



Leader Environmental Technologies Limited

Condensed interim financial statements

For the six months and full year ended 31 December 2021

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Legends:

2HY2021	– 6 months ended 31 December 2021
2HY2020	– 6 months ended 31 December 2020
FY2021	– 12 months ended 31 December 2021
FY2020	– 12 months ended 31 December 2020
NM.	– not meaningful

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months and financial year ended 31 December 2021

		Group		Change %	Group		Change %
	Note	2HY2021 RMB'000	2HY2020 RMB'000		FY2021 RMB'000	FY2020 RMB'000	
Revenue	15	20,893	4,009	421.2	49,855	13,736	263.0
Cost of sales		(18,978)	(3,561)	432.9	(37,178)	(10,378)	258.2
Gross profit		1,915	448	327.5	12,677	3,358	277.5
Finance income		128	18	611.1	302	23	1,213.0
Other income		588	338	74.0	873	389	124.4
Selling and distribution expenses		(3,425)	(711)	381.7	(5,446)	(1,356)	301.6
Administrative expenses		(13,184)	(8,599)	53.3	(22,624)	(13,911)	62.6
Finance costs		(220)	(2,372)	(90.7)	(1,100)	(4,951)	(77.8)
Write-back of impairment loss/ (impairment loss) of financial assets and contract assets (net)		14,845	(45,714)	NM	25,447	(45,714)	NM
Other expenses		(2,077)	(2,858)	(27.3)	(3,153)	(2,771)	13.8
(Loss)/profit before taxation	17	(1,430)	(59,450)	(97.6)	6,976	(64,933)	NM
Taxation	18	(901)	84	NM	(2,277)	75	NM
(Loss)/profit after taxation		(2,331)	(59,366)	(96.1)	4,699	(64,858)	NM
Other comprehensive income, net of tax							
<u>Items that may be reclassified subsequently to profit or loss:</u>							
Foreign currency translation differences for foreign operations, net of tax		(560)	-	NM	(728)	-	NM
Total comprehensive (loss)/income for the period/year		(2,891)	(59,366)	(95.1)	3,971	(64,858)	NM
(Loss)/profit attributable to:							
- Owners of the Company		(1,271)	(59,366)	(97.9)	5,840	(64,858)	NM
- Non-controlling interests		(1,060)	-	NM	(1,141)	-	NM
		(2,331)	(59,366)	(96.1)	4,699	(64,858)	NM
Total comprehensive (loss)/income attributable to:							
- Owners of the Company		(1,607)	(59,366)	(97.3)	5,403	(64,858)	NM
- Non-controlling interests		(1,284)	-	NM	(1,432)	-	NM
		(2,891)	(59,366)	(95.1)	3,971	(64,858)	NM
(Loss)/earnings per share							
Basic (RMB in cents)	19	(0.08)	(5.23)		0.41	(4.83)	
Diluted (RMB in cents)	19	(0.08)	(5.23)		0.41	(4.83)	

Condensed Consolidated Statements of Financial Position

For the financial year ended 31 December 2021

	Note	Group		Company	
		FY2021 RMB'000	FY2020 RMB'000	FY2021 RMB'000	FY2020 RMB'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	3	48,051	7,314	1,177	17
Intangible assets	4	1,616	-	-	-
Investment in subsidiaries		-	-	86,062	30,016
Total non-current assets		49,667	7,314	87,239	30,033
Current Assets					
Contract assets	5	32,552	3,697	-	-
Inventories	6	468	915	-	-
Trade and other receivables	7	30,004	38,919	1,248	215
Prepayments		156	101	37	15
Bank balances, deposits & cash		95,103	50,628	42,400	13,737
Total current assets		158,283	94,260	43,685	13,967
Total assets		207,950	101,574	130,924	44,000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	11	375,049	276,699	375,049	276,699
PRC statutory common reserve	12	32,410	31,748	-	-
Merger reserve		(454)	(454)	-	-
Foreign currency translation reserve	13	(437)	-	-	-
Accumulated losses		(275,285)	(280,463)	(253,677)	(242,146)
Equity attributable to owners of the Company		131,283	27,530	121,372	34,553
Non-controlling interests		16,348	-	-	-
Total equity		147,631	27,530	121,372	34,553
Non-Current Liabilities					
Borrowings	8	23,592	-	-	-
Lease liabilities		957	446	464	-
Provision for restoration costs		377	-	-	-
Total non-current liabilities		24,926	446	464	-
Current Liabilities					
Contract liabilities		-	1,671	-	-
Trade and other payables	9	10,266	41,924	7,590	7,002
Borrowings	8	2,472	23,990	-	-
Lease liabilities		912	617	319	-
Other liabilities	10	19,466	5,396	1,179	2,445
Income tax payable	18	2,277	-	-	-
Total current liabilities		35,393	73,598	9,088	9,447
Total liabilities		60,319	74,044	9,552	9,447
Total equity and liabilities		207,950	101,574	130,924	44,000

Condensed Consolidated Statements of Changes in Equity

For the financial year ended 31 December 2021

The Group	Attributable to owners of the Company							Total equity RMB'000
	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	
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 income								
Currency translation differences for foreign operation, net of tax	-	-	-	(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 Statements of Changes in Equity (Cont'd)

For the financial year ended 31 December 2021

	Attributable to owners of the Company						Total equity RMB'000
	Share Capital RMB'000	PRC statutory common reserve RMB'000	Merger reserve RMB'000	Accumulated losses RMB'000	Premium paid on acquisition of non-controlling interests RMB'000	Total RMB'000	
The Group							
At 1 January 2020	224,747	31,748	(454)	(215,435)	(170)	40,436	40,436
Loss for the year	-	-	-	(64,858)	-	(64,858)	(64,858)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(64,858)	-	(64,858)	(64,858)
<i>Transactions with owners, recognised directly in equity</i>							
Issuance of new shares pursuant to the private placement	9,087	-	-	-	-	9,087	9,087
Issuance of new shares pursuant to the rights issue	44,355	-	-	-	-	44,355	44,355
Share issue expenses	(1,490)	-	-	-	-	(1,490)	(1,490)
Disposal of controlling interest in a subsidiary	-	-	-	(170)	170	-	-
Total transactions with owners	51,952	-	-	(170)	170	51,952	51,952
At 31 December 2020	276,699	31,748	(454)	(280,463)	-	27,530	27,530

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

For the financial year ended 31 December 2021

The Company	Share capital RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	276,699	(242,146)	34,553
Loss for the year	-	(11,531)	(11,531)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(11,531)	(11,531)
<i>Transactions with owners, recognised directly in equity</i>			
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
At 1 January 2020	224,747	(227,465)	(2,718)
Loss for the year	-	(14,681)	(14,681)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(14,681)	(14,681)
<i>Transactions with owners, recognised directly in equity</i>			
Issuance of new shares pursuant to the private placement	9,087	-	9,087
Issuance of new shares pursuant to the rights issue	44,355	-	44,355
Share issue expenses	(1,490)	-	(1,490)
Total transactions with owners	51,952	-	51,952
At 31 December 2020	276,699	(242,146)	34,553

Condensed Consolidated Statement of Cash Flows

For the financial year ended 31 December 2021

	Note	FY2021 RMB'000	Group FY2020 RMB'000
Cash Flows from Operating Activities			
Profit/(loss) before taxation		6,976	(64,933)
Adjustments for:			
Depreciation of property, plant and equipment		1,910	1,103
Loss on disposal of property, plant and equipment		389	486
Loss on lease rights on disposal		78	-
Fixed assets written off		56	-
Amortisation of intangible assets		180	260
Gain on disposal of a subsidiary		-	(3)
Impairment loss on intangible assets		-	1,022
Impairment loss on financial assets and contract assets		307	46,549
Write-back of impairment loss on financial assets and contract assets		(25,754)	(835)
Gain on re-measurement of lease liabilities		-	(17)
Gain on de-registration of subsidiaries		-	(9)
Finance costs		1,100	4,951
Finance income		(302)	(23)
Unrealised foreign exchange differences		(116)	-
Operating loss before working capital changes		(15,176)	(11,449)
(Increase)/decrease in contract assets		(26,527)	11,747
Decrease in inventories		438	19
Decrease in trade and other receivables		32,324	20,791
Increase in prepayments		(83)	(58)
Decrease in contract liabilities		(1,671)	(4,020)
(Decrease)/increase in trade and other payables		(30,629)	5,534
Increase/(decrease) in other liabilities		13,112	(5,605)
Cash (used in)/generated from operations		(28,212)	16,959
Income tax refund		-	75
Net cash (used in)/generated from operating activities		(28,212)	17,034
Cash Flows from Investing Activities			
Disposal of a subsidiary, net of cash disposed of		-	(75)
Acquisition of property, plant and equipment		(17,969)	(57)
Proceeds from disposal of property, plant and equipment and sale and leaseback transaction		5,097	403
Interest income received		302	23
Acquisition of subsidiary, net of cash		(974)	-
Net cash (used in)/generated from investing activities		(13,544)	294
Cash Flows from Financing Activities			
Proceeds from issuance of ordinary shares via a private placement		-	9,087
Proceeds from issuance of ordinary shares via rights issue		99,515	44,355
Share issue expenses		(1,165)	(1,490)
Proceeds from bank borrowings		-	11,000
Repayments of bank borrowings		(24,826)	(37,010)
Proceeds from non-controlling shareholders of subsidiaries		17,780	-
Repayments of lease liabilities		(973)	(434)
(Repayments of)/proceeds from bills payable, net		(3,000)	1,475
Interest paid		(1,025)	(4,915)
Increase in bank deposits pledged		(22)	(1,475)
Net cash generated from financing activities		86,284	20,593
Net increase in cash and cash equivalents		44,528	37,921
Effects of exchange rate changes on the cash balances held in foreign currencies		(19)	-
Cash and cash equivalents at beginning of year		47,628	9,707
Cash and cash equivalents at end of year	A	92,137	47,628

Condensed Consolidated Statement of Cash Flows (Cont'd)

For the financial year ended 31 December 2021

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	
	FY2021 RMB'000	FY2020 RMB'000
Bank balances, deposits and cash	95,103	50,628
Less:		
Deposits placed in bank for bank borrowing	(2,966)	-
Deposits placed in bank to secure bills payable facility	-	(3,000)
Cash and cash equivalents	<u>92,137</u>	<u>47,628</u>

Deposits placed in bank for bank borrowing of RMB3.0 million represent funds earmarked in a debt service reserve account as mandated by certain bank to secure the bank loan to partly finance the outright lease payments of leasehold land and building in relation to the membrane manufacturing facility.

Selected Notes to the Interim Consolidated Financial Statements

1 Corporate information

Leader Environmental Technologies Limited is incorporated and domiciled in Republic of Singapore and whose shares are publicly traded on the mainboard of the Singapore Exchange Limited. These condensed interim consolidated financial statements as at and for the six months ended 31 December 2021 comprise the Company and its subsidiaries (collectively, the Group). The principal activity of the Company is that of an investment holding company.

The principal activities of the Group are:

- (a) Sludge treatments and disposals;
- (b) Industrial wastewater treatments;
- (c) Provision of operation and maintenance services in relation to sludge and industrial wastewater treatment plants;
- (d) Manufacture and production of membrane fibres and products;
- (e) Investments and developments of artificial intelligent technology in water treatment systems; and
- (f) Greentech investments in environment related companies.

2 Basis of preparation

The condensed interim financial statements for the six months ended 31 December 2021 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. Accordingly, this report should be read in conjunction with the Group's Annual Report for the financial year ended 31 December 2020. 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 2021.

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

2.1 Basis of measurement

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

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

2.2 Functional and presentation currencies

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

2.3 New and amended standards adopted by the Group

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

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

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

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

2.4. Use of judgements and estimates

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

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

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed in the FY2020 annual report, and there are no material deviations for the financial year ended 2021.

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

Acquisitions and written off

During the six months ended 31 December 2021, the Group:

- (i) acquired assets with an aggregate cost amounting to RMB46,889,000 (31 December 2020: RMB1,218,000), of which RMB27,399,000 relate to rights-of-asset financed by bank loan, disbursed directly from the bank to Jurong Town Corporations for the outright payments.

The remaining of RMB19,490,000 consist of cash additions amounting to RMB17,026,000 (31 December 2020: RMB57,000) and the following non-cash additions:

- (a) outstanding balances of RMB971,000 (31 December 2020: Nil) and RMB627,000 (31 December 2020: Nil) respectively payable to contractors of PPE which were recorded under "other payables" and "other liabilities";
- (b) provision for restoration costs of RMB384,000 (31 December 2020: Nil) in 2HY2021, net of currency realignment of RMB7,000 under "leasehold improvements". This is to reflect its obligation under the Jurong Town Corporation ("JTC") agreement to reinstate the membrane manufacturing facility back to its original state at the end of the lease maturity; and
- (c) right-of-use asset of RMB482,000 (31 December 2020: RMB1,161,000).

Total cash additions for the PPE in FY20201 amounted to RMB17,969,000, after taking into account the cash additions of RMB943,000 in 1HY20201 (31 December 2020: RMB57,000).

There was no (31 December 2020: RMB465,000) re-measurement loss recorded arising from the change in lease term of rights-of-use assets.

- (ii) written off property, plant and equipment with net carrying value amounting to RMB56,000 (31 December 2020: Nil).

The right-of-use assets comprised the following:

- (i) entered into a 20-year lease agreement with JTC for its land and building mainly for the purpose of manufacturing facility to produce high performance membranes. The outright lease payments of the leasehold land and building amounting to RMB41,355,000 were partly financed by internal resources of RMB13,956,000, and a 10-year loan tenure from the bank amounting to RMB27,399,000. The right-of-use asset was pledged to the bank.
- (ii) entered into a 3-year office lease agreement of a newly incorporated subsidiary in China. The lease was on a fixed repayment basis and no arrangement has been entered into for contingent rental payments. On the commencement of the lease, the Group recognised RMB482,000 each of right-of-use asset and lease liabilities respectively.

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

4. Intangible assets

<u>Group</u>	Goodwill	Patents	Deferred development costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 01.01.2021				
Cost	-	2,978	6,641	9,619
Accumulated amortisation	-	(1,956)	(6,641)	(8,597)
Accumulated impairment loss	-	(1,022)	-	(1,022)
Acquisition of subsidiary	1,796	-	-	1,796
As at 30.06.2021	1,796	-	-	1,796
Costs written off	-	(2,978)	(6,641)	(9,619)
Accumulated amortisation written off	-	1,956	6,641	8,597
Accumulated impairment loss written off	-	1,022	-	1,022
Reclassification on purchase price allocation exercise	(1,796)	1,796	-	-
Less: amortisation charge	-	(180)	-	(180)
As at 31.12.2021	-	1,616	-	1,616
As at 31 December 2021				
Cost	-	1,796	-	1,796
Accumulated amortisation	-	(180)	-	(180)
Carrying value	-	1,616	-	1,616

As the Group intends to scale down the operation of these business segments, and no new industrial waste-gas projects are expected to be secured and undertaken in the next twelve months. Accordingly, the fully impaired patent and amortised deferred development costs are written off for the financial year ended 31 December 2021.

The goodwill recognised on the acquisition of Bituo Environmental Technologies (Tianjin) Co., Ltd of RMB1,796,000 was subsequently reclassified to patents in 2HY2021 as the premium paid are ascribed to two patented sludge treatment technologies which enhance the Group's ability to tender and undertake sludge treatment projects. The patents will be amortised over a 10-year period.

Impairment test for CGU containing patents

The recoverable amount of the costs paid in relation to the acquired sludge treatment patents was based on the value-in-use and was determined by discounting the future cash flows to be generated from the continuing use of the cash generating unit. 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 2021 as the recoverable amount was in excess of the carrying amount.

5. Contract assets

Contract assets of RMB32,552,000, of which RMB30,235,000 (31 December 2020: Nil) were recorded in respect of the industrial wastewater project in Shijiazhuang based on the percentage of work completed under the input method. No allowance for impairment is deemed necessary as there were no known collection issues from the customer.

During the financial year, there was a net allowance for impairment written-back of RMB2,328,000, taking into account certain compensation awarded from a court judgement in November 2021, and the subsequent receipt in January 2022 on the remaining contract assets of RMB2,317,000 (2HY2020: allowance for impairment of RMB4,643,000).

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

6. Inventories

	<u>Group</u>	
	FY2021 RMB'000	FY2020 RMB'000
Raw materials, at cost	468	915
Income statement:		
Cost of inventories included in cost of sales	960	3,978

7. Trade and other receivables

	<u>Group</u>		<u>Company</u>	
	FY2021 RMB'000	FY2020 RMB'000	FY2021 RMB'000	FY2020 RMB'000
Trade and other receivables (Gross)	910	406	-	-
Allowance for impairments	(406)	(406)	-	-
Trade receivables (net)	504	-	-	-
Retention receivables	4,702	2,214	-	-
Grant receivables	204	46	162	46
Other receivables				
- Amount due from a third party	-	18,090	-	-
- Amounts due from subsidiaries/subsidiary	-	-	1,002	135
- Advances to trade suppliers	2,608	10,261	-	-
- Advances to non-trade suppliers	582	488	-	-
- Advances to a third party	-	3,900	-	-
- Advances to related party (Note 16)	8,247	-	-	-
- Tender and security deposits	8,069	3,223	-	-
- Advances to employees	11	310	-	-
- VAT and other tax receivables	4,758	112	-	-
- Others	319	275	84	34
	24,594	36,659	1,086	169
Total trade and other receivables	30,004	38,919	1,248	215

The amounts due from subsidiaries/subsidiary 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 2HY2021, the Group added RMB173,000 (2HY2020: RMB44,000) and RMB134,000 (2HY2020: write-back impairment loss of RMB103,000) respectively to the allowances for impairments of financial assets in respect of retention receivables and advances to non-trade suppliers based on the expected credit loss model assessment.

The Group wrote-back allowances for impairment loss on financial assets in respect of advances to trade suppliers amounting to RMB314,000 (2HY2020: impairment loss of RMB8,625,000) and security and tender deposits amounting to RMB697,000 (2HY2020: impairment loss of RMB1,474,000) which were no longer required under the allowance matrix applicable to the expected credit loss model.

In addition, the Group also wrote back the entire allowance for impairment of advances to third party from previous year amounting to RMB22.4 million, which was fully received/resolved in accordance with the settlement agreement.

Subsequent to the year end, the bulk of the advances to related party were paid for the procurement of systems, equipment and machineries, and were delivered to the premise. However, it is pending the engineering, installation and testing works prior to the commissioning and handing over so that the membrane manufacturing facility can commence its production.

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

8. Borrowings

	<u>Group</u>	
	FY2021 RMB'000	FY2020 RMB'000
<u>Amount repayable within one year or less or on demand</u>		
- Secured	<u>2,472</u>	<u>23,990</u>
<u>Amount repayable after one year</u>		
- Secured	<u>23,592</u>	-

During the six months ended 31 December 2021, bank loan amounting to RMB27,399,000 (31 December 2020: RMB23,990,000) was drawn down by a subsidiary, and disbursed directly from the bank to partly finance the outright lease payments of the leasehold land and building mainly for the purpose of producing high performance membranes. The 10-year loan tenure is secured by a pledge over the property and a corporate guarantee from the Company. The bank loan is 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.

In addition to the above, the subsidiary 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 RMB 28.3 million).

The bank borrowing amounting to RMB23,990,000 as at 31 December 2020 was fully repaid on 31 March 2021. Previously, the bank borrowing was secured over a corporate guarantee from the Company, personal guarantees by the Executive Director and his spouse, and pledged of 4 units of commercial properties.

9. Trade and other payables

	<u>Group</u>		<u>Company</u>	
	FY2021 RMB'000	FY2020 RMB'000	FY2021 RMB'000	FY2020 RMB'000
Trade payables	6,657	29,013	-	-
Bills payables	-	3,000	-	-
Other payables	1,962	2,099	274	89
VAT and other tax payables	529	582	-	-
Amounts due to related party (Note 16)	1,096	7,089	-	-
Amounts due to subsidiaries/subsidiary	-	-	7,316	6,845
Amounts due to directors	22	141	-	68
Total	<u>10,266</u>	<u>41,924</u>	<u>7,590</u>	<u>7,002</u>

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

10. Other liabilities

	<u>Group</u>		<u>Company</u>	
	FY2021 RMB'000	FY2020 RMB'000	FY2021 RMB'000	FY2020 RMB'000
Accrued purchases	16,568	2,053	-	-
Accrued salaries and related expenses	1,323	2,033	339	1,114
Accrued operating expenses	916	1,266	840	1,331
Accrued capital expenditure	615	-	-	-
Accrued welfare expenses	44	44	-	-
Total	<u>19,466</u>	<u>5,396</u>	<u>1,179</u>	<u>2,445</u>

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.

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

11. Share capital

	<u>Company</u>			
	FY2021		FY2020	
	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000
Balance at beginning of year	1,326,976,200	276,699	617,209,000	224,747
Shares issued pursuant to private placement	-	-	120,000,000	9,087
Shares issued pursuant to rights issue	207,902,160	99,515	589,767,200	44,355
Share issuance expenses	-	(1,165)	-	(1,490)
Balance at end of year	<u>1,534,878,360</u>	<u>375,049</u>	1,326,976,200	276,699

On 4 August 2021, the Company allotted and issued 207,902,160 new ordinary shares ("rights issue") at an issue price of S\$0.10 per share, pursuant to its rights issue undertaken by the Company on the basis of 1 rights shares for every 2 existing ordinary shares of the Company. Total consideration received, net of share issuance expenses of RMB1,165,000, amounted to RMB98,350,000 which was to provide funds for the Group's operations and investment projects in environmental related businesses.

The newly issued shares rank pari passu in all respects with the previously issued shares.

The Company did not hold any treasury shares as at 31 December 2021 and 31 December 2020. The Company's subsidiaries did not hold any shares in the Company as at 31 December 2021 and 31 December 2020.

12. PRC Statutory common reserve

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

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

	<u>Group</u>	
	FY2021 RMB'000	FY2020 RMB'000
Balance as at 1 January	31,748	31,748
Appropriation of profit to reserve	662	-
Balance as at 31 December	<u>32,410</u>	<u>31,748</u>

13. Foreign currency translation reserve

	<u>Group</u>	
	FY2021 RMB'000	FY2020 RMB'000
Balance as at 1 January	-	-
On translation of foreign entities	(437)	-
Balance as at 31 December	<u>(437)</u>	<u>-</u>

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

14. Seasonal operations

The Group's new focus and expansions into new environmental related businesses will not be affected significantly by seasonal or cyclical factors during the financial year.

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

15. Segment and revenue information

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

- (i) Industrial wastegas treatment segment mainly provides treatment solutions for the elimination of dust from the emission of industrial wastegas;
- (ii) Industrial wastewater treatment segment provides treatment solutions for the removal and reduction of pollutants in the wastewater, mainly to lower the chemical oxygen (COD) and biochemical oxygen (BOD) from the emission of industrial wastewater; and
- (i) Sales of parts

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

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

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

The chief operating decision maker reviews the results of the segment using segment's EBITA and profit/(loss) 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 maker.

15.1 Reportable segments

Group	2HY2021				
	Dust elimination	Industrial wastewater	Sales of parts	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue					
Sales to external customers	624	20,021	248	-	20,893
Results					
EBITDA*	1,338	7,814	113	(9,181)	84
Depreciation and amortisation	(105)	(307)	-	(1,010)	(1,422)
Interest expense	(160)	147	-	(207)	(220)
Interest income	13	100	1	14	128
Profit/(loss) before taxation	1,086	7,754	114	(10,384)	(1,430)
Taxation	-	(901)	-	-	(901)
Profit/(loss) for the year	1,086	6,853	114	(10,384)	(2,331)

Group	2HY2020			
	Dust elimination	Industrial wastewater	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue				
Sales to external customers	145	3,864	-	4,009
Results				
EBITDA*	(31,407)	(17,968)	(7,065)	(56,440)
Depreciation and amortisation	(339)	(138)	(179)	(656)
Interest expense	(1,605)	(749)	(18)	(2,372)
Interest income	12	4	2	18
Loss before taxation	(33,339)	(18,851)	(7,260)	(59,450)
Taxation	71	13	-	84
Loss for the year	(33,268)	(18,838)	(7,260)	(59,366)

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

15.1 Reportable segments (Cont'd)

<u>Group</u>	FY2021				
	Dust elimination	Industrial wastewater	Sales of parts	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue					
Sales to external customers	872	48,731	252	-	49,855
Results					
EBITDA*	(80)	24,729	(10)	(14,775)	9,864
Depreciation and amortisation	(170)	(588)	(7)	(1,325)	(2,090)
Interest expense	(359)	(511)	-	(230)	(1,100)
Interest income	21	263	1	17	302
(Loss)/profit before taxation	(588)	23,893	(16)	(16,313)	6,976
Taxation	-	(2,277)	-	-	(2,277)
(Loss)/profit for the year	(588)	21,616	(16)	(16,313)	4,699

<u>Group</u>	FY2020			
	Dust elimination	Industrial wastewater	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue				
Sales to external customers	2,469	11,267	-	13,736
Results				
EBITDA*	(31,815)	(18,223)	(8,604)	(58,642)
Depreciation and amortisation	(1,015)	(168)	(180)	(1,363)
Interest expense	(4,096)	(837)	(18)	(4,951)
Interest income	16	5	2	23
Loss before taxation	(36,910)	(19,223)	(8,800)	(64,933)
Taxation	62	13	-	75
Loss for the year	(36,848)	(19,210)	(8,800)	(64,858)

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

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

Segment and revenue information (Cont'd)

(b) Geographical information

	Singapore RMB'000	PRC RMB'000	2021 Total RMB'000
Non-current assets	46,106	3,561 #	49,667

included the intangible assets – patents amounting to RMB1,616,000

No geographical information is provided for FY2020 as the principal assets employed by the Group are located in the PRC and the Group's revenue and profits are derived primarily from customers in the PRC.

(c) Information about a major customer

Revenue of RMB47.5 million is derived from a single PRC customer and is attributable to the industrial wastewater segment for the year ended 31 December 2021.

15.2 Disaggregation of Revenue

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

	2HY2021 RMB'000	2HY2020 RMB'000	<u>Group</u> FY2021 RMB'000	FY2020 RMB'000
Over time:				
Contract revenue	20,645	4,009	49,603	13,736
At a point in time:				
Sales of parts	248	-	252	-
	<u>20,893</u>	<u>4,009</u>	<u>49,855</u>	<u>13,736</u>

A breakdown of sales:

	FY2021 RMB'000	FY2020 RMB'000	Increase/ (Decrease) %
<u>Group</u>			
Sales reported for the first half year	28,962	9,727	197.7
Operating profit/(loss) after tax before deducting non-controlling interests reported for first half year	7,030	(5,492)	NM
Sales reported for second half year	20,893	4,009	421.2
Operating loss after tax before deducting non-controlling interests reported for second half year	(2,331)	(59,366)	(96.1)

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

16. 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 6 Months Ended		Group 12 Months Ended	
	2HY2021 RMB'000	2H2020 RMB'000	FY2021 RMB'000	FY2020 RMB'000
Advances from related party	-	-	-	(7,000)
Payments of operating expenses and capital expenditure by related company	(1,096)	-	(1,096)	-
Advances paid to related party for the procurement of equipment, systems and machineries, design and engineering services*	8,247	-	8,247	-
Secondment of staff from related company	466	-	466	-
Settlement of liabilities by related party	-	-	-	(89)

The unsecured loans advanced from directors of RMB6,788,000 (31 December 2020: RMB114,000) which was recorded in 'trade and other payables' as at 30 June 2021 were fully repaid in 2HY2021.

* The related party refers to Nanosun Pte. Ltd. ("Nanosun"), which owns 40% of Nanosun Membrane Pte. Ltd. ("Membrane"). By virtue of Membrane being a key subsidiary of the Group, transactions between Nanosun and Membrane will be disclosed as related party transactions.

17. (Loss)/profit before taxation

This includes the following charges (credits):

	Group 6 Months Ended		Group 12 Months Ended	
	2HY2021 RMB'000	2HY2020 RMB'000	FY2021 RMB'000	FY2020 RMB'000
Government grant income – Jobs Support Scheme and Jobs Growth incentive Scheme	(521)	(87)	(712)	(133)
Gain on disposal of a subsidiary	-	(3)	-	(3)
Bad debts recovered	-	-	-	(150)
Bad debts written off	-	46	4	46
Loss on disposal of property, plant and equipment, net	(27)	491	389	486
Fixed assets written off	56	-	56	-
Gain on re-measurement of lease liabilities	-	(17)	-	(17)
Gain on de-registration of subsidiaries	-	(9)	-	(9)
Loss on lease rights on disposal	-	-	78	-
(Write-back of impairment loss)/impairment loss on financial contract assets (net)	14,845	(45,714)	(25,447)	45,714
Impairment loss on intangible assets	-	1,022	-	1,022
Interest income	(128)	(18)	(302)	(23)
Interest on lease liabilities	42	17	75	36
Interest on bank loans	178	2,355	1,025	4,915
Depreciation of property, plant and equipment	1,242	526	1,910	1,103
Amortisation of intangible assets	180	130	180	260
Exchange loss	1,923	1,173	1,830	1,236
Short term operating lease expenses	188	75	393	242

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

17. (Loss)/profit before taxation (cont'd)

	Group 6 Months Ended		Group 12 Months Ended	
	2HY2021 RMB'000	2HY2020 RMB'000	FY2021 RMB'000	FY2020 RMB'000
<u>Directors' remunerations</u>				
- Directors' fees	426	351	862	620
- Salaries and short-term benefits	1,487	1,567	2,757	2,109
- Contributions to defined contribution plans	106	73	194	101
<u>Key Management Personnel (other than Directors)</u>				
- Salaries and short-term benefits	3,353	2,216	5,369	3,059
- Contributions to defined contribution plans	439	167	576	216
<u>Other employees (other than Directors and Key Management Personnel)</u>				
- Salaries and short-term benefits	2,611	2,239	5,195	4,097
- Contributions to defined contribution plans	587	248	1,180	365

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 Managers.

18. Taxation

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

	Group 6 Months Ended		Group 12 Months Ended	
	2HY2021 RMB'000	2HY2020 RMB'000	FY2021 RMB'000	FY2020 RMB'000
Current taxation	901	(84)	2,277	(75)
Tax expense	901	(84)	2,277	(75)

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

The income derived from the industrial wastewater project in Shijiazhuang is subjected to income tax at 25% during the year ended 31 December 2021 as the aforesaid tax exemption does not apply to the supply of specialised equipment for industrial wastewater project. However, the effective corporate tax rate is less than 25% due to the utilisation of unabsorbed loss from previous financial year.

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

19. (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 basic and diluted (loss)/earnings per share of the Group are the same as there were no potential dilutive ordinary shares outstanding as at 31 December 2021 and 31 December 2020.

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

	Group 6 Months Ended		Group 12 Months Ended	
	2HY2021	2HY2020	FY2021	FY2020
(Loss)/profit attributable to equity holders of the Company (RMB'000)	(1,271)	(59,366)	5,840	(64,858)
Weighted average number of ordinary shares in issue	1,499,320,606	1,134,919,942*	1,421,529,064	1,342,448,161*
Basic (loss)/earnings per share (RMB cents)	(0.08)	(5.23)	0.41	(4.83)
<u>As previously reported</u>				
Weighted average number of ordinary shares in issue		1,224,786,472		1,061,041,565
Basic (loss)/earnings per share (RMB cents)		<u>(4.86)</u>		<u>(6.11)</u>

* The weighted average number of ordinary shares and loss per share has been adjusted to reflect the effects of the Rights shares issued on 4 August 2021.

20. Net Asset Value

	Group		Company	
	FY2021 RMB	FY2020 RMB	FY2021 RMB	FY2020 RMB
Net asset value per ordinary share (RMB cents per share)	8.55	2.07	7.91	2.60

Net asset value of the Group and Company as at 31 December 2021 and 31 December 2020 is computed based on 1,534,878,360 and 1,326,976,200 ordinary shares in issue at the end of the financial year respectively.

21. Dividends

No dividend in respect of the 2HY2021 (2HY2020: Nil) has been proposed by the Directors. The Group needs to preserve its cash for working capital requirements.

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

22. Acquisition and incorporation of subsidiaries

In January 2021, the Group's wholly-owned subsidiary, United Greentech (Guangzhou) Co., Ltd., acquired 100% of the issued share capital of Bituo Environmental Technologies (Tianjin) Co., Ltd. (碧拓环境技术(天津)有限公司) ("Bituo") for a purchase consideration ("Consideration") of RMB1.372 million. The initial recognition of the premium paid as goodwill was subsequently reclassified to patents in 2HY2021 as the values were established and ascribed to two patented sludge treatment technologies as they enhance the Group's ability to tender and secure sludge treatment projects.

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

	FY2021 RMB'000	FY2020 RMB'000
Intangible assets - patents	1,796	
Property, plant and equipment	46	-
Trade and other receivables	530	-
Cash and cash equivalents	398	-
Trade and other payables	(1,398)	-
Total identifiable net assets acquired	1,372	-
Total purchase consideration	1,372	-
	-	-
Cash outflow on acquisition:		
Cash consideration paid	(1,372)	-
Less: Cash and cash equivalents acquired	398	-
Net cash outflow on acquisition	(974)	-

Incorporations of PRC subsidiaries

Details of the newly incorporated subsidiaries are as follows:

<u>Name</u>	Country of incorporation /principal place of <u>business</u>	Issued and fully paid up <u>share capital</u> RMB	Registered <u>capital</u> RMB	Proportion of ownership interest and voting rights held by the <u>Group</u> %	Principal activities
<u>Held by United Greentech Holdings Pte. Ltd.</u>					
United Kaida Greentech (Shandong) Co., Ltd	PRC	5,902,800*	30,000,000	72.0	Investment holding
AIWater (Anhui) Co., Ltd.	PRC	10,000,000	65,000,000	70.0	Investment and developments of artificial intelligent technology in water treatment systems
<u>Held by United Kaida Greentech (Shandong) Co., Ltd</u>					
United Greentech (Yishui) Co., Ltd	PRC	5,000,000*	120,000,000	46.8	Investments in animal manure, sludge and wastewater treatment projects

Details of the newly incorporated subsidiaries were announced over Masnet on 12 May 2021 and 2 November 2021.

As at 31 December 2021, United Kaida Greentech (Shandong) Co., Ltd and United Greentech (Yishui) Co., Ltd have not called up the capital contributions from the NCI amounting to RMB1.0 million and RMB2.7 million respectively.

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

23. 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 2021 and 2020. The carrying amounts of financial assets and financial liabilities in each category are as follows:

	<u>Group</u>		<u>Company</u>	
	FY2021 RMB'000	FY2020 RMB'000	FY2021 RMB'000	FY2020 RMB'000
Financial assets				
Trade and other receivables* (excluding VAT and other tax receivables)	14,391	24,646	1,248	215
Advances to a third party	-	3,900	-	-
Bank balances, deposits, and cash	95,103	50,628	42,400	13,737
	109,494	79,174	43,468	13,952
Financial liabilities				
Trade and other payables (excluding VAT and other tax payables)	9,737	41,342	7,590	7,002
Borrowings	26,064	23,990	-	-
Lease liabilities	1,869	1,063	782	-
Other liabilities	19,466	5,396	1,071	2,445
	57,136	71,791	9,443	9,447

* 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>	
	FY2021 RMB'000	Fy2020 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	56,200	-
Joint investment with local government of Yishui County	119,340	-

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

25. Financial guarantees

During the financial year, the Company has provided a corporate guarantee to a bank for a loan of RMB27.4 million (31 December 2020: Nil) granted to certain subsidiary to finance partly the outright lease payments of the land and building mainly for the purpose of the membrane manufacturing facility. The property is pledged to the bank and bank balances of RMB3.0 million is earmarked in a debt service reserve account to make payments in the event of disruption of cash flows to the extent that the repayments cannot be made. Accordingly, the Company's liability exposure, after taking into considerations the pledge and the earmarked bank balances, will be capped at 60% based on its shareholding interest of the subsidiary. As at the reporting date, the banking facility was fully utilised.

During the financial year, the Group's 60% owned subsidiary, Nanosun Membrane Pte. Ltd. ("Nanosun Membrane") provided a corporate guarantee to its related company, Nanosun Pte. Ltd, which owned 40% of Nanosun Membrane, to secure a bank facility of up to S\$2.0 million (approximately RMB9.4 million) from a bank to finance the procurement of equipment, systems and machineries in relation to the membrane manufacturing facility in Nanosun Membrane. As at the reporting date, the banking facility utilised was S\$1.1 million (approximately RMB5.4 million).

As at 31 December 2021 and 31 December 2020, the fair values of the financial guarantees determined based on the expected loss arising from the risk of default are negligible.

26. Events after the reporting period

Subsequent to the year end, trade financing facilities of up to S\$2.0 million (approximately RMB9.4 million) is extended from a bank to the Group's subsidiary, Nanosun Membrane Pte. Ltd.



Leader Environmental Technologies Limited

利德环保技术有限公司

(Incorporated in the Republic of Singapore on 15 August 2006)

(Company Registration Number: 200611799H)

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 2021 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

	2HY2021		2HY2020		FY2021		FY2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Dust elimination	624	3.0	145	3.6	872	1.7	2,469	18.0
Industrial wastewater	20,021	95.8	3,864	96.4	48,731	97.8	11,267	82.0
Others - sales of parts	248	1.2	-	-	252	0.5	-	-
	<u>20,893</u>	<u>100.0</u>	<u>4,009</u>	<u>100.0</u>	<u>49,855</u>	<u>100.0</u>	<u>13,736</u>	<u>100.0</u>

Revenue

The Group's revenue increased by RMB16.9 million in 2HY2021, from RMB4.0 million in 2HY2020 to RMB20.9 million in HY2021. This was mainly attributed to the substantial work activities performed on the industrial wastewater project in Shijiazhuang in 2HY2021, which comprised 94.0% of the revenue in 2HY2021, and a net increase in revenue of RMB16.1 million against the previous year. The sales of parts added another RMB0.2 million of revenue in 2HY2021. In addition, the completions of the tail end of the projects by the subsidiary in Jilin province culminated in higher revenue generated of RMB0.5 million for the dust elimination segment.

The total revenue increased by RMB36.2 million in FY2021, from RMB13.7 million in FY2020 to RMB49.9 million in FY2021. Higher revenue was registered in the industrial wastewater segment and others segment of RMB37.4 million and RMB0.3 million respectively in FY2021. The dust elimination segment, however, recorded a decline in the revenue of RMB1.5 million in FY2021 as no new contracts are added, and the Group intends to focus on sludge treatment, industrial wastewater, sales of high performance membranes and AIWater to drive its future growth.

Gross profit and gross profit margin

The increase in gross profit generated of RMB1.9 million in 2HY2021 was generally in line with the increase in revenue, and partly contributed to the increase in gross profit of RMB9.3 million in FY2021, from RMB3.4 million in FY2020 to RMB12.7 million in FY2021.

A dipped in the gross profit margin from 11.2% in 2HY2020 to 9.2% in 2HY2021 was mainly due to charging of upfront costs incurred on potential projects terminated by the Group's subsidiary, Jilin Anjie Engineering Co., Ltd ("Jilin Anjie") as it intends to scale down its operations.

Notwithstanding the decrease in gross profit margin in 2HY2021, there was still a marginal increase in gross profit margin of 1.0% in FY2021, from 24.4% in FY2020 to 25.4% in FY2021.


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Other items of expense

- (a) The financial income increased from RMB18,000 in 2HY2020 to RMB0.1 million in 2HY2021; and increased from RMB23,000 in FY2020 to RMB0.3 million in FY2021. The increases were mainly due to higher interest earned from the bank from the capital injection funds in the PRC subsidiaries. These funds are to finance the subsidiaries' working capital and projects.
- (b) Other income increased from RMB0.3 million in HY2020 to RMB0.6 million in 2HY2021 and increased from RMB0.4 million in FY2020 to RMB0.9 million in FY2021. The increases were mainly to government grant received, namely Job Support Scheme and Jobs Growth Scheme, from the Singapore Government due to the COVID-19 pandemic.
- (c) The selling and distribution expenses increased by RMB2.7 million, from RMB0.7 million in 2HY2020 to RMB3.4 million in 2HY2021 and increased by RMB4.0 million in FY2021, from RMB1.4 million in FY2020 to RMB5.4 million in FY2021. The increases were mainly attributed to higher payroll and related costs incurred on the subsidiary from Tianjin as it was incorporated in 4Q2020. Final settlement of outsourcing fees with employment agency added to the cost in current period and current year.
- (d) Administrative expenses increased by RMB4.6 million in 2HY2021, from RMB8.6 million in 2HY2020 to RMB13.2 million in 2HY2021 and increased by RMB8.7 million in FY2021, from RMB13.9 million in FY2020 to RMB22.6 million in FY2021. The increases were mainly attributed to the higher payroll and related costs relating to the full year operation (2020: less than six month operation) of the subsidiaries from Guangzhou and Tianjin. Newly incorporated subsidiaries as highlighted in Note 22 also contributed to additional payroll costs and operating costs.
- (e) Finance costs decreased by RMB2.2 million in 2HY2021, from RMB2.4 million in 2HY2020 to RMB0.2 million in 2HY2021, and decreased by RMB3.9 million in FY2021, from RMB5.0 million in FY2020 to RMB1.1 million in FY2021. The decrease was contributed by a full repayment of the FY2020's bank borrowings on 31 March 2021.

A fresh loan of RMB27.4 million was drawn down, and disbursed directly from the bank to partly finance the outright lease payments of the land and building, mainly for the purpose of the membrane manufacturing facility. However, the repayments only commenced in September 2021.

- (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:

	FY2021 RMB'000	FY2020 RMB'000
Credited from / (Charged to) Profit or Loss		
Advances to non-trade suppliers	(134)	103
Advances to third party	22,415	(30,515)
Advances to trade suppliers	314	(8,625)
Contract assets	2,328	(4,643)
Retention receivables	(173)	(44)
Security and tender deposits	697	(1,474)
Trade receivables	-	(497)
Others	-	(19)
Net credit from (charge to) P/L	25,447	(45,714)

The Group wrote back allowance for impairment of advances to third party amounting to RMB22.4 million which was fully received/resolved in accordance with the settlement agreement. Details of this settlement were announced on Masnet on 30 June 2021 and 18 November 2021.

Further to the above, in accordance with the allowance matrix applicable to the expected credit loss model, the Group added RMB173,000 (2HY2020: RMB44,000) and RMB134,000 (2HY2020: write-back of impairment loss of RMB103,000) respectively to the allowances for impairments of financial assets in respect of retention receivables and advances to non-trade suppliers; and wrote-back allowances for impairment loss on financial assets in respect of advances to trade suppliers amounting to RMB314,000 (2HY2020: impairment loss of RMB8,625,000) and security and tender deposits amounting to RMB697,000 (2HY2020: impairment loss of RMB1,474,000) which were no longer required.



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REVIEW OF GROUP PERFORMANCE (cont'd)

- (g) Other expenses decreased by RMB0.8 million in 2HY2021 from RMB2.9 million in 2HY2020 to RMB2.1 million in 2HY2021. Such decrease was mainly due to absence of impairment loss made on intangible assets recorded in FY2020.

Other expenses increased by RMB0.4 million in FY2021 from RMB2.8 million in FY2020 to RMB3.2 million in FY2021. Such increase was mainly due to higher exchange losses of RMB1.8 million recognised for Y2021 against RMB1.2 million recognised in FY2020.

Income tax expense

The Group recorded an income tax payable of RMB0.9 million in 2HY2021 (2HY2020: tax refund of RMB84,000) as a result of the profit registered by the subsidiary from the Tianjin office due to the substantial completion of industrial wastewater project in Shijiazhuang. Taken together with the income tax payable in HY2021 of RMB1.4 million, the income tax payable for the year ended 31 December 2021 increased to RMB2.3 million as opposed to a tax refund of RMB75,000. The effective tax rate was less than its statutory rate of 25% due to the utilisation of unabsorbed loss brought forward from previous financial year.

Profit after taxation

In view of above, the Group reported a loss after taxation of RMB2.3 million in 2HY2021 as compared to RMB59.4 million in 2HY2020. On the other hand, the Group reported a profit after taxation for the financial year ended 31 December 2021 of RMB4.7 million, a turnaround from a loss after taxation of RMB64.9 million for the financial year ended 31 December 2020.

Consolidated Statement of Financial Position

Total Group assets as at 31 December 2021 increased by RMB106.4 million from RMB101.6 million as at 31 December 2020 to RMB208.0 million as at 31 December 2021.

The increase was mainly due to the following:

- (a) Higher fixed assets value of RMB40.8 million. This was mainly due to RMB49.2 million additions of property, plant and equipment and rights-of-use assets, partly offset by the currency re-alignment loss of RMB0.9 million, routine depreciation of RMB1.9 million and disposals/written off assets amounting to RMB5.7 million during the financial year;
- (b) Higher intangible assets of RMB1.6 million. This was mainly due to acquired RMB1.8 million patented technologies of Bituo in relation to the two sludge treatment technologies partly offset by the amortisation of RMB0.2 million during the financial year;
- (c) Higher contract assets of RMB28.9 million. This was mainly due to the substantial completion of the industrial wastewater project in Shijiazhuang of RMB30.2 million and write-back of allowance for impairment loss of RMB2.3 million, partly offset by the completions of projects from the subsidiary in Jilin province of RMB2.7 million and receipt from certain customer of RMB1.0 million; and
- (d) Higher cash and bank balances of RMB44.5 million. This was mainly contributed by unutilised net proceeds from the right issue exercise which was completed in 3Q2021.

The increase was partly offset by the following:

- (e) Lower trade and other receivables of RMB8.9 million. This was mainly due to substantial settlements of amount due from third party, advances to trade suppliers and advances to third party amounting to RMB29.6 million. However, this was offset by higher retention receivables of RMB2.5 million from certain completed projects, advances made to related company for the procurement of equipment, systems, machineries, and services amounting to RMB8.2 million, higher VAT receivables of RMB4.7 million from the tax authority in respect of the procurement of equipment, systems and machineries for the membrane business and Shijiazhuang project and higher tender and security deposits of RMB4.9 million.



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Total Group liabilities decreased by RMB13.7 million, from RMB74.0 million as at 31 December 2020 to RMB60.3 million as at 31 December 2021.

The decrease was mainly attributed to the following:

- (a) repayments of the previous year's bank borrowings amounting to RMB24.0 million in 1Q2021;
- (b) repayments of trade and bills payable of RMB25.4 million; and
- (c) repayments of amounts due to a related party of RMB7.1 million.

The decrease was partially offset by the following:

- (d) drawn down of a new outstanding bank loan of RMB26.1 million for the outright lease payments of the land and building mainly for the purpose of the membrane manufacturing facility;
- (e) procurement of supplies, equipment and systems from trade suppliers mainly for the industrial wastewater project in Shijiazhuang have led to the increase in accrued purchases of RMB16.1 million. In view of the good working relationships with these suppliers, the invoices for these purchases will be billed progressively subsequent to the end of the reporting period; and
- (f) new leases contracted for the Singapore office and two PRC subsidiaries which resulted in higher lease liabilities of RMB0.8 million.

Total equity increased by RMB120.1 million due to increased share capital of RMB98.3 million from the right issue exercise completed in August 2021, profit generated of RMB5.8 million and non-controlling interests of RMB16.3 million, partly offset by the foreign currency translation reserve recorded of RMB0.4 million.

Consolidated Statement of Cash Flows

The decrease in net cash from operating activities of RMB28.2 million in FY2021 as compared to net cash from operating activities in FY2020 of RMB17.0 million due to higher working capital requirements needed to substantially complete the industrial wastewater project in Shijiazhuang in 4Q2021.

Net cash used in investing activities of RMB13.5 million was mainly attributable to the acquisition of property, plant and equipment of RMB18.0 million and acquisition of subsidiary, net of cash of RMB1.0 million, partly offset by proceeds from disposal of property, plant and equipment and sale and leaseback transaction, and interest income received of RMB5.1 million and RMB0.3 million respectively.

Net cash from financing activities of RMB86.3 million was mainly due to the net proceeds received from the Rights Issue of RMB98.3 million, capital contributions from NCI of RMB17.8 million, partly offset by repayments of bank borrowings of RMB24.8 million, lease liabilities of RMB1.0 million, bills payable of RMB3.0 million and interest paid of RMB1.0 million.

VARIANCE FROM PROSPECT STATEMENT

Not applicable as no prospect statement is given.

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PROSPECTS

The impositions of stringent measures and travel restrictions in China to contain the pandemic have disrupted and slowed down the Group's momentum in the second half of 2021. Nonetheless, the Group managed to substantially complete its industrial wastewater project in Shijiazhuang prior to year-end while deferring the rest of the secured environmental related projects to 2022. Notwithstanding the challenges and difficulties encountered, the Group remains focussed on its strategy to transform itself into a technology driven company specialising in sludge treatment, artificial intelligence ("AI") in wastewater treatment, and membrane technology. It has recently added AI technology to its array of technological capabilities with the main objective of optimising the operations and maintenance of wastewater treatment plants to reduce their overall treatment costs, especially energy and chemical costs. To capture the AI technology's market potential, a joint venture company, AIWater (Anhui) Co., Ltd, was incorporated by the Group in September 2021, and the company has secured its maiden project in Tianjin to optimise six wastewater treatment plants. In addition, the Group has successfully secured a large-scale Public-Private-Partnership project in Bazhou City worth RMB114.75 million. Once the sludge treatment plant is constructed, the operations and maintenance services rendered will provide the Group with stable and recurring income for the next 30 years.

In addition to its technological capabilities, the Group is working tirelessly to get its membrane manufacturing facility operational in the first half of 2022. Management is upbeat about the prospects of its high-performance hybrid membranes. The production and sales of the membranes will form a business segment for the Group.

In view of these positive business developments, the Group believes that technology will be key in driving the Group forward and will commit more resources to the research and development of its technology. With the business environment in China still posing a challenge to the Group, management is conscious of the need to be prudent in its investment in environmental projects. Management is optimistic that, with careful executions and leveraging of technologies, and taking into consideration its order book, the Group will step up its efforts in the coming year to improve its financial performance.


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

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

	S\$	S\$
Gross proceeds from the Rights Issue		20,790,216
<u>Fees and expenses directly attributable to the Rights Issue exercise</u>		
Issue manager's fees	(53,500)	
Costs relating to handling and submission of share certificates to CDP	(36,434)	
Legal fees for the submission of additional listing application to SGX-ST	(86,258)	
Additional Listing Application fees paid to SGX-ST	(32,100)	
Type-setting of Offer Information Statement & printing of forms in relation to the Rights Issue	(10,136)	
Fees paid to shares registrar	(6,539)	
Fees paid to receiving bank	(6,000)	
Corporate secretarial fees	(6,011)	
Opening of securities account to trade nil-paid rights and ATM application fees	(6,420)	(243,398)
Net proceeds		20,546,818
<u>95% of the net proceeds earmarked for business investments and acquisitions of environmental related business as per Offer Information Statement ("OIS")</u>		
Finance the capital commitment in Yishui project	(1,061,000)	
Finance the membrane manufacturing facility	(1,920,000)	
Finance the capital commitment in respect of sludge treatment project in Bazhou City	(4,471,200)	
Finance the balance capital commitment into JV company, AIWater (Anhui), Co Ltd	(635,068)	
Total capital commitment and business investments		(8,087,268)
<u>5% of the net proceeds earmarked for working capital as per OIS</u>		
Directors' fees, remunerations, salaries and related costs	(742,986)	
Professional fees and compliance costs	(284,355)	(1,027,341)
		11,432,209
<u>Re-designation of the balance net proceeds from business investments and acquisitions to capital commitment and working capital purposes</u>		
Capital injection in United Greentech (Guangzhou) Co., Ltd for its working capital		(496,800)
<u>Working capital</u>		
Directors' fees, remunerations, salaries and related costs	(1,432,708)	
Office equipment, computers, furniture, and other low value assets	(115,759)	
Rental, utilities and related deposits	(73,893)	
Professional fees and compliance costs	(145,789)	
Printing, AGM related costs and investor relations expenses	(71,248)	
Travelling and entertainment expenses	(21,435)	
Communications and internet expenses	(10,288)	
Insurance	(4,633)	
Course fees	(5,778)	
Installation of accounting software and subscription fees	(1,616)	
Miscellaneous expenses	(12,270)	
		(1,895,417)
Balance of Rights Issue proceeds (Net)		9,039,992


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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 year ended 31 December 2021 ('000)	Principal Activities	Effective interest held by the Group
1	Nanosun Membrane Pte. Ltd. ("Nanosun Membrane")	Singapore	RMB34,695 (\$7,200)	RMB20,817 (\$4,320)	Manufacture and production of membrane fibres and products	60%
2	United Greentech Holdings Pte. Ltd. ("United Greentech")	Singapore	RMB65,245	RMB60,324	Investment holding	100%
3	United Greentech (Guangzhou) Co., Ltd ("Greentech Guangzhou")	China	RMB69,500	RMB40,500	Investment holding	100%
4	United Greentech (Tianjin) Co., Ltd ("Greentech Tianjin")	China	RMB42,500	RMB17,500	Municipal sludge treatment and management, industrial wastewater treatment and recycling and other environmental related projects	100%
5	United Kaida Greentech (Shandong) Co., Ltd ("Greentech Shandong")	China	RMB5,903	RMB5,000	investment holding	72%
6	United Greentech (Yishui) Co., Ltd ("Greentech Yishui")	China	RMB5,000	RMB5,000	Investments in animal manure, sludge, and wastewater treatment projects	46.8%
7	AIWater (Anhui) Co., Ltd. ("AIWater")	China	RMB10,000	RMB7,000	Investment and development of artificial intelligent technology in water treatment systems	70%

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.



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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
25 February 2022