



Leader Environmental Technologies Limited

Condensed financial statements
For the full year ended 31 December 2024

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Legends:

FY2024	– 12 months ended 31 December 2024
FY2023	– 12 months ended 31 December 2023
NM	– not meaningful

Consolidated Statements of Financial Position

For the financial year ended 31 December 2024

	Note	Group		Company	
		FY2024 RMB'000	FY2023 RMB'000	FY2024 RMB'000	FY2023 RMB'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	3	71,759	75,577	18,387	11,464
Intangible assets	4	1,287	4,282	-	-
Investment in subsidiaries		-	-	108,521	112,652
Investment in joint venture Associate		10,761	-	-	-
		795	-	-	-
Total non-current assets		84,602	79,859	126,908	124,116
Current Assets					
Contract assets	5	11,494	53,789	-	-
Inventories	6	6,358	6,504	-	-
Trade and other receivables	7	14,164	15,209	22,897	15,313
Prepayments		404	580	54	46
Cash and bank balances		50,007	98,505	20,562	68,244
		82,427	174,587	43,513	83,603
Assets of disposal group classified as held for sale	8	39,977	-	-	-
Total current assets		122,404	174,587	43,513	83,603
Total assets		207,006	254,446	170,421	207,719
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	14	375,049	375,049	375,049	375,049
PRC statutory common reserve		1,168	1,168	-	-
Share option reserve		4,102	2,636	4,102	2,636
Currency translation reserve		2,484	2,573	-	-
Accumulated losses		(360,883)	(303,194)	(324,470)	(278,121)
Equity attributable to owners of the Company		21,920	78,232	54,681	99,564
Non-controlling interests		16,718	14,504	-	-
Total equity		38,638	92,736	54,681	99,564
Non-Current Liabilities					
Bank borrowings	9	18,936	21,879	-	-
Lease liabilities		1,031	425	535	-
Provision for restoration costs	11	529	518	-	-
Other liabilities	13	9,493	238	9,324	-
Deferred tax liabilities	18	1,214	-	-	-
Total non-current liabilities		31,203	23,060	9,859	-
Current Liabilities					
Contract liabilities		469	-	-	-
Bank borrowings	9	7,376	6,610	-	-
Convertible bonds #	10	90,981	88,800	90,981	88,800
Lease liabilities		827	1,388	367	132
Trade and other payables	12	8,850	10,809	12,665	17,641
Other liabilities	13	17,911	26,970	1,868	1,582
Income tax payable		-	4,073	-	-
		126,414	138,650	105,881	108,155
Liabilities directly associated with disposal group classified as held for sale	8	10,751	-	-	-
Total current liabilities		137,165	138,650	105,881	108,155
Total liabilities		168,368	161,710	115,740	108,155
Total equity and liabilities		207,006	254,446	170,421	207,719

#: Convertible bonds have been reclassified in accordance with SFRS(I) 1-1. Refer to Notes 2.3 and 10 for further details.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2024

		<u>Group</u>		
	<u>Note</u>	FY2024 RMB'000	FY2023 RMB'000	Change %
Continuing operations:				
Revenue	15	7,028	27,075	(74.0)
Cost of sales		(5,264)	(20,921)	(74.8)
Gross profit		1,764	6,154	(71.3)
Finance income		1,641	1,544	6.3
Fair value gain on convertible bond		13,629	22,005	(38.1)
Other income		297	1,179	(69.7)
Selling and distribution expenses		(621)	(885)	(29.8)
Administrative expenses		(39,598)	(41,941)	(5.6)
Finance costs		(14,502)	(8,609)	68.5
Impairment loss of financial assets and contract assets (net)		(21,270)	(16,619)	28.3
Other expenses		(2,258)	(205)	1,001.5
Impairment loss on property, plant and equipment		(541)	(6,535)	(91.7)
Share of results of associate and joint venture		349	(812)	NM
Loss before taxation	17	(61,110)	(44,724)	36.6
Taxation	18	2,837	(298)	NM
Loss after taxation from continuing operations		(58,273)	(45,022)	29.4
Discontinued operations:				
Loss after taxation from discontinued operations, net of tax		(3,865)	(7,994)	(51.7)
Loss after taxation		(62,138)	(53,016)	17.2
Other comprehensive income, after tax				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences		(89)	923	NM
Items that will not be reclassified subsequently to profit or loss:				
Currency translation differences		(44)	576	NM
Other comprehensive (loss) profit after tax		(133)	1,499	NM
Total comprehensive loss for the year		(62,271)	(51,517)	20.9

NM: not meaningful

Consolidated Statement of Profit or Loss and Other Comprehensive Income (cont'd)

For the financial year ended 31 December 2024

		<u>Group</u>		
	<u>Note</u>	FY2024 RMB'000	FY2023 RMB'000	Change %
Loss after taxation attributable to:				
- Owners of the Company		(57,689)	(41,806)	38.0
- Non-controlling interests		(4,449)	(11,210)	(60.3)
		(62,138)	(53,016)	17.2
Total comprehensive loss attributable to:				
- Owners of the Company		(57,778)	(40,883)	41.3
- Non-controlling interests		(4,493)	(10,634)	(57.7)
		(62,271)	(51,517)	20.9
Loss per share (Note 20)				
<u>From continuing and discontinued operations:</u>				
Basic (RMB in cents)	20	(3.76)	(2.72)	
Diluted (RMB in cents)	20	(3.76)	(3.26)	
<u>From continuing operations:</u>				
Basic (RMB in cents)	20	(3.47)	(2.36)	
Diluted (RMB in cents)	20	(3.47)	(2.94)	

Consolidated Statements of Changes in Equity

For the financial year ended 31 December 2024

	Attributable to owners of the Company							Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	PRC Statutory common reserve RMB'000	Share option reserve RMB'000	Currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000			
The Group									
At 1 January 2024	375,049	1,168	2,636	2,573	(303,194)	78,232	14,504	92,736	
Loss for the year	-	-	-	-	(57,689)	(57,689)	(4,449)	(62,138)	
Other comprehensive loss	-	-	-	(89)	-	(89)	(44)	(133)	
Total comprehensive loss for the year	-	-	-	(89)	(57,689)	(57,778)	(4,493)	(62,271)	
Transactions with owners, recognised directly in equity									
Capital contribution from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	6,707	6,707	
Recognition of share-based payments	-	-	1,466	-	-	1,466	-	1,466	
Total transactions with owners	-	-	1,466	-	-	1,466	6,707	8,173	
At 31 December 2024	375,049	1,168	4,102	2,484	(360,883)	21,920	16,718	38,638	

Consolidated Statements of Changes in Equity (Cont'd)

For the financial year ended 31 December 2023

	Attributable to owners of the Company								Total equity RMB'000
	Share capital RMB'000	PRC Statutory common reserve RMB'000	Share option reserve RMB'000	Currency translation reserve RMB'000	Other reserves# RMB'000	Accumulated losses RMB'000	Total RMB'000	Non- controlling interests RMB'000	
The Group									
At 1 January 2023	375,049	32,917	663	1,650	(433)	(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)
Transactions with owners, recognised directly in equity									
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)
Increase of interest in a subsidiary	-	-	-	-	-	(965)	(965)	965	-
Recognition of share-based payments	-	-	1,973	-	-	-	1,973	-	1,973
Disposal/Deregistration of subsidiaries	-	(31,749)	-	-	433	31,316	-	-	-
Total transactions with owners	-	(31,749)	1,973	-	433	30,351	1,008	4,396	5,404
At 31 December 2023	375,049	1,168	2,636	2,573	-	(303,194)	78,232	14,504	92,736

#: made up of merger reserve and capital reserve.

Consolidated Statement of Changes in Equity (Cont'd)

For the financial year ended 31 December 2024

The Company	Share capital RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2024	375,049	2,636	(278,121)	99,564
Loss for the year	-	-	(46,349)	(46,349)
Total comprehensive loss for the year	-	-	(46,349)	(46,349)
Transactions with owners, recognised directly in equity				
Recognition of share based payments	-	1,466	-	1,466
Total transactions with owners	-	1,466	-	1,466
At 31 December 2024	375,049	4,102	(324,470)	54,681
At 1 January 2023	375,049	663	(264,182)	111,530
Loss for the year	-	-	(13,939)	(13,939)
Total comprehensive loss for the year	-	-	(13,939)	(13,939)
Transactions with owners, recognised directly in equity				
Recognition of share based payments	-	1,973	-	1,973
Total transactions with owners	-	1,973	-	1,973
At 31 December 2023	375,049	2,636	(278,121)	99,564

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2024

	<u>Group</u>	
	FY2024 RMB'000	FY2023 RMB'000
Operating Activities		
Loss before taxation – continuing operations	(61,110)	(44,724)
Loss before taxation – discontinued operations	(2,071)	(7,994)
	<u>(63,181)</u>	<u>(52,718)</u>
Adjustments for:		
Depreciation of property, plant and equipment	7,661	7,895
Amortisation of intangible assets	252	252
Impairment loss on property, plant and equipment	541	6,535
Provision for stock obsolescence	236	-
Property, plant and equipment written off	56	24
Share options expenses	1,466	1,973
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, net	21,457	16,619
Gain on re-measurements/termination of lease liabilities	(52)	(6)
Fair value gain on convertible bonds	(13,629)	(22,005)
Exchange loss on convertible bonds	2,914	544
Share of after-tax (profit) loss of associate	(349)	812
Government grant income - amortised	(68)	(33)
Finance costs	14,510	8,620
Finance income	(1,658)	(1,583)
Operating loss before working capital changes	<u>(29,844)</u>	<u>(33,679)</u>
Decrease (Increase) in contract assets	9,244	(11,930)
Increase in inventories	(825)	(558)
Increase in trade and other receivables	(4,999)	(11,015)
Decrease (Increase) in prepayments	31	(442)
Increase in trade and other payables	3,495	8,718
Increase in contract liabilities	469	-
Decrease in other liabilities	(8,043)	(1,837)
Cash used in operations	<u>(30,472)</u>	<u>(50,743)</u>
Income tax paid – net of refunds	(22)	(30)
Net cash used in operating activities	<u>(30,494)</u>	<u>(50,773)</u>
Investing Activities		
Acquisition of property, plant and equipment	(11,770)	(10,504)
Additions to intangible assets	(1,303)	(143)
Interest income received	1,658	1,448
Cash outflow arising from disposal of a subsidiary - net	-	(202)
Proceeds from dissolution of an associate	-	5,000
Investment in associate	(11,208)	-
Net cash used in investing activities	<u>(22,623)</u>	<u>(4,401)</u>
Financing Activities		
Proceeds from issuance of convertible bonds	-	105,787
Proceeds from bank borrowings	4,538	9,534
Repayments of bank borrowings	(6,617)	(10,853)
Capital contributions from non-controlling shareholders of subsidiaries	6,707	3,942
Return of capital contribution to non-controlling shareholder after strikeoff of a subsidiary	-	(587)
Repayments of lease liabilities	(1,723)	(1,771)
Interest paid	(1,476)	(1,688)
Decrease (Increase) in restricted bank deposits pledged	364	(972)
Increase in restricted cash	(690)	-
Proceeds from government grant	9,324	332
Net cash generated from financing activities	<u>10,427</u>	<u>103,724</u>

Consolidated Statement of Cash Flows (Cont'd)

For the financial year ended 31 December 2024

	FY2024	Group	FY2023
	RMB'000		RMB'000
Net (decrease)/increase in cash and cash equivalents	(42,690)		48,550
Effects of exchange rate changes on the cash balances held in foreign currencies	16		(86)
Cash and cash equivalents at beginning of year	91,767		43,303
Cash and cash equivalents at end of year	A <u>49,093</u>		<u>91,767</u>

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:

	FY2024	Group	FY2023
	RMB'000		RMB'000
Cash and bank balances – continuing operations	50,007		98,505
Cash and bank balances – discontinued operations	6,132		-
Total	<u>56,139</u>		<u>98,505</u>
<u>Less:</u>			
Deposits pledged to secure bank borrowing	(3,959)		(3,976)
Deposit placed as performance bond	(2,397)		(2,762)
Restricted cash	(690)		-
Cash and cash equivalents	<u>49,093</u>		<u>91,767</u>

Deposits pledged of RMB4.0 million (FY2023: RMB4.0 million) represent funds earmarked in a debt service reserve account as mandated by certain banks to renew the bank loans for purpose of financing the outright lease payments of leasehold land and building for membrane manufacturing facility.

The deposits of RMB2.40 million (FY2023: RMB2.8 million) is placed as performance bond with the respective banks for the Group to undertake the Group's sludge and water treatment projects.

Restricted cash relates to a subsidiary's bank balance that the bank holds as a deposit for toll fees and other related charges for specific registered vehicles of the subsidiary.

B Cash flow analysis

Net cash used in operating activities was RMB30.5 million as compared with RMB50.8 million in the same period last year mainly due to recognition, realisation and collection of contract assets under billings for the year offset by other working capital requirements.

Net cash used in investing activities was RMB22.6 million due to acquisitions of property, plant and equipment of RMB11.7 million, acquisition of intangible assets of RMB1.3 million and a payment made for investment in an associate of RMB11.2 million. The cash outflow was partly offset by interest income of RMB1.6 million received during the year.

Net cash generated from financing activities was RMB10.4 million due to proceeds from government grant of RMB9.3 million, capital contributions from non-controlling shareholders of RMB6.7 million and decrease in bank deposits pledged of RMB0.4 million which is partly offset by net repayments of bank borrowings of RMB2.1 million, increase in restricted cash of RMB0.7 million, repayments of lease liabilities of RMB1.7 million and interest paid of RMB1.5 million.

Notes to the Condensed Consolidated Financial Statements

1 Corporate information

Leader Environmental Technologies Limited is incorporated and domiciled in the Republic of Singapore, and its registered office is located at 38 Beach Road, South Beach Tower, #29-11, Singapore 189767. These condensed consolidated financial statements as at 31 December 2024 and for the financial year ended 31 December 2024 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 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 2023.

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 and the application of *SFRS(I) 5 Non-Current Assets Held for Sale and Discontinued Operations*.

2.1 Basis of measurement

The management has prepared a 12-month cashflow forecast from 1st January 2025 to review the appropriateness of the going concern and the directors of the Company are of the view that it is appropriate to prepare the Group’s financial statements on a going concern on the following bases:

- (a) the Group expects that the net proceeds from the disposal of AIWater business segment will be able to fund the working capital requirements of its sludge and membrane business segments;
- (b) the Group will be able to generate sufficient cash flows from its existing business operations mainly from the sludge waste treatment (both EPC and Operation & Maintenance services) and membrane manufacturing projects;
- (c) the impact on the government spending and general market sentiments in the PRC will have some constraints on cash flows where the timing of receipt will be longer than expected for which management of the Group will take steps to monitor closely collections from debtors;
- (d) there are no changes in the credit terms granted by suppliers and the Group intends to adhere to the average payables (trade and others) turnover days consistent with prior years; and
- (e) The Group intends to exercise the extension option of its convertible bond (“CB”) for an additional period of 2 years, extending the final maturity date of both CB tranches to 3 March 2028 and 31 July 2028 respectively.

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.

Accordingly, 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.

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

2.2 Functional and presentation currencies

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

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 2024. The Group and Company did not have to change its accounting policies nor made any retrospective adjustments as a result of adopting these standards except as follows:

The Group reclassified its convertible bonds from non-current liabilities to current liabilities in accordance with the amendments to *SFRS(I) 1-1 Classification of liabilities as current or non-current*. Please refer to Note 10 of the condensed consolidated financial statements for further details.

2.4. Use of judgements and estimates

In preparing the condensed consolidated 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 financial statements as at and for the year ended 31 December 2023.

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 FY2023 annual report, and there are no material deviations for the financial year ended 2024.

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

Acquisitions and disposals

During the year ended 31 December 2024, the Group:

- (i) acquired assets with an aggregate cost of RMB13,664,000 (FY2023: RMB18,828,000). The Group made cash payments of RMB11,770,000 (FY2023: RMB10,504,000) to acquire property, plant and equipment.
- (ii) wrote-off PPE with carrying amount of RMB56,000 (FY2023: RMB24,000);
- (iii) acquired right-of-use assets of RMB2,657,000 (FY2023: RMB Nil);
- (iv) recognised an impairment loss of RMB541,000 (FY2023: RMB6,535,000) relating to leasehold buildings and certain equipment and machineries;
- (v) derecognised right-of-use assets of RMB352,000 (FY2023: RMB261,000) due to early termination of lease;
- (vi) derecognised certain PPE amounting to RMB Nil (FY2023: RMB164,000) arising from the disposal of a subsidiary; and
- (vii) recognised a negative foreign exchange realignment movement of RMB212,000 (FY2023: positive exchange alignment movement of RMB2,388,000) arising from currency translation differences.

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

3. Property, plant and equipment ("PPE") (Cont'd)

Transfer to disposal group classified as held for sale

During the year ended 31 December 2024, the Group transferred certain PPE to the disposal group classified as held for sale (Note 8) with a carrying amount of RMB11,315,000 (FY2023: RMB Nil) arising from the impending disposal of a subsidiary.

4. Intangible assets

Group

	<u>Patents</u> RMB'000	<u>Software development cost</u> RMB'000	<u>Total</u> RMB'000
Cost:			
At 1 January 2023	2,163	2,374	4,537
Additions	-	369	369
At 31 December 2023	2,163	2,743	4,906
Additions	-	1,303	1,303
Transfer to disposal group classified as held for sale (Note 8)	-	(4,046)	(4,046)
At 31 December 2024	2,163	-	2,163
Accumulated amortisation:			
At 1 January 2023	372	-	372
Amortisation for the year	252	-	252
At 31 December 2023	624	-	624
Amortisation for the year	252	-	252
At 31 December 2024	876	-	876
Carrying amount:			
31 December 2023	1,539	2,743	4,282
31 December 2024	1,287	-	1,287

The above includes patented sludge treatment technologies with a carrying amount of RMB1,078,000 (FY2023: RMB1,257,000) were amortised over a 5 to 10-year period.

5. Contract assets

Contract assets comprise the following:

	<u>Group</u> FY2024 RMB'000	FY2023 RMB'000
Sludge treatment project	46,375	46,376
Engineering and technical service contracts	3,280	16,082
Specialised equipment	72	8,234
Total	49,727	70,692
Less: loss allowance	(38,233)	(16,903)
Net	11,494	53,789

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

5. Contract assets (cont'd)

Contract assets mainly comprise Shijiazhuang project of RMB2,497,000 (FY2023: RMB12,974,000), Gong-an project of RMB10,343,000 (FY2023: RMB Nil) and Bazhou sludge treatment project of RMB46,376,000 (FY2023: RMB46,376,000). 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.

During the financial year ended 31 December 2024, there was an allowance for impairment recognised on the contract assets amounting to RMB21,330,000 (FY 2023: RMB16,304,000) based on (i) application of the expected credit loss model and; (ii) an allowance amount of RMB20,797,000 (FY2023: RMB16,304,000) which relates to the Bazhou sludge treatment project.

Other than contract assets arising from the Bazhou sludge treatment project, there has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the contract assets.

6. Inventories

	<u>Group</u>	
	FY2024 RMB'000	FY2023 RMB'000
Raw materials, at cost	4,914	5,322
Finished goods	242	-
Work-in-progress	1,438	1,182
Allowance for impairment	(236)	-
	6,358	6,504
Income statement:		
Cost of inventories included in cost of sales		
Continuing operations	565	368
Discontinued operations	7,436	68
	7,436	68

7. Trade and other receivables

	<u>Group</u>		<u>Company</u>	
	FY2024 RMB'000	FY2023 RMB'000	FY2024 RMB'000	FY2023 RMB'000
Trade receivables	6,906	9,346	-	-
Allowance for impairments	(180)	(240)	-	-
Net trade receivables	6,726	9,106	-	-
Interest receivables	-	136	-	136
Other receivables				
- Amounts due from subsidiaries	-	-	22,677	15,075
- Amounts due from related party	1,428	-	-	-
- Advances to trade suppliers	-	-	-	-
- Advances to non-trade suppliers	467	196	-	-
- Advances to related party (Note 19)	366	-	-	-
- VAT and other tax receivables	3,890	5,020	-	-
- Others	1,287	751	220	102
	7,438	5,967	22,897	15,177
Total	14,164	15,209	22,897	15,313

The amounts due from subsidiaries and related party 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.

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

8. Disposal group classified as held for sale and discontinued operations

On 12 November 2024, the Group entered into a non-binding term sheet with a Consortium for the proposed disposal of AIWater (Anhui) Co. Ltd, UG Water Pte Ltd and Xinwo AIWater (Hubei) Co. Ltd ("AIWater Group") which carried out the Group's Artificial Intelligence in water management system business. Strategically, the proposed disposal will generate cash flow to enable the Group to redirect resources into its existing business segment, namely sludge treatment and membrane manufacturing businesses.

On 12 January 2025, the Group had executed a conditional share sale and purchase agreement with WJL Holdings ("Buyer") in relation to the proposed disposal of its equity interest in AIWater Group for a total consideration of RMB370 million. The proposed disposal will be subject to the approval of the shareholders of the Company who are deemed independent under the Listing Manual. The Company intends to convene an extraordinary general meeting ("EGM") to seek the approval of the independent shareholders after the transaction circular is approved by SGX-ST.

The proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised on the classification of these operations as held for sale.

(a) The major classes of assets and liabilities comprising the disposal group classified as held-for-sale are as follows:

The Group	FY2024 RMB'000
Assets	
Property, plant and equipment	11,315
Intangible assets	4,046
Contract assets	11,534
Inventories	707
Trade and other receivables	6,098
Others	145
Cash and bank balances	6,132
Assets of disposal group classified as held for sale	<u>39,977</u>
Liabilities	
Trade and other payables	(7,341)
Other liabilities	(1,011)
Lease liabilities	(605)
Deferred tax liabilities	(1,794)
Liabilities directly associated with disposal group classified as held for sale	<u>(10,751)</u>
Net assets of disposal group	<u>29,226</u>

(b) The results of the discontinued operation are as follows:

	FY2024 RMB'000	FY2023 RMB'000
Revenue	23,442	5,969
Cost of sales	(14,329)	(3,200)
Gross profit	9,113	2,769
Finance income	17	-
Other income	23	54
Other expense	(22)	(8)
Selling and distribution expenses	(919)	(703)
Administrative expenses	(10,088)	(10,095)
Finance costs	(8)	(11)
Impairment loss of financial assets and contract assets	(187)	-
Loss from discontinued operation, before taxation	(2,071)	(7,994)
Taxation	(1,794)	-
Loss from discontinued operation, net of taxation	(3,865)	(7,994)

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

9. Bank borrowings

	<u>Group</u>	
	FY2024 RMB'000	FY2023 RMB'000
<u>Non-current liabilities</u>		
Bank loan – secured	18,936	21,879
<u>Current liabilities</u>		
Bank loans – secured	2,837	3,810
Bank loans – unsecured	4,539	2,800
Total	7,376	6,610
Total bank borrowings	26,312	28,489

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 RMB3,959,000 (FY2023: RMB3,976,000) 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 rates ranging from 4.35% to 5.11% (FY2023: 5.55%) 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 RMB32.1 million). During the financial year ended 31 December 2024, there are no breaches of bank covenants by the subsidiary.

The unsecured bank loan is denominated in RMB and has an effective interest rate of Nil (FY2023: 4.13%) per annum. The carrying values of the Group's term loans approximate their fair values.

10. Convertible Bonds

	<u>Group and Company</u>	
	FY2024 RMB'000	FY2023 RMB'000
Debt host liability component, at amortised cost	103,186	87,376
Derivative (asset) liability component, at fair value	(12,205)	1,424
Total	90,981	88,800

On 28 February 2023, the Company obtained shareholders' approval in respect of an aggregate principal amount of up to USD15 million 3-year 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.

On or prior to the final maturity date, the Company may at its discretion, subject to the provision of a written confirmation to the bondholder, extend the final maturity date for a period of up to two years.

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.

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

10. Convertible Bonds (cont'd)

	<u>Group and Company</u>	
	FY2024 RMB'000	FY2023 RMB'000
Nominal value of CB issued	105,787	105,787
Less: transaction costs	(2,294)	(2,294)
Net value of CB issued	103,493	103,493
Foreign exchange loss	3,458	544
Cumulative interest accrued	18,617	6,462
Amortisation of bond discount	1,047	306
Fair value adjustment on CB	(35,634)	(22,005)
Debt host and derivative liability component at end of year	90,981	88,800

The interest accrued is calculated by applying an effective interest rate of 12.51% (FY2023: 12.51%) per annum for the first tranche and 13.61% (FY2023: 13.61%) 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 2024 approximates its fair value.

Included in the debt host liability component of the convertible bond is an unamortised bond discount of RMB2,680,000 (FY2023: RMB3,330,000) which will be recognised over the remaining term of the convertible bond.

11. Provision for restoration costs

	<u>Group</u>	
	FY2024 RMB'000	FY2023 RMB'000
Balance at beginning of year	518	488
Unwinding interest	13	12
Currency translation differences	(2)	18
Balance at end of year	529	518

The provision 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.

12. Trade and other payables

	<u>Group</u>		<u>Company</u>	
	FY2024 RMB'000	FY2023 RMB'000	FY2024 RMB'000	FY2023 RMB'000
Trade payables	4,540	10,364	-	-
Other payables	876	215	179	55
Deposits from customer	888	-	-	-
VAT and other tax payables	94	35	-	-
Amounts due to related parties	1,024	195	-	-
Amounts due to associate	1,428	-	-	-
Amounts due to subsidiaries	-	-	12,486	17,586
Total	8,850	10,809	12,665	17,641

The amounts due to related parties, associate 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 Financial Statements (Cont'd)

13. Other liabilities

	<u>Group</u>		<u>Company</u>	
	FY2024 RMB'000	FY2023 RMB'000	FY2024 RMB'000	FY2023 RMB'000
Accrued purchases	14,488	18,392	-	-
Accrued salaries and related expenses	917	1,847	347	375
Accrued operating expenses	1,671	1,407	1,521	1,207
Accrued capital expenditure	767	5,257	-	-
Deferred capital grant	9,561	305	9,324	-
Total	27,404	27,208	11,192	1,582
Presented as:				
Current	17,911	26,970	1,868	1,582
Non-current	9,493	238	9,324	-
Total	27,404	27,208	11,192	1,582

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, equipment supply to Taiwan project and Singapore sludge treatment demonstration plant.

Deferred capital grant relates to government grants received by the Company for the construction of a sludge treatment demonstration plant.

14. Share capital

	<u>Group and Company</u>			
	FY2024		FY2023	
	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 2024 and 31 December 2023.

The Company's subsidiaries did not hold any shares in the Company as at 31 December 2024 and 31 December 2023.

Outstanding shares

- Share options to subscribe for 26,700,000 (FY2023: 27,900,000) ordinary shares were outstanding under the Leader Environmental Technologies Employee Share Option Scheme ("LET ESOS"); and
- The Convertible bonds ("CB") of USD15 million issued in 2023 had a maturity date of 3 years, and an extension option by the Company of further 2 years. The CB potentially can be convertible into 214,260,000 new shares.

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

15. 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.

16. 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 2024 and 2023 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 Earnings before interest, taxation, depreciation and amortisation ("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 Financial Statements (Cont'd)

16. Segment and revenue information (Cont'd)

a) Reportable segments

Group	FY2024						Total continuing and discontinued operations
	<-----Continuing operations----->				Discontinued operations		
	Engineering and sludge treatment services	Manufacturing of high-performance membrane products	Others	Total	AIWater treatment services	Inter-segment elimination	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Revenue							
Sales to external customers	6,706	322	-	7,028	23,442	-	30,470
Inter-segment sales	3,132	-	-	3,132	1,761	(4,893)	-
Total	9,838	322	-	10,160	25,203	(4,893)	30,470
Results							
Segmental results	(10,187)	(3,384)	(19,768)	(33,339)	(1,057)	-	(34,396)
Fair value gain from convertible bond	-	-	13,629	13,629	-	-	13,629
Impairment loss on non-financial assets	-	(541)	-	(541)	-	-	(541)
Impairment loss on financial assets and contract assets	(21,270)	-	-	(21,270)	(187)	-	(21,457)
EBITDA	(31,457)	(3,925)	(6,139)	(41,521)	(1,244)	-	(42,765)
Depreciation and amortisation	(2,738)	(3,880)	(459)	(7,077)	(836)	-	(7,913)
Finance costs	(359)	(1,204)	(12,939)	(14,502)	(8)	-	(14,510)
Finance income	158	2	1,481	1,641	17	-	1,658
Share of results of an associate	296	53	-	349	-	-	349
Loss before taxation	(34,100)	(8,954)	(18,056)	(61,110)	(2,071)	-	(63,181)
Taxation	2,837	-	-	2,837	(1,794)	-	1,043
Loss for the period	(31,263)	(8,954)	(18,056)	(58,273)	(3,865)	-	(62,138)

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

16. Segment and revenue information (Cont'd)

a) Reportable segments

Group	FY2023						
	<-----Continuing operations----->				Discontinued operations		
	Engineering and sludge treatment services	Manufacturing of high-performance membrane products	Others	Total	AIWater treatment services	Inter-segment elimination	Total continuing and discontinued operations
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Revenue							
Sales to external customers	26,990	85	-	27,075	5,969	-	33,044
Inter-segment sales	13,456	-	715	14,171	435	(14,606)	-
Total	40,446	85	715	41,246	6,404	(14,606)	33,044
Results							
Segmental results	(2,000)	(5,611)	(20,530)	(28,141)	(7,432)	-	(35,573)
Fair value gain from convertible bond	-	-	22,005	22,005	-	-	22,005
Impairment loss on non-financial assets	-	(6,535)	-	(6,535)	-	-	(6,535)
Impairment loss on financial assets and contract assets	(16,619)	-	-	(16,619)	-	-	(16,619)
EBITDA	(18,619)	(12,146)	1,475	(29,290)	(7,432)	-	(36,722)
Depreciation and amortisation	(2,250)	(4,220)	(1,087)	(7,557)	(590)	-	(8,147)
Finance costs	(363)	(1,412)	(6,834)	(8,609)	(11)	-	(8,620)
Finance income	118	3	1,423	1,544	39	-	1,583
Share of results of an associate	(812)	-	-	(812)	-	-	(812)
Loss before taxation	(21,926)	(17,775)	(5,023)	(44,724)	(7,994)	-	(52,718)
Taxation	(298)	-	-	(298)	-	-	(298)
Loss for the period	(22,224)	(17,775)	(5,023)	(45,022)	(7,994)	-	(53,016)

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

16. Segment and revenue information (Cont'd)

(b) Geographical information

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

	Group	
	FY2024 RMB'000	FY2023 RMB'000
PRC	29,529	10,547
Taiwan	941	22,497
	30,470	33,044

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

Singapore ⁽¹⁾	74,764	62,956
PRC	9,838	16,903
	84,602	79,859

included intangible assets (Note 4) amounting to RMB5,332,000 (FY2023 – RMB4,282,000) for both continuing and discontinued operations.

⁽¹⁾ included non-current assets of RMB58,179,000 (FY2023: RMB51,831,000), 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 RMB20.0 million is derived from two major PRC customers, and is attributable to the AIWater treatment segment for the financial year ended 31 December 2024. In the same corresponding period of last year, revenue of RMB22.5 million is derived from one major Taiwan customer and is attributable to the engineering segment.

(d) Disaggregation of Revenue

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

FY2024 & FY2023

<u>The Group</u>	Continuing operations		Discontinued operations		Total	
	FY2024 RMB'000	FY2023 RMB'000	FY2024 RMB'000	FY2023 RMB'000	FY2024 RMB'000	FY2023 RMB'000
Over time:						
Engineering revenue	5,385	26,930	-	-	5,385	26,050
Treatment revenue	-	880	2,379	2,020	2,379	2,020
Operation & maintenance revenue	-	-	18,957	3,168	18,957	3,168
At a point in time:						
Sale of equipment and parts	1,643	145	2,106	781	3,749	926
	7,028	27,075	23,442	5,969	30,470	33,044

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

17. Loss before taxation

This includes the following charges (credits):

The Group	<u>Continuing operations</u>		<u>Discontinued operation</u>		<u>Total</u>	
	2024	2023	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Government grant income	(101)	(177)	-	(14)	(101)	(191)
Share-based payment expenses	1,152	1,721	314	252	1,466	1,973
Impairment loss on financial assets and contract assets	21,270	16,619	187	-	21,457	16,619
Impairment loss on property, plant and equipment	541	6,535	-	-	541	6,535
Allowance for inventories	236	-	-	-	236	-
Fair value gain from convertible bond	(13,629)	(22,005)	-	-	(13,629)	(22,005)
Interest income	(1,641)	(1,544)	(17)	(39)	(1,658)	(1,583)
Interest on lease liabilities	111	141	8	11	119	152
Interest on bank borrowings	1,482	1,688	-	-	1,482	1,688
Interest on restoration costs	13	12	-	-	13	12
Interest on convertible bonds	12,896	6,768	-	-	12,896	6,768
Depreciation of property, plant and equipment	6,825	7,305	836	590	7,661	7,895
Amortisation of intangible assets	252	252	-	-	252	252
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
Foreign exchange loss	2,983	32	3	-	2,986	32
Short term operating lease expenses	82	295	206	230	288	525
Directors' remunerations						
- Directors' fees	1,305	1,110	-	-	1,305	1,110
- Salaries and short-term benefits	3,499	3,433	-	-	3,499	3,433
- Contributions to defined contribution plans	156	144	-	-	156	144
- Stocks options granted	184	407	-	-	184	407
Key Management Personnel (other than Directors)						
- Salaries and short-term benefits	5,549	3,852	1,724	1,581	7,273	5,433
- Contributions to defined contribution plans	363	332	108	78	471	410
- Stocks options granted	420	549	-	-	420	549
Other employees (other than Directors and Key Management Personnel)						
- Salaries and short-term benefits	11,843	14,252	6,898	8,414	18,741	22,666
- Contributions to defined contribution plans	2,141	2,264	1,928	1,925	4,069	4,189
- Stocks options granted	548	765	314	252	862	1,017

The Group's Key Management Personnel mainly comprises Chief Executive Officer, Deputy Chief Executive Officer (Technical), Deputy Chief Executive Officer (Sales & Marketing), Group Financial Controller, Chief Technical Officer and Chief AI Scientist.

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

18. Taxation

Deferred tax

Deferred tax liabilities relates to the timing difference for revenue recognised by the Group and the eventual invoicing of the contract assets when the Group's right to payment becomes unconditional.

Income tax expense (credit)

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 charged (credited) to the condensed consolidated statement of profit or loss are as follow:

From continuing operations

	<u>Group</u>		<u>Company</u>	
	FY2024 RMB'000	FY2023 RMB'000	FY2024 RMB'000	FY2023 RMB'000
Current year taxation	(4,051)	298	-	-
Deferred tax	1,214	-	-	-
Tax (credit) / expense	<u>(2,837)</u>	<u>298</u>	<u>-</u>	<u>-</u>

From discontinued operations:

Current year taxation	-	-
Deferred tax	1,794	-
Tax expense	<u>1,794</u>	<u>-</u>

19. 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:

	<u>Group</u>	
	FY2024 RMB'000	FY2023 RMB'000
Sale of membrane products to a related party*	(312)	(29)
Technical services charged to an associate ¹	-	(98)
Manpower services charged to an associate ¹	-	(478)
Operation and maintenance services ("O&M") rendered to related parties ²	(6,350)	-
Purchase of equipment from an associate	44	-
Labour cost relating to O&M services paid on behalf by related parties ³	734	-
Share capital contribution receivable from a related party	(55)	-
Advances made to an associate	(366)	-
Advances received from related parties	<u>3,670</u>	<u>-</u>

*By virtue of NTi Memtech ("NTi") being a subsidiary of the Group, any transaction between related party companies and NTi that have common shareholders, will be disclosed as related party transactions.

¹In 2023, the provision of manpower, support and technical services was provided by a subsidiary of the Group, United Greentech Tianjin Co. Ltd to United Greentech Yishui.

²In 2024, the O&M services is rendered by a subsidiary of the Group, Xinwo AIWater (Hubei) Co. Ltd, to 2 companies which our joint venture partner is a shareholder.

³In 2024, the labour cost relating to O&M services rendered by a subsidiary of the Group, Xinwo AIWater (Hubei) Co. Ltd, is paid on behalf by the 2 related party companies which our joint venture partner is a shareholder.

⁴In 2024, 2 related party companies, which our joint venture partner is a shareholder, made advances to a subsidiary of the Group, Xinwo AIWater (Hubei) Co. Ltd.

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

20. 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:

	Group	
	FY2024 RMB'000	FY2023 RMB'000
Loss:		
<u>Continuing & discontinued operations:</u>		
Loss attributable to equity holders of the Company	(57,689)	(41,806)
<u>Adjustment for:</u>		
Interest expense on convertible bond ("CB")	12,896	6,768
Fair value gain on embedded derivatives on CB	(13,629)	(22,005)
Net loss used to determine diluted earnings per share	<u>(58,422)</u>	<u>(57,043)</u>
<u>Continuing operations:</u>		
Loss attributable to equity holders of the Company	(53,336)	(36,210)
<u>Adjustment for:</u>		
Interest expense on convertible bond ("CB")	12,896	6,768
Fair value gain on embedded derivatives on CB	(13,629)	(22,005)
Net loss used to determine diluted earnings per share	<u>(54,069)</u>	<u>(51,447)</u>
<u>Discontinued operations:</u>		
Loss attributable to equity holders of the Company	<u>(4,353)</u>	<u>(5,596)</u>

	Group	
	FY2024	FY2023
Number of shares		
Weighted average number of ordinary shares outstanding for purpose of basic loss per share	1,534,878,360	1,534,878,360
<u>Adjustment for:</u>		
Convertible bonds	214,260,000	214,260,000
Weighted average number of ordinary shares in issue for purpose of diluted loss per share	<u>1,749,138,360</u>	<u>1,749,138,360</u>

	Group	
	FY2024 RMB cents	FY2023 RMB cents
Loss per share		
<u>Continuing & discontinued operations:</u>		
Loss per share		
basic	(3.76)	(2.72)
diluted	(3.76) [#]	(3.26)
<u>Continuing operations:</u>		
Loss per share		
- basic	(3.47)	(2.36)
- diluted	(3.47) [#]	(2.94)
<u>Discontinued operations:</u>		
Loss per share		
- basic	(0.28)	(0.36)
- diluted	(0.28) [#]	(0.36) [#]

[#]: No change as the calculated amount is anti-dilutive.

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

20. Loss per share (cont'd)

For the purpose of calculating diluted earnings per share, consolidated loss attributable to owners of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options.

In FY2023, convertible bonds are assumed to have been converted into ordinary shares at issuance and the consolidated loss is adjusted to eliminate the interest expense and fair value changes of the embedded derivative on convertible bonds.

In FY2024, the Group's diluted loss per share has been presented to be equal to the basic loss per share as it has an anti-dilutive effect on the loss per share.

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options are exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the average market value of the Company's shares) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options has been based on quoted market prices for the period during which the options are outstanding. No adjustment is made to the net profit.

For the financial year ended 31 December 2024 and 2023, the computation of diluted loss per share does not assume the effect on the conversion of the Company's outstanding share options as it has an anti-dilutive effect on the earnings per share calculation.

21. Net Asset Value

	<u>Group</u>		<u>Company</u>	
	<u>FY2024</u> <u>RMB</u>	<u>FY2023</u> <u>RMB</u>	<u>FY2024</u> <u>RMB</u>	<u>FY2023</u> <u>RMB</u>
Net asset value per ordinary share (RMB cents per share)	<u>1.43</u>	<u>5.10</u>	<u>3.56</u>	<u>6.49</u>

Net asset value of the Group and Company as at 31 December 2024 and 31 December 2023 is computed based on 1,534,878,360 ordinary shares in issue at the end of each of the financial year respectively.

22. Dividends

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

23. Commitments

Capital commitments contracted for but not provided for:

	<u>Group</u>	
	<u>FY2024</u> <u>RMB'000</u>	<u>FY2023</u> <u>RMB'000</u>
Sludge demonstration treatment plant	<u>3,780</u>	<u>14,880</u>
AIWater implementation contracts	<u>6,547</u>	<u>4,935</u>
Oil sludge equipment	<u>-</u>	<u>2,797</u>

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

24. 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>Continuing operations:</u>	<u>Group</u>		<u>Company</u>	
	FY2024 RMB'000	FY2023 RMB'000	FY2024 RMB'000	FY2023 RMB'000
Financial assets				
<u>At amortised cost:</u>				
Trade and other receivables* (excluding VAT and other tax receivables)	10,274	10,189	22,897	15,313
Cash and bank balances	50,007	98,505	20,562	68,244
	60,281	108,694	43,459	83,557
Financial liabilities				
<u>At amortised cost:</u>				
Convertible bonds – debt host liability	103,186	87,376	103,186	87,376
Trade and other payables (excluding VAT and other tax payables)	8,756	10,774	12,665	17,641
Bank borrowings	26,312	28,489	-	-
Lease liabilities	1,858	1,813	902	132
Other liabilities (excluding deferred capital grants)	17,843	26,903	1,868	1,582
	157,955	155,355	118,621	106,731
<u>At fair value through profit or loss:</u>				
Embedded derivative (asset) liability for convertible bond	(12,205)	1,424	(12,205)	1,424

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

25. Financial guarantees

	FY2024 RMB'000	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	21,774	24,555
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	3,748	5,939

As at 31 December 2024 and 31 December 2023, the fair values of the financial guarantees determined based on the expected loss arising from the risk of default are negligible.

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

26. Events after the reporting date

Contract to treat municipal sludge in Tongxu County, Henan Province, China

On 2nd January 2025, the Company's wholly-owned subsidiary United Greentech (Guangzhou) Co. Ltd ("UGGZ"), has secured a RMB71.3 million (approximately S\$13.2 million) Build-Operate-Transfer ("**BOT**") contract to treat the municipal sludge from the wastewater treatment plants in Tongxu county, Henan.

The consortium is made up of Econ Technology Co. Ltd (55%), Cloudsail Technology Co. Ltd (35%) and UGGZ (10%). The consortium will design, build and operate the treatment facility for 30 years. The project will be carried out in two phases. The treatment capacity for the first phase is 100 tons/day and additional 100 tons/day for the second phase. The total investment for the first phase is RMB71.3 million.

UGGZ will be responsible for providing the Group's proprietary technologies, namely continuous thermal hydrolysis ("**CTH**") and efficient energy recovery system for sludge treatment. UGGZ will supply the integrated system with the contract value of approximately RMB30 million.

[General Announcement::CONSORTIUM SECURED RMB71.3M CONTRACT TO TREAT MUNICIPAL SLUDGE IN TONGXU COUNTY,HENAN PROVINCE,CHINA](#)

Proposed disposal of the AIWater Group

On 13 January 2025, the Company, through its wholly-owned subsidiary, United Greentech Holdings Pte. Ltd., entered into a conditional share sale & purchase agreement with WJL Holding Pte Ltd ("**the Buyer**") in relation to the proposed disposal of all the shares in AIWater (Anhui) Co. Ltd, UG Water Pte. Ltd. and Xinwo AIWater (Hubei) Co. Ltd ("**Target Companies**") for a total consideration of RMB 370 million (collectively, the "**Proposed Transactions**")

The proposed disposal constitute a major transaction under Chapter 10 of the Listing Manual of the SGX ST and an interested party transaction as defined under Chapter 9 of the SGX-ST Listing Manual. The Proposed Transactions are subject to the approval of the independent shareholders of the Company at an extraordinary general meeting to be convened.

[Asset Acquisitions and Disposals::PROPOSED DISPOSAL OF THE AIWATER GROUP AS A MAJOR TRANSACTION AND AN INTERESTED PERSON TRANSACTION](#)



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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 2024 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 (Continuing operations)

(a) Revenue by business segment

	FY2024		FY2023	
	RMB'000	%	RMB'000	%
<u>Continuing operations:</u>				
Engineering revenue	5,385	76.6	26,990	99.7
Sale of equipment & parts	1,643	23.4	85	0.3
	<u>7,028</u>	<u>100.0</u>	<u>27,075</u>	<u>100.0</u>

Revenue

The Group's revenue decreased by RMB20.1 million in FY2024. The decrease was mainly due to lower project activities in the engineering segment for FY2024 as compared to FY2023 when the Group supplied equipment to a sludge treatment project amounting to RMB22.5 million.

Gross profit and gross profit margin

The decrease in gross profit generated of RMB4.4 million in FY2024 was mainly due to lower revenue generated in FY2024 of RMB7.0 million as compared to RMB27.1 million in FY2023.

The gross profit margin increased, from 22.7% in FY2023 to 25.1% in FY2024, mainly due to higher margin generated from technical services rendered as compared to lower margins generated from sale of equipment in FY2023.

Other items of expense

- (a) The finance income remained consistent at RMB 1.6 million in FY2023 and FY2024.
- (b) Other income decreased from RMB1.2 million in FY2023 to RMB0.3 million in FY2024 mainly due to a gain on disposal of a subsidiary in 2023.
- (c) Fair value gain on convertible bonds ("CB"), decreased from RMB22.0 million in FY2023 to RMB13.6 million in FY2024 mainly due to a lower fair value gain from the revaluation of the embedded derivative in the CB.
- (d) The selling and distribution expenses decreased by RMB0.3 million, from RMB0.9 million in FY2023 to RMB0.6 million in FY2024 due to lower marketing expenses incurred for this segment by the Group.


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- (d) Administrative expenses decreased by RMB2.3 million, from RMB41.9 million in FY2023 to RMB39.6 million in FY2024, due to lower share option expenses and lower staff costs.
- (e) Finance costs increased by RMB5.9 million in FY2024, from RMB8.6 million in FY2023 to RMB14.5 million in FY2024, due to the full year effect of interest expenses recorded on the CB in FY2024 as compared to a partial effect in FY2023.
- (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>FY2024</u> RMB'000	<u>FY2023</u> RMB'000
<i>(Credited from)/Charged to profit or loss</i>		
Trade receivables	(60)	240
Retention receivables	-	9
Advances to non-trade suppliers	-	53
Advances to trade suppliers	-	13
Contract assets	21,330	16,304
Charged to profit or loss	<u>21,270</u>	<u>16,619</u>

Impairment losses increased from RMB16.6 million from FY2023 to RMB21.3 million in FY2024, mainly due to the impairment losses of RMB20.8 million arising from Bazhou project's contract assets which were computed based on the Group's Expected Credit Loss ("ECL") model under SFRS(I) 9 to reflect the credit risk assessment made by management on the recoverability of the Group's contract assets.

- (g) Other expenses (including impairment loss on property, plant and equipment) decreased by RMB3.9 million in FY2024, from RMB6.7 million in FY2023 to RMB 2.8 million in FY2024. The decrease was mainly due to higher impairment loss of RMB6.5 million recognised on leasehold building, machineries and equipment in the membrane business segment in FY2023 as compared to RMB0.5 million impairment loss recorded in machineries and equipment in FY2024. The decrease is partially offset by higher foreign exchange losses arising from convertible bonds due to the appreciation of USD against RMB.
- (h) Share of results of associate and joint venture recorded a profit of RMB0.4 million in FY2024 as compared to a loss of RMB0.8 million in FY2023 due to positive result contributions from the associate and joint venture.

Income tax expense

In FY2024, the Group recorded net income tax credit of RMB2.9 million mainly due to the reversal of prior year income taxes amounting to RMB4.1 million, partially offset by deferred tax expense of RMB1.2 million due to the timing difference of its contract assets.

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

Loss after taxation

In view of the foregoing, the Group reported a loss after taxation of RMB62.1 million in FY2024 as compared to RMB53.0 million recorded in FY2023.



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REVIEW OF GROUP PERFORMANCE (cont'd)

Consolidated Statement of Profit or Loss (Discontinued operations)

(a) Revenue by business segment

	FY2024 RMB'000	FY2023 RMB'000
<u>Discontinued operations:</u>		
Treatment revenue	2,379	2,020
Operation & maintenance revenue	18,957	3,168
Sale of equipment & parts	<u>2,106</u>	<u>781</u>
	<u>23,442</u>	<u>5,969</u>

Revenue

Revenue increased by RMB17.4 million in FY2024, from RMB6.0 million in FY2023 to RMB23.4 million in FY2024. The increase was due to additional AI operation & maintenance (“O&M”) revenue generated for a new contract secured in FY2024.

Gross profit and gross profit margin

The increase in gross profit generated of RMB6.3 million in FY2024 was mainly due to higher revenue generated in FY2024 due to the additional O&M project secured.

The gross profit margin decreased, from 46.4% in FY2023 to 38.9% in FY2024, mainly due to a lower margin commanded by the project secured.

Other items of expense

- (a) The selling and distribution expenses increased by RMB0.2 million in FY2024, from RMB0.7 million in FY2023 to RMB0.9 million in FY2024 due to higher marketing expenses to source for potential projects.
- (b) Impairment losses increased by RMB0.2 million in FY2024, from RMB Nil in FY2023 to RMB0.2 million in FY2024, due to impairment losses recognised for certain contract assets using the Group’s ECL model under SFRS(I) 9.

Income tax expense

The Group recorded deferred tax expense of RMB1.8 million due to the timing difference of its contract assets.

Loss after taxation

In view of the foregoing, the AIWater Group reported a loss after taxation of RMB3.9 million in FY2024 as compared to loss after taxation of RMB8.0 million in FY2023.



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Consolidated Statement of Financial Position (Continuing Operations)

Total equity decreased by RMB54.1 million from RMB92.7 million in FY2023 to RMB38.6 million in FY2024, mainly due to total comprehensive loss of RMB57.8 million attributable to the owners of the Company during the financial year.

Total Group assets as at 31 December 2024 decreased by RMB47.4 million, from RMB254.4 million in FY2023 to RMB207.0 million in FY2024, due to higher non-current assets of RMB4.7 million and lower current assets of RMB52.1 million respectively.

The increase in non-current assets of RMB4.7 million from RMB79.9 million in FY2023 to RMB84.6 million in FY2024, were mainly due to the investment in an associate and joint venture of RMB11.6 million offset by routine depreciation and amortisation.

The decrease in current assets of RMB52.1 million, from RMB174.6 million in FY2023 to RMB122.4 million in FY2024, was mainly due to lower bank balances used in the working capital requirements of the Group and additional impairment loss recognised for contract assets amounting to RMB21.3 million. The decrease was defrayed by the recognition of RMB15.4 million of property, plant and equipment and intangible assets under "assets classified as held for sale".

Total liabilities increased by RMB6.7 million, from RMB161.7 million in FY2023 to RMB168.4 million in FY2024, mainly due to RMB9.3 million capital grant received to partially finance the demonstration plant, offset by repayment of bank borrowings of RMB3.2 million.

Key liquidity ratios:

	<u>FY2024</u>	<u>Group</u> <u>FY2023</u>
<u>After CB reclassification (Note 10):</u>		
<i>Net current (liabilities) assets</i>	(14,761)	35,937
<i>Current ratio (Current assets/current liabilities)</i>	0.89	1.26
<u>Before CB reclassification (Note 10):</u>		
<i>Net current assets</i>	76,220	124,737
<i>Current ratio (Current assets/current liabilities)</i>	2.65	3.50

Under the terms of the CB agreement, the two tranches of CB issued by the Group have an initial maturity date of 3 March 2026 and 31 July 2026 respectively. The Group has the sole discretion to extend the maturity date of the CB for an additional period of 2 years of which the final maturity date will be 3 March 2028 and 31 July 2028 respectively.

As at the date of this announcement, the Group foresees that the CB maturity will not affect the Group's liquidity for the next 12 months from 1st January 2025.

VARIANCE FROM PROSPECT STATEMENT

Not applicable as no prospect statement is given.



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PROSPECTS

In 2024, the Company made notable progress and achieved significant technological breakthroughs across its sludge treatment, AIWater, and membrane business segments. However, several challenges persist, notably the protracted economic recovery in China and escalating costs. These factors have exerted pressure on the Group's financial performance.

The Group is currently commissioning a sludge treatment demonstration plant, which incorporates our proprietary Continuous Thermal Hydrolysis (CTH) and pyrolysis technologies. This is a closed-loop sludge treatment system, ensuring zero-waste discharge and full resource recovery. Slated for completion by the second quarter of 2025, the plant will position the Group to broaden its service offerings throughout the ASEAN region.

As we enter 2025, the Group, in collaboration with Econ Technology Co. Ltd. (a subsidiary of Shandong Hi-Speed Co. Ltd., a state-owned enterprise listed on the Shanghai Stock Exchange), has secured a RMB 71.3 million contract for municipal sludge in Tongxu County, Henan Province, China. Our proprietary CTH technology, paired with our energy-efficient sludge treatment system, will play a central role in this project, securing us a contract valued at approximately RMB 30 million.

In October 2024, the Company's subsidiary, NTi Memtech Pte. Ltd., established a joint venture, NTi Technology Pte. Ltd. ("NTi Tech"), with Innovamem Holdings Pte. Ltd. Spearheaded by Dr. Ge Hailin, a seasoned industry expert with over 40 years of experience in conducting polymers, membrane materials, and chemical engineering, this partnership will specialise in the production of high-performance membrane. The joint venture is strategically positioned to optimise cost structures and strengthen our competitive edge in membrane technology. This further bolsters the Group's brand presence and expand its market footprint.

In January 2025, the Company entered into a conditional share sale and purchase agreement for the proposed disposal of the AIWater Group. This decision will enable the Group to reallocate resources to its core sludge treatment and membrane manufacturing businesses. In light of the Company's consecutive losses over the past three years and its substantial annual cash burn rate, it is imperative to rebalance the Group's priorities to address the immediate financial pressures. Without this strategic shift, the Group risks further financial strain, which could undermine its ability to recover and deliver value to shareholders. This realignment is crucial to secure a more sustainable path forward.

We see tremendous market potential for our sludge treatment and membrane technologies, particularly in China and Southeast Asia. Our proprietary sludge treatment technology is well equipped to address pressing industry challenges, while NTi's advanced membrane technology is uniquely positioned to meet the increasing demand for advanced wastewater treatment and recycling solutions in a wide range of industrial applications.

USE OF PROCEEDS FROM THE CONVERTIBLE BONDS

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

	S\$'000	S\$'000
Balance as at 1 January 2024		13,721
<u>95% of the net proceeds earmarked for business investments and acquisitions of environmental related business</u>		
Advance to membrane business segment		(850)
Capital injection into membrane business segment		(1,334)
Capital injection into AIWater		(1,373)
Capital injection into sludge business segment		(108)
Cost relating to the demonstration sludge treatment plant		(2,873)
Investment in equipment for oil sludge business segment		(393)
Total disbursements		<u>(6,931)</u>
Balance as at 31 December 2024		<u>6,790</u>



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

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

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

#	Company Name	Place of Incorporation /registration	Issued and Paid-up Capital ('000)	Capital/ additional injections during 1HY2024 ('000)	Capital/ additional injections during 2HY2024 ('000)	Principal Activities	Effective interest held by the Group
1	United Greentech (Guangzhou) Co. Ltd.	China	RMB92,100	RMB2,600	-	Investment holding	100.0%
2	AIWater (Anhui) Co., Ltd	China	RMB37,999	RMB7,000	-	Investment and development of artificial intelligence in water treatment system	70.0%
3	Zhongsheng United Environmental Protection Equipment Manufacturing (Jiangsu) Co. Ltd	China	RMB1,000	RMB500		Fabrication of sludge treatment equipment	50.0%
4	NTi Memtech Pte. Ltd.	Singapore	S\$14,000	-	S\$1,334	Manufacture and production of membrane fibres and products	66.67%
5	NTi Technology Pte. Ltd.	Singapore	S\$4,000	-	S\$1,334	Manufacture and production of membrane fibres and products	33.34%
6	UG Water Pte. Ltd.	Singapore	RMB109		RMB55	Investment holding	50%
7	Xinwo AIWater (Hubei) Co., Ltd.	China	RMB100		RMB50	Provision of artificial intelligence in water treatment services	50%

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 Chairman
 21 February 2025