



## **Leader Environmental Technologies Limited**

Condensed interim financial statements

For the six months and full year ended 31 December 2023

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Legends:

2HY2023	– 6 months ended 31 December 2023
2HY2022	– 6 months ended 31 December 2022
FY2023	– 12 months ended 31 December 2023
FY2022	– 12 months ended 31 December 2022
NM	– not meaningful

# Condensed Consolidated Statements of Financial Position

For the financial year ended 31 December 2023

	Note	<b>Group</b>		<b>Company</b>	
		31 December 2023	31 December 2022 (Restated)	31 December 2023	31 December 2022
		RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	3	75,577	69,277	11,464	690
Intangible assets	4	4,282	4,165	-	-
Investment in subsidiaries		-	-	112,652	109,696
Associate	22(d)	-	5,816	-	-
<b>Total non-current assets</b>		<b>79,859</b>	<b>79,258</b>	<b>124,116</b>	<b>110,386</b>
<b>Current Assets</b>					
Contract assets	5	53,789	58,152	-	-
Inventories	6	6,504	5,687	-	-
Trade and other receivables	7	15,209	19,849	15,313	1,221
Prepayments		580	137	46	24
Cash and bank balances		98,505	48,907	68,244	9,476
<b>Total current assets</b>		<b>174,587</b>	<b>132,732</b>	<b>83,603</b>	<b>10,721</b>
<b>Total assets</b>		<b>254,446</b>	<b>211,990</b>	<b>207,719</b>	<b>121,107</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Share capital	13	375,049	375,049	375,049	375,049
PRC statutory common reserve		1,168	32,917	-	-
Merger reserve		-	(454)	-	-
Currency translation reserve		2,573	1,650	-	-
Share option reserve		2,636	663	2,636	663
Capital reserve		-	21	-	-
Accumulated losses		(302,229)	(291,739)	(278,121)	(264,182)
<b>Equity attributable to owners of the Company</b>		<b>79,197</b>	<b>118,107</b>	<b>99,564</b>	<b>111,530</b>
Non-controlling interests		13,539	20,742	-	-
<b>Total equity</b>		<b>92,736</b>	<b>138,849</b>	<b>99,564</b>	<b>111,530</b>
<b>Non-Current Liabilities</b>					
Bank borrowings	8	21,879	23,542	-	-
Convertible bonds	9	88,800	-	88,800	-
Lease liabilities		425	1,996	-	132
Provision for restoration costs	10	518	488	-	-
Other liabilities	12	238	-	-	-
<b>Total non-current liabilities</b>		<b>111,860</b>	<b>26,026</b>	<b>88,800</b>	<b>132</b>
<b>Current Liabilities</b>					
Bank borrowings	8	6,610	5,188	-	-
Lease liabilities		1,388	1,801	132	331
Trade and other payables	11	10,809	10,611	17,641	7,823
Other liabilities	12	26,970	25,703	1,582	1,255
Income tax payable	17	4,073	3,812	-	36
<b>Total current liabilities</b>		<b>49,850</b>	<b>47,115</b>	<b>19,355</b>	<b>9,445</b>
<b>Total liabilities</b>		<b>161,710</b>	<b>73,141</b>	<b>108,155</b>	<b>9,577</b>
<b>Total equity and liabilities</b>		<b>254,446</b>	<b>211,990</b>	<b>207,719</b>	<b>121,107</b>

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

For the six months and financial year ended 31 December 2023

		Group		Change	Group		Change
	Note	2HY2023 RMB'000	2HY2022 (Restated) RMB'000	%	FY2023 RMB'000	FY2022 (Restated) RMB'000	%
<b>Revenue</b>	15	27,588	30,832	(10.5)	33,044	55,984	(41.0)
Cost of sales		(18,910)	(22,951)	(17.6)	(24,120)	(38,241)	(36.9)
<b>Gross profit</b>		8,678	7,881	10.1	8,924	17,743	(49.7)
Finance income		1,429	240	495.4	1,583	514	208.0
Fair value gain on convertible bond		22,005	-	NM	22,005	-	NM
Other income		1,037	1,791	(42.1)	1,194	4,630	(74.2)
Selling and distribution expenses		(750)	(537)	39.7	(1,588)	(979)	62.2
Administrative expenses		(29,896)	(22,799)	31.1	(52,036)	(37,057)	40.4
Finance costs		(6,277)	(647)	870.2	(8,620)	(992)	768.9
Write-back of impairment loss/ (impairment loss) of financial assets and contract assets (net)		(15,871)	1,056	NM	(16,619)	(1,581)	951.2
Other expenses		62	(249)	NM	(214)	(252)	(15.1)
Impairment loss on property, plant and equipment		(6,535)	-	NM	(6,535)	-	NM
Share of results of associated company		(1,518)	504	NM	(812)	504	NM
<b>Loss before taxation</b>	16	(27,636)	(12,760)	116.6	(52,718)	(17,470)	201.8
Taxation	17	(298)	(502)	(40.6)	(298)	(1,784)	(83.3)
<b>Loss after taxation</b>		(27,934)	(13,262)	110.6	(53,016)	(19,254)	175.4
<b>Other comprehensive income, after tax</b>							
<b><u>Items that may be reclassified subsequently to profit or loss:</u></b>							
Currency translation differences		54	1,712	(96.8)	923	2,087	(55.8)
<b><u>Items that will not be reclassified subsequently to profit or loss:</u></b>							
Currency translation differences		(3)	1,142	NM	576	1,392	(58.6)
Other comprehensive loss after tax		51	2,854	(98.2)	1,499	3,479	(56.9)
<b>Total comprehensive loss for the year</b>		(27,883)	(10,408)	167.9	(51,517)	(15,775)	226.6
<b>Loss attributable to:</b>							
- Owners of the Company		(19,630)	(10,681)	83.8	(41,806)	(15,944)	162.2
- Non-controlling interests		(8,304)	(2,581)	221.7	(11,210)	(3,310)	238.7
		(27,934)	(13,262)	110.6	(53,016)	(19,254)	175.4
<b>Total comprehensive loss attributable to:</b>							
- Owners of the Company		(19,576)	(8,969)	118.3	(40,883)	(13,857)	195.0
- Non-controlling interests		(8,307)	(1,439)	477.3	(10,634)	(1,918)	454.4
		(27,883)	(10,408)	167.9	(51,517)	(15,775)	226.6
<b>Loss per share</b>							
Basic (RMB in cents)	19	(1.28)	(0.70)		(2.72)	(1.04)	
Diluted (RMB in cents)	19	(1.28)	(0.70)		(2.72)	(1.04)	

# Condensed Consolidated Statements of Changes in Equity

For the financial year ended 31 December 2023

The Group	Attributable to owners of the Company							Total attributable to owners of the Company	Non- controlling interests	Total equity
	Share capital	PRC Statutory common reserve	Merger reserve	Share option reserve	Currency translation reserve	Capital reserve	Accumulated losses			
At 1 January 2023	375,049	32,917	(454)	663	1,650	21	(291,739)	118,107	20,742	138,849
Loss for the year	-	-	-	-	-	-	(41,806)	(41,806)	(11,210)	(53,016)
Other comprehensive profit	-	-	-	-	923	-	-	923	576	1,499
Total comprehensive profit/(loss) for the year	-	-	-	-	923	-	(41,806)	(40,883)	(10,634)	(51,517)
<b>Transactions with owners, recognised directly in equity</b>										
Capital contribution from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	3,942	3,942
Derecognition of non-controlling interest upon strike-off of a subsidiary	-	-	-	-	-	-	-	-	(511)	(511)
Recognition of share-based payments	-	-	-	1,973	-	-	-	1,973	-	1,973
Disposal/Deregistration of subsidiaries	-	(31,749)	454	-	-	(21)	31,316	-	-	-
Total transactions with owners	-	(31,749)	454	1,973	-	(21)	31,316	1,973	3,431	5,404
At 31 December 2023	375,049	1,168	-	2,636	2,573	-	(302,229)	79,197	13,539	92,736

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

For the financial year ended 31 December 2023

The Group	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			
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 Statement of Changes in Equity (Cont'd)

For the financial year ended 31 December 2023

The Company	Share capital RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2023	375,049	663	(264,182)	111,530
Loss for the year	-	-	(13,939)	(13,939)
Other comprehensive loss	-	-	-	-
Total comprehensive loss for the year	-	-	(13,939)	(13,939)
<b>Transactions with owners, recognised directly in equity</b>				
Recognition of share based payments	-	1,973	-	1,973
Total transactions with owners	-	1,973	-	1,973
At 31 December 2023	<b>375,049</b>	<b>2,636</b>	<b>(278,121)</b>	<b>99,564</b>
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

# Condensed Consolidated Statement of Cash Flows

For the financial year ended 31 December 2023

	<b>FY2023</b>	<b>Group</b>	<b>FY2022</b>
	<b>RMB'000</b>		<b>RMB'000</b>
			<b>(Restated)</b>
<b>Cash Flows from Operating Activities</b>			
Loss before taxation	(52,718)		(17,470)
Adjustments for:			
Depreciation of property, plant and equipment	7,895		5,327
Amortisation of intangible assets	252		192
Impairment loss on property, plant and equipment	6,535		-
Property, plant and equipment written off	24		145
Goodwill written-off	-		5
Share options expenses	1,973		663
Loss arising from loss of control in a subsidiary	-		94
Loss arising from dissolution of an associate	4		-
Gain arising from disposal of a subsidiary	(688)		-
Loss arising from deregistration of a subsidiary	76		-
Impairment loss on financial assets and contract assets	16,619		2,840
Impairment loss on financial assets and contract assets no longer required	-		(1,259)
Gain on re-measurements/termination of lease liabilities	(6)		(7)
Fair value gain on convertible bonds	(22,005)		-
Exchange loss on convertible bonds	544		-
Share of after-tax loss (profit) of associate	812		(504)
Government grant income - amortised	(33)		-
Finance costs	8,620		992
Finance income	(1,583)		(514)
Operating loss before working capital changes	(33,679)		(9,496)
Increase in contract assets	(11,930)		(21,780)
Increase in inventories	(558)		(4,900)
Increase in trade and other receivables	(11,015)		(3,659)
Increase in prepayments	(442)		(305)
Increase in trade and other payables	8,718		221
Decrease in other liabilities	(1,837)		6,253
Cash used in operations	(50,743)		(33,666)
Income tax paid – net of refunds	(30)		(41)
Net cash used in operating activities	(50,773)		(33,707)
<b>Cash Flows from Investing Activities</b>			
Acquisition of property, plant and equipment	(10,504)		(5,305)
Additions to intangible assets	(143)		(2,374)
Interest income received	1,448		514
Cash outflow arising from disposal of a subsidiary - net	(202)		-
Proceeds from dissolution of an associate	5,000		-
Cash outflow arising from loss of control in subsidiary	-		(4,583)
Acquisition of subsidiary, net of cash	-		(2,922)
Acquisition of additional interest in subsidiary	-		(316)
Net cash used in investing activities	(4,401)		(14,986)
<b>Cash Flows from Financing Activities</b>			
Proceeds from issuance of convertible bonds	105,787		-
Proceeds from bank borrowings	9,534		3,239
Repayments of bank borrowings	(10,853)		(2,875)
Capital contributions from non-controlling shareholders of subsidiaries	3,942		4,386
Return of capital contribution to non-controlling shareholder after strikeoff of a subsidiary	(587)		-
Repayments of lease liabilities	(1,771)		(1,439)
Interest paid	(1,688)		(816)
Increase in bank deposits pledged	(972)		(2,341)
Proceeds from government grant	332		-
Repayments to a related party	-		(524)
Net cash generated from (used in) financing activities	103,724		(370)



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

For the financial year ended 31 December 2023

	<b>FY2023</b>	<b>Group</b>	<b>FY2022</b>
	<b>RMB'000</b>		<b>RMB'000</b>
			(Restated)
Net increase/(decrease) in cash and cash equivalents	<b>48,550</b>		(49,063)
Effects of exchange rate changes on the cash balances held in foreign currencies	<b>(86)</b>		229
Cash and cash equivalents at beginning of year	<b>43,303</b>		92,137
Cash and cash equivalents at end of year	<b>91,767</b>	A	<b>43,303</b>

## 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:

	<b>FY2023</b>	<b>Group</b>	<b>FY2022</b>
	<b>RMB'000</b>		<b>RMB'000</b>
Cash and bank balances	<b>98,505</b>		48,907
Less:			
Deposits pledged to secure bank borrowing	<b>(3,976)</b>		(3,604)
Deposit placed as performance bond	<b>(2,762)</b>		(2,000)
Cash and cash equivalents	<b>91,767</b>		<b>43,303</b>

Deposits pledged of RMB4.0 million (31 December 2022: RMB3.6 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 RMB2.8 million (31 December 2022: RMB2.0 million) was for the Group to undertake the sludge treatment project in Bazhou city and sludge disposal project in Suining City.

## B Cash flow analysis

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

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

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

# 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 2023 and for the financial year ended 31 December 2023 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 2023 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 2023.

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 2022.

The accounting policies and methods of computation adopted in the 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 interim 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 Condensed Consolidated Interim 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 2023. The Group and Company did not have to change its accounting policies nor made any retrospective adjustments as a result of adopting these standards.

During the year, the Group issued convertible bonds ("CB") that bear zero coupon interest. Notwithstanding this, the Group has imputed interest to fair value the liability component of the convertible bonds ("CB") in accordance with SFRS(I) 9. Please refer to Note 9 of the condensed consolidated interim financial statements for further details.

### 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 interim financial statements as at and for the year ended 31 December 2022.

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 FY2022 annual report, and there are no material deviations for the financial year ended 2023.

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

### Acquisitions and disposals

During the year ended 31 December 2023, the Group:

- (i) acquired assets with an aggregate cost of RMB18,827,000 (31 December 2022: RMB18,031,000). A balance of RMB8,323,000 (31 December 2022: RMB12,726,000) remained unpaid as at 31 December 2023.

Furthermore, there were additions in PPE of nil (31 December 2022: RMB4,190,000) resulting from the acquisition of a subsidiary;

- (ii) acquired right-of-use assets of RMB Nil (31 December 2022: RMB 3,749,000);
- (iii) included reclassification from advances to a related party to PPE of Nil (31 December 2022: RMB7,986,000);
- (iv) wrote-off PPE with carrying amount of RMB 24,000 (31 December 2022: RMB145,000);
- (v) recognised an impairment loss of RMB6,535,000 (31 December 2022: RMB Nil) relating to leasehold buildings and certain equipment and machineries;
- (vi) derecognised right-of-use assets of RMB261,000 (31 December 2022: RMB Nil) due to early termination of lease;
- (vii) derecognised certain PPE amounting to RMB 164,000 (31 December 2022: Nil) arising from the disposal of a subsidiary.
- (viii) recognised provision for restoration costs of RMB Nil (31 December 2022: RMB65,000); and
- (ix) recognised a positive foreign exchange realignment movement of RMB2,493,000 (31 December 2022: RMB4,691,000) arising from currency translation differences.

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

### 4. Intangible assets

<u>Group</u>	<b>Patents</b>	<b>Software development costs</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>As at 1.1.2023</b>			
Opening carrying amount	1,791	2,374	4,165
Additions	-	369	369
Less: amortisation charge	(252)	-	(252)
<b>As at 31.12.2023</b>	<u>1,539</u>	<u>2,743</u>	<u>4,282</u>

#### **Patents:**

(a) Two patented sludge treatment technologies, which enhance the Group's ability to tender and undertake sludge treatment projects, with a carrying value of RMB1,257,000 (31 December 2022: RMB1,436,000), are amortised over a 10-year period. As at 31 December 2023, the patents have a remaining tenure of 84 months (31 December 2022: 96 months).

(b) 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, with a carrying value of RMB 282,000 (31 December 2022: RMB 354,000), are amortised over a 5-year period. As at 31 December 2023, the patents have a remaining tenure of 46 months (31 December 2022: 58 months).

**Software development costs:** These 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. The software is still under development as at the end of the reporting period and hence there are no amortisation charge.

During the year ended 31 December 2023, the Group acquired intangible assets with an aggregate cost of RMB369,000 (31 December 2022: RMB2,374,000) of which an amount of RMB226,000 (31 December 2022: RMB Nil) remained unpaid as at 31 December 2023.

#### **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 2023 as the recoverable amounts were in excess of the carrying amounts.

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

### 5. Contract assets

Contract assets comprise the following:

	31 December 2023 RMB'000	Group 31 December 2022 RMB'000 (Restated)
Engineering contracts	70,692	58,755
Treatment plant under construction <sup>1</sup>	-	-
	<u>70,692</u>	<u>58,755</u>
Less: loss allowance	<u>(16,903)</u>	<u>(603)</u>
	<u>53,789</u>	<u>58,152</u>

The engineering contracts comprise mainly Shijiazhuang project of RMB12,974,000 (31 December 2022: RMB15,550,000), Bazhou project of RMB46,375,000 (31 December 2022: RMB42,880,000) and other sludge treatment and AIWater projects of RMB11,343,000 (31 December 2022: RMB325,000). The Shijiazhuang and Bazhou projects were recognised based on the percentage work completed, using the input method, but were not billed at the reporting date.

Subsequent to year end, the Group had invoiced and collected cash receipts of RMB10,989,000 from the Shijiazhuang project.

During the full year ended 31 December 2023, there was allowance for impairments recognised on the contract assets amounting to RMB16,304,000 (30 June 2023: RMB682,000) based on the application of the expected credit loss model.

With the slowdown in the China economy, the Group has revised certain assumptions used in the life-time expected credit loss model used in prior year to reflect the increase in credit risk. The Group applied the revised 12-month ECL model in assessing the loss allowance for the contracts assets during the current reporting period. Changes to the key assumptions are as below:

Contract assets	Group	
	Expected Credit Loss rates applied	
Aging category	FY2023	FY2022
91-180 days	4%	0.1%
181-365 days	16%	0.1%
More than 1 year but less than 2 years	40%	4.8%

<sup>1</sup> In 2022, the treatment plant under construction relates to Bazhou project as at the end of the reporting period. A contract asset of RMB47,575,000 was recognised over the period of construction in accordance with the SFRS(I) INT 12. Any amount previously recognised as a contract asset will be reclassified to service concession receivables once construction is completed, depending on the nature of the concession agreement signed. During the year, the PPP project has been withdrawn which triggered a prior year adjustment (Note 26) to certain balances on the financial statements in FY2022.

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

### 6. Inventories

	<b>FY2023</b> <b>RMB'000</b>	<u>Group</u>	<b>FY2022</b> <b>RMB'000</b>
Raw materials, at cost	5,322		5,622
Finished goods	-		51
Work-in-progress	1,182		14
	<u>6,504</u>		<u>5,687</u>
<b>Income statement:</b>			
Cost of inventories included in cost of sales	<u>196</u>		<u>66</u>

### 7. Trade and other receivables

	<u>Group</u>		<u>Company</u>	
	<b>FY2023</b> <b>RMB'000</b>	<b>FY2022</b> <b>RMB'000</b>	<b>FY2023</b> <b>RMB'000</b>	<b>FY2022</b> <b>RMB'000</b>
Trade and other receivables	9,346	6,205	-	-
Allowance for impairments	(240)	(3,508)	-	-
Net trade receivables	<u>9,106</u>	<u>2,697</u>	-	-
Retention receivables	-	2,148	-	-
Grant receivables	-	34	-	18
Interest receivables	136	-	136	-
Other receivables				
- Amounts due from subsidiaries	-	-	15,075	755
- Advances to trade suppliers	-	2,093	-	-
- Advances to non-trade suppliers	195	1,775	-	354
- Advances to related party (Note 18)	-	582	-	-
- Tender and security deposits	-	8,069	-	-
- Advances to employees	-	34	-	-
- VAT and other tax receivables	5,020	1,616	-	-
- Others	752	801	102	94
	<u>5,967</u>	<u>14,970</u>	<u>15,177</u>	<u>1,203</u>
Total	<u>15,209</u>	<u>19,849</u>	<u>15,313</u>	<u>1,221</u>

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 2HY2023, the Group recognised allowance for impairment loss on financial assets relating to advances to trade and non-trade suppliers amounting to Nil (2HY2022: RMB2,332,000) in aggregate. This was in accordance with the provision matrix under the expected credit loss model.

### 8. Bank borrowings

	<b>FY2023</b> <b>RMB'000</b>	<u>Group</u>	<b>FY2022</b> <b>RMB'000</b>
<b><u>Non-current liabilities</u></b>			
Bank loan – secured	<u>21,879</u>		<u>23,542</u>
<b><u>Current liabilities</u></b>			
Bank loans – secured	3,810		2,388
Bank loans – unsecured	<u>2,800</u>		<u>2,800</u>
Total	<u>6,610</u>		<u>5,188</u>
Total bank borrowings	<u>28,489</u>		<u>28,730</u>

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

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

The bank loans obtained by a 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 RMB3,976,000 (31 December 2022:RMB3,604,000) 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 secured bank loan is denominated in SGD and effective interest rate is 5.55% (31 December 2022: 3.44%) per annum.

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 RMB32.3 million). During the financial year ended 31 December 2023, there are no breaches of bank covenants by the subsidiary.

The unsecured bank loan is denominated in RMB and has effective interest rates ranging from 4.13% to 4.35% per annum. The carrying values of the Group's term loans approximate their fair values.

### 9. Convertible Bonds

	<b>Group and Company</b>	
	<b>FY2023</b>	<b>FY2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Debt host liability component, at amortised cost	<b>87,376</b>	-
Derivative liability component, at fair value	<b>1,424</b>	-
Total	<b>88,800</b>	-

On 28 February 2023, the Company obtained shareholders' approval in respect of an aggregate principal amount of up to USD15 million Convertible bonds ("CB") with an initial conversion price of S\$0.10 per share. On 2 March 2023 and 31 July 2023, the Company completed the first and second tranche of the CB amounting to USD15 million and these are potentially convertible into 214,260,000 of new ordinary shares.

The CB comprises a derivative liability component that is measured at fair value for financial reporting purposes. Management engaged a third-party qualified valuer to perform the valuation and works closely with the valuer to determine the appropriate valuation techniques and inputs for the valuation. In estimating the fair value of the derivative liability component, market-observable data is used to the extent it is available.

	<b>Group and Company</b>	
	<b>FY2023</b>	<b>FY2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Nominal value of CB issued	<b>105,787</b>	-
Less: transaction costs	<b>(2,294)</b>	-
Net value of CB issued	<b>103,493</b>	-
Foreign exchange loss	<b>544</b>	-
Cumulative interest accrued	<b>6,462</b>	-
Amortisation of bond discount	<b>306</b>	-
Fair value adjustment on CB	<b>(22,005)</b>	-
Debt host and derivative liability component at end of year	<b>88,800</b>	-

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

### 9. Convertible Bonds (cont'd)

The interest accrued is calculated by applying an effective interest rate of 12.51% (31 December 2022: Nil) per annum for the first tranche and 13.61% (31 December 2022: Nil) per annum for the second tranche, to the liability component. Management estimated that the carrying amount of the liability component of the CB as at 31 December 2023 approximates its fair value.

Included in the debt host liability component of the convertible bond is an unamortised bond discount of RMB3,330,000 (31 December 2022: Nil) which will be recognised over the remaining term of the convertible bond.

### 10. Provision for restoration costs

	Group	
	FY2023 RMB'000	FY2022 RMB'000
Balance at beginning of year	488	377
Provision for the year	-	65
Unwinding interest	12	10
Currency translation differences	18	36
Balance at end of year	518	488
<b>Presented as:</b>		
Non-current	518	488

The provision during the financial year ended 31 December 2022 relates to the estimated costs 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.

### 11. Trade and other payables

	Group		Company	
	FY2023 RMB'000	FY2022 RMB'000	FY2023 RMB'000	FY2022 RMB'000
Trade payables	10,364	7,556	-	-
Other payables	215	2,080	55	507
VAT and other tax payables	35	941	-	-
Amounts due to a related party	195	34	-	-
Amounts due to subsidiaries	-	-	17,586	7,316
Total	10,809	10,611	17,641	7,823

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



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

### 12. Other liabilities

	<u>Group</u>		<u>Company</u>	
	FY2023 RMB'000	FY2022 RMB'000 (Restated)	FY2023 RMB'000	FY2022 RMB'000
Accrued purchases	18,738	22,559	-	-
Accrued salaries and related expenses	1,501	1,521	374	246
Accrued operating expenses	2,160	1,579	1,208	1,009
Accrued capital expenditure	4,503	-	-	-
Accrued welfare expenses	-	44	-	-
Deferred capital grant	306	-	-	-
Total	27,208	25,703	1,582	1,255

  

	<u>Group</u>		<u>Company</u>	
	FY2023 RMB'000	FY2022 RMB'000	FY2023 RMB'000	FY2022 RMB'000
<b>Presented as:</b>				
Current	26,970	25,703	1,582	1,255
Non-current	238	-	-	-
Total	27,208	25,703	1,582	1,255

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, sludge treatment project in Bazhou city (Note 26) and pilot sludge treatment plant.

### 13. Share capital

	<u>FY2023</u>		<u>Company</u>	
	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000
At beginning and end of year	1,534,878,360	375,049	1,534,878,360	375,049

The Company did not hold any treasury shares as at 31 December 2023 and 31 December 2022.

The Company's subsidiaries did not hold any shares in the Company as at 31 December 2023 and 31 December 2022.

On 4 March 2022 and 13 March 2023, the Company has granted options to both Directors and Executives of the Group to subscribe for the Company's ordinary shares. The Company had also granted share awards to a Executive of the Group. Please refer to the announcements dated 4 March 2022 and 13 March 2023 on the SGXNet for the details.

#### Outstanding shares

- Share options to subscribe for 27,400,000 ordinary shares (31 December 2022: 12,350,000) were outstanding under the Leader Environmental Technologies Share Option Scheme ("LET ESOS") and are to be vested over one to two-year periods commencing from 4 March 2022 and 13 March 2023 respectively;
- Share awards of Nil (31 December 2022: Nil) were outstanding under the Leader Environmental Technologies Share Award Plan as the share awards were forfeited by an Executive before the service condition was fulfilled;
- First tranche of the Convertible bonds ("CB") of USD6 million issued on 2 March 2023 has a maturity date of 3 years, and an extension option by the Company of further 2 years. The first tranche of the CB potentially can be convertible into 85,704,000 new shares; and
- Second tranche of the CB of USD9 million issued on 31 July 2023 has a maturity date of 3 years, and an extension option by the Company of further 2 years. The second tranche of the CB potentially can be convertible into 128,556,000 new shares.

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

### 14. Seasonal operations

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

### 15. Segment and revenue information

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

- (i) Engineering solution services in respect of sludge and water treatment;
- (ii) AIWater (i.e. artificial intelligence technology in water management) and sludge treatment services;
- (iii) Manufacturing of high-performance membrane products; and
- (iv) Others.

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

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.

Group financing is allocated to operating segments accordingly to the revenue generated.

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.

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

## a) Reportable segments

Group	2HY2023					Total RMB'000
	Engineering solution services RMB'000	AIWater and sludge treatment services RMB'000	Manufacturing of high- performance membrane products RMB'000	Others RMB'000	Elimination RMB'000	
<b>Revenue</b>						
Sales to external customers	22,577	5,011	-	-	-	27,588
Inter-segment sales	12,615	416	-	-	(13,031)	-
Total	35,192	5,427	-	-	(13,031)	27,588
<b>Results</b>						
Segmental results	3,346	(3,314)	(2,373)	(14,586)	-	(16,927)
Fair value gain from convertible bond	-	-	-	22,005	-	22,005
Impairment loss on non-financial assets	-	-	(6,535)	-	-	(6,535)
Impairment loss on financial assets and contract assets	(15,871)	-	-	-	-	(15,871)
<b>EBITDA*</b>	(12,525)	(3,314)	(8,908)	7,419	-	(17,328)
Depreciation and amortisation	(630)	(301)	(2,169)	(842)	-	(3,942)
Finance costs	(156)	(4)	(678)	(5,439)	-	(6,277)
Finance income	(17)	22	1	1,423	-	1,429
Share of results of an associate	-	(1,518)	-	-	-	(1,518)
<b>Loss before taxation</b>	(13,328)	(5,115)	(11,754)	2,561	-	(27,636)
Taxation	(298)	-	-	-	-	(298)
<b>Loss for the period</b>	(13,626)	(5,115)	(11,754)	2,561	-	(27,934)

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

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

## a) Reportable segments

Group	2HY2022				
	Engineering solution services	AIWater and sludge treatment services	Others	Elimination	Total
	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000	RMB'000 (Restated)
Revenue					
Sales to external customers	30,098	393	341	-	30,832
Inter-segment sales	298	-	-	(298)	-
Total	30,396	393	341	(298)	30,832
Results					
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
EBITDA	466	322	(10,240)	-	(9,452)
Depreciation and amortisation	(785)	-	(2,620)	-	(3,405)
Finance costs	(83)	-	(564)	-	(647)
Finance 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)
(Loss)/profit for the year	(405)	618	(13,475)	-	(13,262)

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

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

#### a) Reportable segments

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

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

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

#### a) Reportable segments

Group	FY2022				
	Engineering solution services	AIWater and sludge treatment services	Others	Elimination	Total
	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000	RMB'000 (Restated)
Revenue					
Sales to external customers	53,943	1,179	862	-	55,984
Inter-segment sales	298	-	-	(298)	-
Total	54,241	1,179	862	(298)	55,984
Results					
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
EBITDA*	3,016	1,278	(16,271)	-	(11,977)
Depreciation and amortisation	(1,186)	-	(4,333)	-	(5,519)
Finance costs	(121)	-	(871)	-	(992)
Finance income	354	6	154	-	514
Share of results of associated company	-	504	-	-	504
Profit/(loss) before taxation	2,063	1,788	(21,321)	-	(17,470)
Taxation	(1,503)	(208)	(73)	-	(1,784)
Profit/(loss) for the year	560	1,580	(21,394)	-	(19,254)

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

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

#### (b) Geographical information

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

	<b>Group</b>	
	<b>FY2023</b> <b>RMB'000</b>	<b>FY2022</b> <b>RMB'000</b> (Restated)
PRC	<b>10,547</b>	55,984
Taiwan	<b>22,497</b>	-
	<b>33,044</b>	<b>55,984</b>

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

	<b>Group</b>	
	<b>FY2023</b> <b>RMB'000</b>	<b>FY2022</b> <b>RMB'000</b> (Restated)
Singapore <sup>(1)</sup>	<b>62,956</b>	58,900
PRC	<b>16,903</b>	20,358
	<b>79,859</b>	<b>79,258</b>

# included the intangible assets amounting to RMB4,282,000 (31 December 2022 – RMB4,165,000).

<sup>(1)</sup> included non-current assets of RMB51,831,000 (31 December 2022: RMB58,210,000), belonging to a subsidiary, whose operation is classified under the operating segment – manufacturing of high performance membrane.

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

Revenue of RMB22.5 million is derived from one major Taiwan customer, and is attributable to the engineering segment for the financial year ended 31 December 2023.

In the same corresponding period of last year, the revenue of RMB47.2 million is derived from one major PRC customer.

#### Disaggregation of Revenue

Revenue by significant categories and timing of revenue recognition are as follows:

	<b>2HY2023</b> <b>RMB'000</b>	<b>2HY2022</b> <b>RMB'000</b> (Restated)	<b>Group</b>	
			<b>FY2023</b> <b>RMB'000</b>	<b>FY2022</b> <b>RMB'000</b> (Restated)
<b>Over time:</b>				
Engineering revenue	<b>22,577</b>	30,098	<b>26,990</b>	53,943
Treatment revenue	<b>5,011</b>	393	<b>5,969</b>	1,179
<b>At a point in time:</b>				
Sale of membrane products	-	341	<b>85</b>	862
	<b>27,588</b>	<b>30,832</b>	<b>33,044</b>	<b>55,984</b>

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

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

#### Disaggregation of Revenue

A breakdown of sales:

	FY2023 RMB'000	FY2022 RMB'000 (Restated)	Increase/ (Decrease) %
Sales reported for the first half year	5,456	25,152	(361.0%)
Operating loss after tax before deducting non-controlling interests reported for first half year	(25,082)	(5,992)	318.6%
Sales reported for second half year	27,588	30,832	(3.2%)
Operating loss after tax before deducting non-controlling interests reported for second half year	(27,934)	(13,262)	66.3%

### 16. Loss before taxation

This includes the following charges (credits):

	Group 6 Months Ended		Group 12 Months Ended	
	2HY2023 RMB'000	2HY2022 RMB'000	FY2023 RMB'000	FY2022 RMB'000
Government grant income	(115)	(93)	(177)	(463)
Share-based payment expenses	1,016	395	1,973	663
Impairment loss on financial assets and contract assets	15,871	(56)	16,619	2,840
Impairment loss on financial assets and contract assets no longer required	-	(1,000)	-	(1,259)
Impairment loss on property, plant and equipment	6,535	-	6,535	-
Fair value gain from convertible bond	(22,005)	-	(22,005)	-
Bad debts written off	-	7	-	7
PPE written off	-	145	-	145
Interest income	(1,429)	(240)	(1,583)	(514)
Interest on lease liabilities	53	111	152	166
Interest on bank borrowings	837	530	1,688	816
Interest on restoration costs	6	6	12	10
Interest on convertible bonds	5,381	-	6,768	-
Depreciation of property, plant and equipment	3,817	3,302	7,895	5,327
Amortisation of intangible assets	125	103	252	192
Goodwill written-off	-	-	-	5
Loss arising from loss of control in subsidiary	-	94	-	94
Gain arising from disposal of subsidiary	(688)	-	(688)	-
Loss arising from deregistration of subsidiary	76	-	76	-
Loss arising from voluntary dissolution of joint investment by an associated company	4	-	4	-
Exchange gain	(234)	(1,231)	(263)	(2,114)
Short term operating lease expenses	263	117	525	232
Gain on re-measurement of lease liabilities	-	-	-	(7)



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

### 16. Loss before taxation (cont'd)

	Group 6 Months Ended		Group 12 Months Ended	
	2HY2023 RMB'000	2HY2022 RMB'000	FY2023 RMB'000	FY2022 RMB'000
<b><u>Directors' remunerations</u></b>				
- Directors' fees	562	528	1,110	1,098
- Salaries and short-term benefits	1,872	1,647	3,433	3,193
- Contributions to defined contribution plans	88	69	144	138
- Stocks options granted	251	82	407	138
<b><u>Key Management Personnel (other than Directors)</u></b>				
- Salaries and short-term benefits	2,135	3,204	5,433	4,961
- Contributions to defined contribution plans	101	296	410	529
- Stocks options granted	94	254	549	427
<b><u>Other employees (other than Directors and Key Management Personnel)</u></b>				
- Salaries and short-term benefits	13,063	6,104	22,666	10,962
- Contributions to defined contribution plans	1,853	1,174	4,189	2,187
- Stocks options granted	671	59	1,017	98

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

Included under salaries and short term benefits for "Other employees" is an amount of RMB 3.9 million relating to research & development expenses arising from the collaboration with the Chinese Academy of Science that mainly arose from salaries and related staff cost.

### 17. 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 consolidated statement of profit or loss are:

	Group 6 Months Ended		Group 12 Months Ended	
	2HY2023 RMB'000	2HY2022 RMB'000	FY2023 RMB'000	FY2022 RMB'000
Current year taxation	298	502	298	1,747
Under provision in respect of previous period	-	-	-	37
Income tax expense	298	502	298	1,784

United Greentech (Tianjin) Co., Ltd ("Greentech Tianjin") has been certified as a high-tech enterprise by the relevant tax authority and is entitled to a preferential corporate tax rate of 15%.

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

### 18. 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:

	<b>Group</b>	
	<b>FY2023</b> <b>RMB'000</b>	<b>FY2022</b> <b>RMB'000</b>
Capitalisation of advance/loan from a related party into share capital of a subsidiary*	-	(1,025)
Outsourcing of services from a related party*	-	413
Treatment income <sup>1</sup>	-	(1,179)
Income from provision of manpower to associate's non-controlling interest companies <sup>2</sup>	<b>(313)</b>	(1,218)
Income from provision of manpower and technical services to associate by a subsidiary <sup>3</sup>	<b>(576)</b>	-
Provision of manpower to associate – Yishui	<b>478</b>	-

\* 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 (“NCI”) of United Greentech (Yishui) Co.,Ltd (“**Yishui**”), which was an associate of the Group.

<sup>2</sup> The provision of manpower support was provided to two PRC companies which are wholly-owned by the NCI of Yishui, which was an associate of the Group.

<sup>3</sup> The provision of manpower support and technical services was provided by United Greentech Tianjin Co. Ltd to Yishui.

### 19. Loss per share

The loss per share is calculated based on the consolidated 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 and year ended 31 December:

	<b>Group</b> <b>6 Months Ended</b>		<b>Group</b> <b>12 Months Ended</b>	
	<b>2HY2023</b>	<b>2HY2022</b>	<b>FY2023</b>	<b>FY2022</b>
<b><u>Loss</u></b>				
Loss attributable to equity holders of the Company ( <b>RMB'000</b> )	<b>(19,630)</b>	(10,681)	<b>(41,806)</b>	(15,944)
<b><u>Number of shares</u></b>				
Weighted average number of ordinary shares in issue for purpose of basic earnings per share	<b>1,534,878,360</b>	1,534,878,360	<b>1,534,878,360</b>	1,534,878,360
Loss per share ( <b>RMB cents</b> )				
- basic	<b>(1.28)</b>	(0.70)	<b>(2.72)</b>	(1.04)
- diluted	<b>(1.28)</b>	(0.70)	<b>(2.72)</b>	(1.04)

The computation of diluted loss per share did not assume the effect on the conversion of the Convertible bonds and outstanding share options and awards as they have anti-dilutive effect on the loss per share calculation.

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

### 20. Net Asset Value

	<u>Group</u>		<u>Company</u>	
	FY2023 RMB	FY2022 RMB	FY2023 RMB	FY2022 RMB
Net asset value per ordinary share (RMB cents per share)	5.16	7.69	6.49	7.27

Net asset value of the Group and Company as at 31 December 2023 and 31 December 2022 is computed based on 1,534,878,360 ordinary shares in issue at the end of each of the financial year respectively.

### 21. Dividends

No dividend in has been proposed by the Directors. The Group needs to preserve its cash for working capital requirements.

### 22. Disposal, deregistrations/strike-offs and voluntary dissolution of subsidiaries and associate

#### a. Disposal of Jilin Anjie Environmental Engineering Co., Ltd

During the second half of FY2023, as announced on the SGXNet on 21 September 2023, the Group disposed 100% of the issued share capital of Jilin Anjie Environmental Engineering Co., Ltd (“**Jilin Anjie**”) (吉林安洁环保有限公司) for a consideration of RMB6,645,000.

Details of the disposal are as follows:

	FY2023 RMB'000
Property, plant and equipment	164
Trade and other receivables	13,232
Cash and cash equivalents	2
Total assets	<u>13,398</u>
Trade and other payables	(4,846)
Lease liabilities	(99)
Contract liabilities	(13)
Other liabilities	(2,483)
Total liabilities	<u>(7,441)</u>
<b>Net assets disposed of</b>	<u>5,957</u>
<b>Cash outflow arising from disposal:</b>	
Net assets disposed of	5,957
Gain on disposal	688
Sales proceeds	<u>6,645</u>
Less: Amount owing by the Company to Jilin Anjie*	(6,845)
Less: Cash and cash equivalents in subsidiary disposed of	<u>(2)</u>
<b>Net cash outflow on the disposal*</b>	<u>(202)</u>

\*The amount owing by the Company to Jilin Anjie of RMB 6,845,527 was used to offset the sales proceeds from disposal. Following the completion of the transfer of Jilin Anjie shares to the purchaser, the final settlement of RMB 200,000 was paid by the Group to the purchaser to complete the transaction.

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

### 22. Disposal, deregistrations/strike-offs and voluntary dissolution of subsidiaries and associate (cont'd)

#### b. Deregistration of Guangdong Zhihe Energy-saving and Environmental Protection Technology Co., Ltd

During the second half of FY2023, as announced on the SGXNet on 22 September 2023, the Group has deregistered Guangdong Zhihe Energy-saving and Environmental Protection Technology Co., Ltd (广东省致和节能环保科技有限公司), a dormant subsidiary that is wholly-owned by the Company.

#### c. Deregistration of United Kaida Greentech (Shandong) Co., Ltd.

During the second half of FY2023, as announced on the SGXNet on 23 November 2023, the Group has deregistered United Kaida Greentech (Shandong) Co., Ltd (联合凯达环境科技(山东)有限公司), an investment holding company that the Company holds effective equity interest of 81.8%.

The Group and the Company recognised a loss on deregistration of the subsidiary amounting to RMB 0.8 million.

#### d. Voluntary dissolution of joint investment by an associated company

During the second half of FY2023, as announced on the SGXNet on 7 November 2023, the Group has voluntarily dissolved its joint investment with the local government of Yishui (沂水) county, Linyi (临沂) city, Shandong (山东) province.

UG Yishui, is 50:50 jointly owned by United Kaida Greentech (Shandong) Co., Ltd. (“联合凯达环境科技(山东)有限公司” or “UG Kaida”) and the Local Government of Yishui. UG Kaida is an 81.8%-owned subsidiary of the Group through its wholly-owned United Greentech Holdings Pte. Ltd. The Company’s effective shareholding interest in UG Yishui is 40.9%. UG Yishui was incorporated as a joint investment with the Local Government of Yishui to invest in two Transfer-Operate-Transfer (“TOT”) projects for treatment of animal manure, one Build-Operate-Transfer (“BOT”) project to treat municipal sludge and another Operation and Maintenance (“O&M”) project to manage an industrial wastewater plant.

As the joint investment has not proceeded as planned, the Company proposed a Voluntary Dissolution of the joint investment with the Local Government of Yishui to recover its investment returns. The proceeds from the Voluntary Dissolution was received in cash. The voluntary dissolution by the associated company has resulted in the recognition of a loss of RMB4,000, calculated as follows:

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

### 23. Fair value measurement

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

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

	<u>Group</u>		<u>Company</u>	
	FY2023 RMB'000	FY2022 RMB'000 (Restated)	FY2023 RMB'000	FY2022 RMB'000
<b>Financial assets</b>				
<u>At amortised cost:</u>				
Trade and other receivables* (excluding VAT and other tax receivables)	10,189	15,558	15,313	1,221
Cash and bank balances	98,505	48,907	68,244	9,476
	<b>108,694</b>	64,465	<b>83,557</b>	10,697
<b>Financial liabilities</b>				
<u>At amortised cost:</u>				
Convertible bonds – debt host liability	87,376	-	87,376	-
Trade and other payables (excluding VAT and other tax payables)	10,774	9,670	17,641	7,823
Bank borrowings	28,489	28,730	-	-
Lease liabilities	1,813	3,797	132	463
Provision for restoration costs	518	488	-	-
Other liabilities (excluding deferred capital grants)	26,596	25,703	1,582	1,255
	<b>155,566</b>	68,388	<b>106,731</b>	9,541
<u>At fair value through profit or loss:</u>				
Embedded derivative for convertible bond	1,424	-	1,424	-

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

### 24. Commitments

Capital commitments contracted for but not provided for:

	<u>Group</u>	
	FY2023 RMB'000	FY2022 RMB'000
Build-Operate-Transfer project in respect of municipal sludge treatment in Jinghai District, Tianjin City	-	62,500
Pilot sludge treatment plant	14,880	-
AI Water implementation contracts	4,935	-
Oil sludge equipment	2,797	-
Engineering contracts on the PPP project in Bazhou city*	-	78,400

As disclosed in Note 26, the PPP project in Bazhou city has been ceased under the directive of the Chinese Central Government. Hence, there are no longer any capital commitment for this project as at 31 December 2023.

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

### 25. Financial guarantees

	FY2023 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	13,206
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 a subsidiary	5,939

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

### 26. Prior year adjustments

On 6 January 2022, the Group secured a Public-Private- Partnership (“PPP”) sludge treatment project in Bazhou City, Hebei Province. This was slated to be the first sludge treatment plant in Bazhou and will be treating the sludge from 8 water treatment plants in Bazhou city. The total cost of investment for the project was estimated to be RMB 114.75 million (including interest and working capital). The project originally involved the design, construction and operation of a 120 tons/day sludge treatment plant and the recycling of the treated sludge into bricks for a concessionary period of 30 years.

In 2022, based on *INT FRS 112 – Service Concession Arrangements*, the Group had recognised a financial asset based on the consideration receivable under the PPP project based on the contractual rights to receive cash over the concessionary period.

On October 2023, the Group was informed by the local authority of Bazhou city that they have received a directive from the central government that all projects of PPP nature will be withdrawn. On 13 December 2023, the Ministry of Finance of the Chinese Central Government released a Bulletin Notice (No.98) relating to Public-Private- Partnership.

The Group is in on-going discussions with the local authority to negotiate the change of project arrangements from PPP project to an Engineering, Procurement and Construction (“EPC”) project.

With the withdrawal of the PPP arrangement, the Group will no longer have the unconditional contractual right to receive cash from the local authority. If an EPC project is granted to the Group, it will not fall under the scope of INT FRS 112 as there will be no concessionary period post completion and instead SFRS(I) 15 will be applied.

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

### 26. Prior year adjustments (cont'd)

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

<u>Group</u>	<u>As previously reported RMB'000</u>	<u>Adjustments<sup>(1)</sup> RMB'000</u>	<u>As restated RMB'000</u>
<b><u>As at 31 December 2022</u></b>			
<b><u>Statement of Financial Position:</u></b>			
<u>Non-current assets</u>			
Contract assets	47,575	(47,575)	-
<u>Current assets</u>			
Contract assets	44,696	13,456	58,152
<u>Current liabilities</u>			
Other liabilities	59,822	(34,119)	25,703
<b><u>For the financial year ended 31 December 2022</u></b>			
<b><u>Statement of Profit or Loss:</u></b>			
Revenue	90,103	(34,119)	55,984
Cost of sales	72,360	(34,119)	38,241
<b><u>Statement of Cash Flows:</u></b>			
Increase in contract assets	55,899	(34,119)	21,780
Increase in other liabilities	40,372	(34,119)	6,253

(1): Relates to the adjustments to reverse the service concession receivable that was recognised in FY2022.

The above adjustments have no net impact to the gross profit position and statement of cashflows of the Group in FY2022.



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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 2023 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

	<b>2HY2023</b>		<b>2HY2022</b>		<b>FY2023</b>		<b>FY2022</b>	
	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>%</b>
Engineering revenue	22,577	81.8	30,098	97.6	26,990	81.8	53,943	96.4
Treatment income	5,011	18.2	393	1.3	5,969	18.1	1,179	2.1
Sale of equipment and parts	-	-	335	1.0	-	-	856	1.5
Sale of membranes	-	-	6	0.0	85	0.0	6	0.0
	<b>27,588</b>	<b>100.0</b>	<b>30,832</b>	<b>100.0</b>	<b>33,044</b>	<b>100.0</b>	<b>55,984</b>	<b>100.0</b>

### Revenue

The Group's revenue decreased by RMB3.2 million in 2HY2023, from RMB30.8 million in 2HY2022 to RMB27.6 million in HY2023. The bulk of the decrease in revenue in 2HY2023 was contributed by the recognition of engineering revenue of RMB3.7 million mainly arising from the Bazhou project in 2HY2022, partly offset by the higher revenue recognised from treatment income segment amounting to RMB0.5 million in 2HY2023.

The lower revenue generated in 1HY2023 of RMB5.5 million decreased the full year's revenue in FY2023 to RMB33.0 million, a decrease of RMB22.9 million when compared against the same corresponding period of last year.

### Gross profit and gross profit margin

The increase in gross profit generated of RMB0.8 million in 2HY2023 was mainly due to a sludge project that contributed better margins in line with the increase in revenue. Despite ending 2HY2023 with better performance, there was a decrease in gross profit of RMB8.8 million in FY2023, from RMB17.7 million in FY2022 to RMB8.9 million in FY2023.

The gross profit margin improved from 25.6% in 2HY2022 to 31.4% in 2HY2023 mainly due to the higher gross profit margins derived from the engineering solution service segment via equipment sales and from operation and maintenance services rendered.

Despite a higher gross profit margin achieved in 2HY2023, the full year's gross profit margin decreased by 4.7% from 31.7% in FY2022 to 25.6% in FY2023 due to lower project margin in 1HY2023.




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**Other items of expense**

- (a) The finance income increased from RMB0.2 million in 2HY2022 to RMB1.4 million in 2HY2023; and increased from RMB0.5 million in FY2022 to RMB1.6 million in FY2023. The increase was mainly due to higher interest earned from the Group's cash held in fixed deposits in a Singapore bank. These cash balances were proceeds from the issuance of the convertible bonds which are intended to finance the subsidiaries' working capital and projects.
- (b) Other income (including fair value gain on CB) increased from RMB1.8 million in HY2022 to RMB23.0 million in 2HY2023 and increased from RMB4.6 million in FY2022 to RMB23.2 million in FY2023. The increases were mainly due to RMB22.0 million fair value gain from revaluation of the embedded derivative of the convertible bond and gain on disposal of a subsidiary - Jilin Anjie of RMB0.7m. This increase was offset by lower government grants received during the year post COVID-19 pandemic.
- (c) The selling and distribution expenses increased by RMB0.2 million, from RMB0.6 million in 2HY2022 to RMB0.8 million in 2HY2023 and increased by RMB0.6 million in FY2023, from RMB1.0 million in FY2022 to RMB1.6 million in FY2023. The increase was due to an increase in marketing personnel employed to drive marketing efforts to secure projects.
- (d) Administrative expenses increased by RMB7.1 million in 2HY2023, from RMB22.8 million in 2HY2022 to RMB29.9 million in 2HY2023 and increased by RMB14.9 million in FY2023, from RMB37.1 million in FY2022 to RMB52.0 million in FY2023. The increase was due mainly to increased payroll and related costs arising from additional headcount to expand the engineering and treatment segments of the Group. In addition, there were higher professional fees incurred of RMB0.8million arising from the issuance of convertible bonds ("CB") and higher research and development expenses of RMB3.9 million.
- (e) Finance costs increased by RMB5.7 million in 2HY2023, from RMB0.6 million in 2HY2022 to RMB6.3 million in 2HY2023 and increased by RMB7.6 million in FY2023, from RMB1.0 million in FY2022 to RMB8.6 million in FY2023. The increase was mainly due to the interest expense recorded on convertible bonds issued by the Group.

While the convertible bonds bear zero coupon interest, the Group imputed interest rates of 12.51% (Tranche 1) per annum and 13.61% (Tranche 2) per annum respectively to fair value the liability component of the CB under SFRS(I) 9.

- (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>2HY2023</u>	<u>2HY2022</u>	<u>FY2023</u>	<u>FY2022</u>
	RMB'000	RMB'000	RMB'000	RMB'000
<b><i>Credited from/(charged to) profit or loss</i></b>				
Trade receivables	(240)	955	(240)	1,000
Retention receivables	(9)	1,456	(9)	250
Advances to non-trade suppliers	(53)	(687)	(53)	(687)
Advances to third party	-	-	-	-
Advances to trade suppliers	(13)	(374)	(13)	(1,545)
Contract assets	(15,556)	(294)	(16,304)	(599)
Net (charged to) credit from profit or loss	<u>(15,871)</u>	1,056	<u>(16,619)</u>	(1,581)

Impairment on contract assets increased by RMB15.3 million in 2HY2023, from RMB0.3 million in 2HY2022 to RMB15.6 million in 2HY2023 and increased by RMB15.7 million in FY2023, from RMB0.6 million in FY2022 to RMB16.3 million in FY2023. The increase in impairment loss was mainly due to revised assumptions applied in the Group's 12-month expected credit loss model to reflect the increase in credit risk arising from the Group's contract assets from the Bazhou project.

In 2HY2022, the Group wrote-back impairment loss of trade receivables and retention receivables of RMB955,000 and RMB1,456,000 and added impairment loss of RMB687,000, RMB294,000 and RMB374,000 respectively to advances to non-trade suppliers, contract assets and advances to trade suppliers respectively. 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 (including impairment loss on property, plant and equipment) increased by RMB6.2 million in 2HY2023, from RMB0.2 million in 2HY2022 to RMB6.4 million in 2HY2023, and increased by RMB6.4 million in FY2023, from RMB0.3 million in FY2022 to RMB 6.7 million in FY2023. The increase was mainly due to the impairment loss of RMB6.5 million recognised on leasehold building, machineries and equipment in the membrane business segment.
- (h) In view of the voluntary dissolution of United Greentech (Yishui) Co., Ltd, the associate expensed off certain contract assets as the joint venture with the local government did not proceed as planned. This resulted in the share of results of associated company amounting to a loss of RMB 1.5 million and RMB0.8 million in 2HY2023 and FY2023 respectively.

## **Income tax expense**

In FY2023, the Group recorded income tax expenses of RMB0.3 million based on the chargeable income after adjusting for non-deductible expenses/non-taxable income of a subsidiary.

In FY2022, the Group recorded income tax expenses of RMB0.5 million in 2HY2022 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 after taxation**

In view of the foregoing, the Group reported a loss after taxation of RMB27.9 million in 2HY2023 as compared with RMB13.3 million in 2HY2022. This resulted in a higher loss after taxation of RMB53.0 million in FY2023 as compared to RMB19.3 million recorded in FY2022.

## **Consolidated Statement of Financial Position**

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

Total Group assets as at 31 December 2023 increased by RMB42.4 million, from RMB212.0 million in FY2022 to RMB254.4 million in FY2023 due to higher non-current assets of RMB0.6 million and higher current assets of RMB41.8 million respectively. The increase in non-current assets was due to (i) the capitalisation of construction in progress cost arising from a sludge treatment plant of RMB16.0 million; (ii) additions in fixed assets of RMB2.7 million offset by (iii) impairment of certain fixed assets and routine depreciation of RMB14.4 million; (iv) additions in intangibles of RMB0.4 million from capitalised software development costs, net of amortisation of RMB0.2 million; (v) currency translation differences of RMB2.0m and (vi) dissolution of investment in an associated company of RMB5.8 million as the joint venture entered into by United Greentech (Yishui) Co., Ltd did not proceed as planned.

The increase in current assets of RMB41.8 million was due to higher (i) bank balances, deposits and cash for working capital of RMB49.6 million from convertible bonds proceeds, (ii) higher inventory balances of RMB 0.8 million arising from materials procured for membrane segment business, (iii) trade receivables, VAT & other tax receivables of RMB9.8 million in line with increase in business activities in 2HY2023 as compared to 1HY2023.

This increase was partially offset by a decrease in (i) security deposits of RMB 7.7 million which was reclassified to net off against trade receivables invoiced to a customer upon delivery of the project (ii) contract assets of RMB4.4 million due to reclassification to trade receivables upon customer acceptance (iii) advances to trade and non trade suppliers, prepayments and other receivables RMB 6.2 million in aggregate.

Subsequent to year end, the Group had invoiced and collected cash receipts of RMB10,989,000 from the Shijiazhuang project.



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### **Consolidated Statement of Financial Position (cont'd)**

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

Current liabilities increased by RMB2.7 million, from RMB47.1 million in FY2022 to RMB49.8 million in FY2023 due to increase in (i) other liabilities of RMB1.3 million mainly due to increase in accrued capital expenditure arising from the sludge treatment under construction, (ii) bank borrowings of RMB1.4 million due to a new loan secured by a PRC subsidiary, (iii) trade and other payables of RMB2.3 million in line with increase in business activities in 2HY2023; and (v) higher income tax payable of RMB0.3 million arising from current year tax provision.

#### Key liquidity ratios:

	<u>Group</u>		<u>Company</u>	
	<u>FY2023</u>	<u>FY2022</u>	<u>FY2023</u>	<u>FY2022</u>
1. Net current asset (RMB'000)	<b>124,737</b>	85,617	<b>64,248</b>	1,276
2. Current ratio (Current assets/current liabilities)	<b>3.50</b>	2.82	<b>4.32</b>	1.14

### **VARIANCE FROM PROSPECT STATEMENT**

Not applicable as no prospect statement is given.

### **PROSPECTS**

The Chinese economy has not demonstrated a clear path of recovery since 2022. The Company observed that capital investments in environmental protection projects have not recovered to pre-pandemic levels. Consequently, the Group's business activities in sludge treatment, water treatment, and membrane manufacturing in China remained sluggish in 2023.

Nonetheless, the Company believes that its Artificial Intelligence technology in water management ("AIWater") system is key to the sustainable growth of its business. The Company provides its AIWater system to existing wastewater treatment plants ("WWTPs") to optimise their operations to reduce energy and chemical costs. The Group has developed its patented AIWater by integrating cutting edge AI technology with machine learning and technical expertise. Our AIWater has achieved low carbon and efficient operation while maintaining stability and regulatory compliance.

Against the backdrop of China's quest to reduce carbon footprint, we believe that there is an immense market potential for our AIWater technology as China generates daily more than 220 million tons of municipal wastewater and 60 million tons of industrial wastewater.

As at the date of the announcement, the Group has secured 15 AIWater projects with a combined treatment capacity of approximately 1.5 million tonnes/day.



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**Use of proceeds from the convertible bonds (“CB”) completed on 2 March 2023 and 31 July 2023t**

The use of the net proceeds from the CB is as follows:

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

**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 2023 ('000)	Capital/ additional injections during the second half year ended 31 December 2023 ('000)	Principal Activities	Effective interest held by the Group
1	United Greentech Holdings Pte. Ltd.	Singapore	RMB87,569	RMB7,074	-	Investment holding	100.0%
2	AIWater (Anhui) Co., Ltd	China	RMB27,941	RMB7,000	RMB7,000	Investment and development of artificial intelligence in water treatment system	70.0%
3	NTi Memtech Pte. Ltd.	Singapore	S\$12,000	-	S\$2,000	Manufacture and production of membrane fibres and products	66.67%
4	United Greentech (Guangzhou) Co. Ltd.	China	RMB89,500	-	RMB5,000	Investment holding	100%



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**Strike off, Voluntary dissolution & Disposal – Subsidiaries & Associate**

#	Company Name	Place of Incorporation	Action	Principal Activities	Effective interest held by the Group
1	Jilin Anjie Environmental Engineering Co., Ltd.	China	Disposal	Research and Development, design, manufacture and installation of environmental protection systems and provision of technical consulting and support services of environmental protection technologies and systems	From 100% to Nil%
2	Guangdong Zhihe Energy-Saving and Environmental Protection Technology Co., Ltd.	China	Deregistration/ Strikeoff	Soil treatments, controls and maintenance services in environmental related business in respect of marine, oil and gas industries	From 100% to Nil%
3	United Greentech (Yishui) Co., Ltd.	China	Voluntary dissolution	Investment in animal manure, sludge and wastewater treatment projects	From 40.9% to Nil%
4	United Kaida Greentech (Shandong) Co., Ltd.	China	Deregistration/ Strikeoff	Investment holding	From 81.8% to Nil%

**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  
 26 February 2024