group reported a loss after taxation of RMB13.3 million in 2HY2022 as compared with RMB2.3 million in 2HY2021. This resulted in a higher loss after taxation of RMB19.3 million in FY2022 as opposed to a profit after taxation of RMB4.7 million in FY2021.

### Consolidated Statement of Financial Position

Total equity decreased by RMB8.8 million due to an increase in total comprehensive loss of RMB13.9 million during the financial year, partly offset by the increase in (i) the recognition of share based payment on the employee stock options of RMB0.7 million which was announced on the SGX-Net dated 4 March 2022; and (ii) non-controlling interests (“**NCI**”) of RMB4.4 million as a result of capital contributions of RMB5.4 million and acquisition of subsidiary with NCI of RMB1.5 million, net of its share of total comprehensive loss of RMB1.9 million and accounting for changes in shareholding interests of RMB0.6 million.

Total Group assets as at 31 December 2022 increased by RMB38.1 million, from RMB208.0 million as at 31 December 2021 to RMB246.1 million as at 31 December 2022 due to higher non-current assets of RMB77.1 million, partly offset by the decrease in current assets of RMB39.0 million. The increase in non-current assets was due to (i) the recognition of contract asset of RMB47.6 million in relation to the sludge treatment plant under construction in Bazhou city (“**Bazhou**” project”); (ii) additions in fixed assets and rights-of-use (“**ROU**”) assets, net of fixed assets written off and routine depreciation of RMB21.2 million; (iii) additions in intangibles of RMB2.6 million from capitalised software development costs of RMB2.4 million and acquired oil sludge patented technologies of RMB0.4 million, net of amortisation of RMB0.2 million; and (iv) investment in associated company of RMB5.8 million as United Greentech (Yishui) Co., Ltd was no longer deemed to be a subsidiary of the Group following its loss of control.

The decrease in current assets of RMB39.0 million was due to lower (i) bank balances, deposits and cash for working capital of RMB46.2 million; and (ii) trade and other receivables of RMB10.2 million attributed mainly to the reclassification of advances of RMB7.6 million to property, plant and equipment upon acceptance and VAT and other tax receivables of RMB3.2 million due mainly to tax recovery from IRAS, partly offset by the increases in trade receivables, retention receivables, advances to trade and non-trade suppliers, net of impairment loss, which amounted to RMB0.3 million in aggregate. These increases were mainly in line with the increase in revenue.

The above decrease of RMB56.4 million was partly offset by the increase in (i) contract assets of RMB12.1 million as a result of engineering revenue recognised on the remaining 5% work for the Shijiazhuang and the Bazhou project, technical and operation and maintenance services rendered, net of invoicing and payments received from customers which relate mainly to the industrial wastewater project in Shijiazhuang; and (ii) inventories of RMB5.3 million as more raw materials were procured for purpose of production of high performance membranes.





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Total liabilities increased by RMB47.0 million, from RMB60.3 million as at 31 December 2021 to RMB107.3 million as at 31 December 2022. Non-current liabilities increased by RMB1.1 million due to higher (i) leases of RMB1.0 million which was in line with the increase in ROU assets; and (ii) provision for restoration costs of RMB0.1 million for the new Tianjin office.

Current liabilities increased by RMB45.8 million, from RMB35.4 million as at 31 December 2021 to RMB81.2 million as at 31 December 2022 due to increase in (i) other liabilities of RMB40.3 million mainly in relation to the plant under construction for the Bazhou project, (ii) bank borrowings of RMB2.7 million due to a new loan secured by the PRC subsidiary; (iii) leases of RMB0.9 million as a result of entering into an office lease for its newly acquired subsidiary, re-measurement of existing lease; taking into account of the higher rental, and relocation of Tianjin subsidiary to a bigger office to meet its future growth needs; (iv) income tax payable of RMB1.5 million on the profits derived on the Shijiazhuang and Bazhou projects, operation and maintenance services and technical services; and (v) trade and other payables of RMB0.3 million which was in line with the increase in business activities.

### **VARIANCE FROM PROSPECT STATEMENT**

Not applicable as no prospect statement is given.

### **PROSPECTS**

China's delayed re-opening had hampered the Group's progress in delivering more projects. Faced with nationwide travel restrictions and quarantines, contract negotiations were affected, and the Group could only focus and embark on a few of the technical services and operation and maintenance works. In spite of the challenges, the Group has substantially completed the delivery of the machinery and equipment relating to the construction of the sludge treatment plant in respect of the Public-Private-Partnership project in Bazhou city. This bodes well for the Group to enter into the next phase of the project to commence construction of the sludge treatment plant in 2023.

Despite recording a loss after taxation, the Group had achieved a higher growth in revenue in FY2022. As the Group transforms to become a leading technology-driven entity, more expenditure is necessary. This was the case in FY2022, as the Group embarked on building a stronger team to prepare itself for the next phase of growth in 2023 and beyond. The Group continues to source for business opportunities in environmental protection, and had made positive strides to complete the acquisition of oil sludge treatment technologies in Zhejiang Bofeng Environmental Technology Co., Ltd. Management believes that its earnings potential from the oil and gas industry could be another profit contributing segment to the Group's businesses in the foreseeable future.

The recent re-opening of the Chinese economy presents opportunities to the Group in this new financial year. The Group will work towards expediting the completion of the issuance of US\$15.0 million of convertible bond in early 2023 so as to strengthen its balance sheet, and seize the opportunity to build a sizeable portfolio of sludge treatment and artificial intelligence ("AI") water management projects. In addition, the Group's membrane manufacturing facility is operational and ready to take orders from customers. It is in the midst of discussing and finalizing orders with certain potential overseas customer. Given the project pipelines coupled with our advanced technological capabilities, management is optimistic that 2023 will be a better year for the Group.


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**Use of proceeds from the Rights Issue completed and announced on 5 August 2021**

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

	S\$'000	S\$'000
Net proceeds from the Rights Issue as announced on the SGX-Net dated 12 August 2022		6,374
<b><u>95% of the net proceeds earmarked for business investments and acquisitions of environmental related business as per Offer Information Statement ("OIS")</u></b>		
Finance the operating expenses relating to the membrane manufacturing facility		(2,821)
Advance payments for equipment relating to its projects in Bazhou city		(192)
		<u>3,361</u>
<b><u>Re-designation of the balance net proceeds from business investments and acquisitions to capital commitment and working capital purposes</u></b>		
Capital injection in United Greentech (Guangzhou) Co., Ltd for its working capital	(247)	
Payments of equipment relating to industrial wastewater project in Shijiazhuang	(408)	
		<u>(655)</u>
<b><u>Working capital</u></b>		
Directors' fees, remunerations, salaries and related costs	(1,259)	
Professional fees and compliance costs	(143)	
Rental, utilities and related deposits	(74)	
Course fees	(3)	
Transportations and entertainment expenses	(21)	
Communications and internet expenses	(4)	
Miscellaneous expenses	(25)	
		<u>(1,529)</u>
<b>Balance of Rights Issue proceeds (Net)</b>		<u><u>1,177</u></u>


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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**

#	Company Name	Place of Incorporation	Issued and Paid-up Capital ('000)	Capital/ additional injections during the first half year ended 30 June 2022 ('000)	Capital/ additional injections during the second half year ended 31 December 2022 ('000)	Principal Activities	Effective interest held by the Group
1	NTi Memtech Pte. Ltd. (formerly known as Nanosun Membrane Pte. Ltd.)	Singapore	S\$10,000	S\$2,800	-	Manufacture and production of membrane fibres and products	60%
2	United Greentech (Bazhou) Co., Ltd.	China	RMB20,703	RMB20,703	-	Investments and operations of sludge treatment facilities	79.98%
3	Guangdong Zhihe Energy-saving and Environmental Protection Technology Co., Ltd	China	RMB1,000	RMB1,000	-	Soil treatments, controls and maintenance services in environmental related business in respect of marine, oil and gas industries	100.0%
4	United Greentech Holdings Pte. Ltd. ("United Greentech")	Singapore	RMB80,494	-	RMB15,250	Investment holding	100.0%
5	United Greentech (Guangzhou) Co., Ltd ("Greentech Guangzhou")	China	RMB84,500	-	RMB15,000	Investment holding	100.0%
6	United Greentech (Yishui) Co., Ltd ("Greentech Yishui") <sup>1</sup>	China	RMB5,000	-	-	Investments in animal manure, sludge, and wastewater treatment projects	reduced from 46.8% to 40.9%
7	United Kaida Greentech (Shandong) Co., Ltd ("Greentech Shandong") <sup>2</sup>	China	RMB5,903	-	-	Investment holding	increased from 72.0% to 81.8%

<sup>1</sup> Upon a mutual agreement signed with the joint investment partner and approved on 3 August 2022, Greentech Shandong reduced its shareholding interest from 65.0% to 50.0% in Greentech Yishui. Accordingly, its effective interest in Greentech Yishui reduced from 46.8% to 40.9%, and the results have been equity accounted for in the accounts.

<sup>2</sup> On 28 September 2022, United Greentech acquired an additional shareholding interest of 9.8% from Qingdao Hixin Environment Co., Ltd ("青岛和信环境有限公司"), a non-controlling interest of Greentech Shandong, for a cash consideration of RMB316,000. Following the purchase, United Greentech's shareholding interest in Greentech Shandong increased from 72.0% to 81.8%.



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**Report of persons occupying managerial positions who are related to a Director, Chief Executive Officer or substantial shareholder**

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, we confirm that none of the persons occupying managerial positions in Leader Environmental Technologies Limited (“**Company**”) or any of its principal subsidiaries is a relative of a director or chief executive officer or substantial shareholder of the Company.

**Confirmation of issuer has procured undertakings from all its Directors and executive officers (in the format set out in Appendix 7.1) under Rule 720(1)**

The Company has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.1 under Rule 720(1) of the Listing Manual.

**BY ORDER OF THE BOARD**

**Leader Environmental Technologies Limited**

Ngoo Lin Fong  
Executive Director  
28 February 2022