



## **Leader Environmental Technologies Limited**

Condensed consolidated interim financial statements  
For the six months ended 30 June 2023

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Legends:

HY2023	– 6 months ended 30 June 2023
HY2022	– 6 months ended 30 June 2022
NM	– not meaningful

# Condensed consolidated statements of financial position

## As at 30 June 2023

	Note	Group		Company	
		30 June 2023 RMB'000	31 December 2022 RMB'000	30 June 2023 RMB'000	31 December 2022 RMB'000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	3	69,765	69,277	469	690
Intangible assets	4	6,041	4,165	-	-
Investment in subsidiaries		-	-	117,305	109,696
Associate		6,523	5,816	-	-
Contract assets	5	49,686	47,575	-	-
<b>Total non-current assets</b>		<b>132,015</b>	<b>126,833</b>	<b>117,774</b>	<b>110,386</b>
<b>Current Assets</b>					
Contract assets	5	42,832	44,696	-	-
Inventories	6	6,972	5,687	-	-
Trade and other receivables	7	20,593	19,849	8,655	1,221
Prepayments		800	137	56	24
Cash and bank balances		72,007	48,907	28,228	9,476
<b>Total current assets</b>		<b>143,204</b>	<b>119,276</b>	<b>36,939</b>	<b>10,721</b>
<b>Total assets</b>		<b>275,219</b>	<b>246,109</b>	<b>154,713</b>	<b>121,107</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Share capital	13	375,049	375,049	375,049	375,049
PRC statutory common reserve		32,917	32,917	-	-
Merger reserve		(454)	(454)	-	-
Capital reserves		21	21	-	-
Currency translation reserve		2,519	1,650	-	-
Other reserves		1,620	663	1,620	663
Accumulated losses		(313,915)	(291,739)	(274,139)	(264,182)
<b>Equity attributable to owners of the Company</b>		<b>97,757</b>	<b>118,107</b>	<b>102,530</b>	<b>111,530</b>
Non-controlling interests		21,414	20,742	-	-
<b>Total equity</b>		<b>119,171</b>	<b>138,849</b>	<b>102,530</b>	<b>111,530</b>
<b>Non-Current Liabilities</b>					
Bank borrowings	8	23,193	23,542	-	-
Convertible bonds	9	43,643	-	43,643	-
Lease liabilities		1,161	1,996	-	132
Provision for restoration costs	10	511	488	-	-
<b>Total non-current liabilities</b>		<b>68,508</b>	<b>26,026</b>	<b>43,643</b>	<b>132</b>
<b>Current Liabilities</b>					
Bank borrowings	8	10,352	5,188	-	-
Lease liabilities		1,826	1,801	299	331
Trade and other payables	11	8,412	10,611	7,343	7,823
Other liabilities	12	63,174	59,822	898	1,255
Income tax payable		3,776	3,812	-	36
<b>Total current liabilities</b>		<b>87,540</b>	<b>81,234</b>	<b>8,540</b>	<b>9,445</b>
<b>Total liabilities</b>		<b>156,048</b>	<b>107,260</b>	<b>52,183</b>	<b>9,577</b>
<b>Total equity and liabilities</b>		<b>275,219</b>	<b>246,109</b>	<b>154,713</b>	<b>121,107</b>

# Condensed consolidated statement of profit or loss and other comprehensive income

## For the half year ended 30 June 2023

	Note	Group		Change %
		HY2023 RMB'000	HY2022 RMB'000	
<b>Revenue</b>	15	<b>5,456</b>	25,152	(78.3)
Cost of sales		<b>(5,210)</b>	(15,290)	(65.9)
<b>Gross profit</b>		<b>246</b>	9,862	(97.5)
Finance income		<b>154</b>	274	(43.8)
Other income		<b>157</b>	2,839	(94.5)
Selling and distribution expenses		<b>(838)</b>	(442)	89.6
Administrative expenses		<b>(22,140)</b>	(14,258)	55.3
Finance costs		<b>(2,343)</b>	(345)	579.1
Impairment loss on financial assets and contract assets no longer required (net)		<b>(748)</b>	(2,637)	(71.6)
Share of results of associate, net of tax		<b>706</b>	-	NM
Other expenses		<b>(276)</b>	(3)	NM
<b>Loss before taxation</b>	16	<b>(25,082)</b>	(4,710)	432.5
Taxation	17	<b>(1)</b>	(1,282)	NM
<b>Loss for the period</b>		<b>(25,083)</b>	(5,992)	318.6
<b>Other comprehensive income after tax</b>				
<b><u>Items that may be reclassified subsequently to profit or loss</u></b>				
Currency translation differences		<b>869</b>	375	131.7
<b><u>Items that will not reclassified subsequently to profit or loss</u></b>				
Currency translation differences		<b>579</b>	250	131.6
Other comprehensive income after tax		<b>1,448</b>	625	131.7
<b>Total comprehensive loss for the period</b>		<b>(23,635)</b>	(5,367)	340.4
<b>Loss for the financial period, net of tax attributable to:</b>				
Owners of the Company		<b>(22,176)</b>	(5,263)	321.4
Non-controlling interests		<b>(2,907)</b>	(729)	298.8
Loss for the financial period		<b>(25,083)</b>	(5,992)	318.6
<b>Total comprehensive loss attributable to:</b>				
Owners of the Company		<b>(21,307)</b>	(4,888)	335.9
Non-controlling interests		<b>(2,328)</b>	(479)	386.0
Total comprehensive loss for the period		<b>(23,635)</b>	(5,367)	340.4
<b>Loss per share</b>				
Basic (RMB in cents)	19	<b>(1.44)</b>	(0.34)	
Diluted (RMB in cents)	19	<b>(1.44)</b>	(0.34)	

# Condensed consolidated statements of changes in equity

Half year ended 30 June 2023

	Attributable to owners of the Company							Total attributable to owners of the Company RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	PRC statutory common reserve RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Currency translation Reserve RMB'000	Other reserves <sup>(1)</sup> RMB'000	Accumulated losses RMB'000			
<b>The Group</b>										
At 1 January 2023	375,049	32,917	(454)	21	1,650	663	(291,739)	118,107	20,742	138,849
Loss for the period	-	-	-	-	-	-	(22,176)	(22,176)	(2,907)	(25,083)
Other comprehensive income	-	-	-	-	869	-	-	869	579	1,448
Total comprehensive income/(loss) for the period	-	-	-	-	869	-	(22,176)	(21,307)	(2,328)	(23,635)
<b>Transactions with owners, recognised directly in equity</b>										
Recognition of share-based payments	-	-	-	-	-	957	-	957	-	957
Capital contributions from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	3,000	3,000
Total transactions with owners	-	-	-	-	-	957	-	957	3,000	3,957
<b>At 30 June 2023</b>	<b>375,049</b>	<b>32,917</b>	<b>(454)</b>	<b>21</b>	<b>2,519</b>	<b>1,620</b>	<b>(313,915)</b>	<b>97,757</b>	<b>21,414</b>	<b>119,171</b>

<sup>(1)</sup> As at 30 June 2023, other reserves comprise stock option reserve and share award reserve of RMB1.5 million (31 December 2022: RMB0.7 million) and RMB0.1 million (31 December 2022: Nil) respectively. They relate to the Leader Environmental Technologies Share Option Scheme and Share Award Plan which were approved by the shareholders during an Extraordinary General Meeting held on 23 December 2021. The stock option and share award were granted to the Group's Directors, CEO and employees on 4 March 2022 and 13 March 2023 respectively.

## Condensed consolidated statements of changes in equity (Cont'd)

Half year ended 30 June 2023

	Attributable to owners of the Company						Total attributable to owners of the Company RMB'000	Non- controlling Interests RMB'000	Total equity RMB'000
	Share capital RMB'000	PRC statutory common reserve RMB'000	Merger reserve RMB'000	Currency translation reserve RMB'000	Other reserve <sup>(2)</sup> RMB'000	Accumulated losses RMB'000			
<b>The Group</b>									
At 1 January 2022	375,049	32,410	(454)	(437)	-	(275,285)	131,283	16,348	147,631
Loss for the period	-	-	-	-	-	(5,263)	(5,263)	(729)	(5,992)
Other comprehensive income	-	-	-	375	-	-	375	250	625
Total comprehensive income/(loss) for the period	-	-	-	375	-	(5,263)	(4,888)	(479)	(5,367)
<b>Transactions with owners, recognised directly in equity</b>									
Recognition of share-based payments	-	-	-	-	268	-	268	-	268
Capital contributions from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	5,408	5,408
Appropriation of profit to reserve	-	343	-	-	-	(343)	-	-	-
Total transactions with owners	-	343	-	-	268	(343)	268	5,408	5,676
At 30 June 2022	375,049	32,753	(454)	(62)	268	(280,891)	126,663	21,277	147,940

<sup>(2)</sup> As at 30 June 2022, other reserve comprise stock option reserve of RMB0.3 million (31 December 2021: Nil). It relates to the Leader Environmental Technologies Share Option Scheme which was approved by the shareholders during an Extraordinary General Meeting held on 23 December 2021. The stock option was granted to the Group's Directors, CEO and employees on 4 March 2022.

# Condensed consolidated statements of changes in equity (Cont'd)

Half year ended 30 June 2023

The Company	Share capital RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2023	375,049	663	(264,182)	111,530
Loss for the period	-	-	(9,957)	(9,957)
Other comprehensive loss	-	-	-	-
Total comprehensive loss for the period	-	-	(9,957)	(9,957)
<b>Transactions with owners, recognised directly in equity</b>				
Recognition of share-based payments	-	957	-	957
Total transactions with owners	-	957	-	957
<b>At 30 June 2023</b>	<b>375,049</b>	<b>1,620</b>	<b>(274,139)</b>	<b>102,530</b>
At 1 January 2022	375,049	-	(253,677)	121,372
Loss for the period	-	-	(4,657)	(4,657)
Other comprehensive loss	-	-	-	-
Total comprehensive loss for the period	-	-	(4,657)	(4,657)
<b>Transactions with owners, recognised directly in equity</b>				
Recognition of share-based payments	-	268	-	268
Total transactions with owners	-	268	-	(4,389)
At 30 June 2022	375,049	268	(258,334)	116,983

# Condensed consolidated statement of cash flows

## For the Half year ended 30 June 2023

	Group	
	HY2023 RMB'000	HY2022 RMB'000
<b>Cash Flows from Operating Activities</b>		
Loss before taxation	(25,082)	(4,710)
Adjustments for:		
Depreciation of property, plant and equipment	4,078	2,025
Share-based payment expenses	957	268
Amortisation of intangible assets	127	89
Fixed asset written off	145	-
Write-off of goodwill	-	5
Impairment loss on financial assets and contract assets	748	2,896
Impairment loss on financial assets and contract assets no longer required	-	(259)
Gain on re-measurement of lease liabilities	-	(7)
Share of results of associate, net of tax	(706)	-
Exchange loss on convertible bonds	1,913	-
Finance costs	2,343	345
Finance income	(154)	(274)
Operating (loss)/profit before working capital changes	(15,631)	378
Increase in contract assets	(929)	(39,841)
Increase in inventories	(1,054)	(1,527)
Increase in trade and other receivables	(773)	(1,875)
Increase in prepayments	(661)	(43)
Decrease in trade and other payables	(2,506)	(1,324)
Increase in other liabilities	3,326	25,236
Cash used in operations	(18,228)	(18,996)
Income tax paid	(36)	(37)
Net cash used in operating activities	(18,264)	(19,033)
<b>Cash Flows from Investing Activities</b>		
Acquisition of property, plant and equipment	(1,973)	(1,465)
Additions to intangible assets	(2,003)	(1,039)
Interest income received	154	274
Net cash used in investing activities	(3,822)	(2,230)
<b>Cash Flows from Financing Activities</b>		
Capital contributions from non-controlling shareholders of subsidiaries	3,000	5,408
Proceeds from bank borrowings	5,000	429
Proceeds from issuance of convertible bonds	40,342	-
Repayments of bank borrowings	(1,180)	(1,226)
Repayments of lease liabilities	(901)	(877)
Interest paid	(860)	(339)
Increase in bank deposits pledged	(207)	(2,064)
Net cash from financing activities	45,194	1,331
Net increase/ (decrease) in cash and cash equivalents	23,108	(19,932)
Cash and cash equivalents at beginning of year	43,303	92,137
Effect of exchange rate changes on the balance of cash held in foreign currencies	(367)	(7)
Cash and cash equivalents at end of period (Note A)	66,044	72,198



## A Cash and Cash Equivalents

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

	<b>30 June 2023 RMB'000</b>	30 June 2022 RMB'000
Bank balances, deposits & cash	<b>72,007</b>	77,228
Less:		
Deposits pledged to secure bank borrowing	<b>(3,963)</b>	(3,030)
Deposit placed as performance bond	<b>(2,000)</b>	(2,000)
Cash and cash equivalents	<b>66,044</b>	72,198

Deposits pledged of RMB4.0 million (31 December 2022: RMB3.6 million) represent funds earmarked in a debt service reserve account as mandated by certain bank to secure the bank loan to partly finance the outright lease payments of leasehold land and building for the membrane manufacturing facility.

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

## B Cash flow analysis

### Half year ended 30 June 2023

Net cash used in operating activities was RMB18.3 million due to working capital requirements.

Net cash used in investing activities was RMB3.8 million was due to acquisition of property, plant and equipment and intangible assets of approximately RMB2.0 million each, partly offset by interest income of RMB0.2 million.

Net cash from financing activities was RMB45.2 million due to proceeds from issuance of convertible bonds of RMB40.3 million, capital contributions from non-controlling shareholders of RMB3.0 million and proceeds from bank borrowings of RMB5.0 million, partly offset by an increase in bank deposits pledged of RMB0.2 million, repayments of bank borrowings of RMB1.2 million, repayments of lease liabilities of RMB0.9 million and interest paid of RMB0.9 million.

# Notes to the condensed consolidated interim financial statements

## 1 Corporate information

Leader Environmental Technologies Limited is incorporated and domiciled in Singapore, and its registered office is located at 38 Beach Road, South Beach Tower, #29-11, Singapore 189767. These condensed consolidated interim financial statements as at 30 June 2023 and for the six months ended 30 June 2023 comprise the Company and its subsidiaries (collectively, the Group). The principal activity of the Company is that of an investment holding company.

The principal activities of the Group are:

- (a) Provision of engineering, procurement and construction (“EPC”) services in respect of sludge and water treatment plants;
- (b) Provision of operation and maintenance services in respect of sludge and water treatment plants;
- (c) Production of high performance membrane products; and
- (d) Greentech investments in start-ups in technologies, high-tech products and services relating to environmental protection.

## 2 Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed consolidated interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2022.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2022.

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

### 2.1 Basis of measurement

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

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

### 2.2 Functional and presentation currencies

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

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

There are a number of new and revised accounting standards that are effective for annual financial periods beginning on or after 1 January 2023. Save for the convertible bonds issued by the Company during the period, the Group and Company did not have to change its accounting policies nor made any retrospective adjustments as a result of adopting these standards.

During the HY2023, the Group has imputed interest to fair value the liability component of the CB in accordance with SFRS(I) 9 notwithstanding that the convertible bonds bear zero coupon interest. Please refer to note 9 of the condensed consolidated interim financial statements for further details.

## 2.4. Use of judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended 31 December 2022.

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed in the FY2022 annual report, and there are no deviations for HY2023.

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

### Acquisitions and disposals

In HY2023, the Group:

- (a) acquired new PPE with an aggregate cost amounting to RMB2,010,000 (30 June 2022: RMB4,132,000), of which nil (30 June 2022: RMB2,482,000) relates to right-of-use assets. A balance of RMB37,000 (31 December 2022: RMB926,000) remained unpaid as at 30 June 2023.
- (b) recognised a positive exchange realignment movement of RMB2.3 million (30 June 2022: RMB1.0 million) arising from currency translation differences.

In addition to the above, there was no re-measurement adjustment and provision for restoration costs in HY2023 as opposed to RMB1,268,000 and RMB65,000 respectively in HY2022.

## 4. Intangible assets

### Group

	Goodwill RMB'000	Patents RMB'000	Software development cost RMB'000	Total RMB'000
<b>As at 31 December 2022</b>				
Opening carrying amount	-	1,616	-	1,616
Additions	-	-	2,374	2,374
Acquisition of subsidiary	5	367	-	372
Write-off	(5)	-	-	(5)
Less: amortisation charge	-	(192)	-	(192)
Closing carrying amount	-	1,791	2,374	4,165
<b>As at 30 June 2023</b>				
Opening carrying amount	-	1,791	2,374	4,165
Additions	-	-	2,003	2,003
Less: amortisation charge	-	(127)	-	(127)
Closing carrying amount	-	1,664	4,377	6,041

## Patents

The carrying amounts of two patented sludge treatment technologies amounting to RMB1,347,000 (31 December 2022: RMB1,437,000) were amortised over a 10-year period. As at 30 June 2023, the patents have remaining tenure of 90 months (31 December 2022: 96 months).

The carrying amount relating to an acquired oil sludge treatment technology of RMB317,000 (31 December 2022: RMB354,000) was amortised over a 5-year period, and it has a remaining useful life of 52 months (31 December 2022: 58 months) as at 30 June 2023.

## Software development costs

The carrying amount of software development costs of RMB4,377,000 (31 December 2022: RMB2,374,000) is still under development, hence, there was no amortisation of the capitalised software development costs in HY2023.

## Impairment test for cash generating unit (“CGU”) containing patents

The recoverable amount of the costs paid in relation to the acquired sludge treatment patents and oil sludge treatment patents were based on the value in use (“VIU”) and was determined by discounting the future cash flows to be generated from the continuing use of the respective CGUs. 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 30 June 2023 as the recoverable amount was in excess of the carrying amount.

## 5. Contract assets

Contract assets comprise the following:

	<b>30 June 2023 RMB'000</b>	<b>Group 31 December 2022 RMB'000</b>
Engineering contracts	44,117	45,299
Plant under construction	49,686	47,575
	<b>93,803</b>	92,874
Less: loss allowance#	(1,285)	(603)
	<b>92,518</b>	92,271
 <u>Presentation on the Statements of Financial Position</u>		
Current	42,832	44,696
Non-current	49,686	47,575
	<b>92,518</b>	92,271

The engineering contracts comprise Shijiazhuang project of RMB12,974,000 (31 December 2022: RMB23,934,000), Bazhou project of RMB29,454,000 (31 December 2022: RMB20,516,000) and other sludge treatment and AIWater projects of RMB1,689,000 (31 December 2022: Nil). 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 half year ended 30 June 2023, there was allowance for impairments recognised on the contract assets amounting to RMB682,000 (30 June 2022: RMB305,000) based on the application of the expected credit loss model.

The plant under construction relates to Bazhou project as at the end of the reporting period. A contract asset of RMB49,686,000 (31 December 2022: RMB47,575,000) was recognised over the period of construction in accordance with the SFRS(I) INT 12. Any amount previously recognised as a contract asset will be reclassified to service concession receivables once construction is completed, depending on the nature of the concession agreement signed.

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.

# There was no reclassification of impairment loss during the financial year. On 31 December 2022, impairment loss of contract assets amounting to RMB5,598,000 was reclassified to loss allowance of trade receivables and retention receivables of RMB4,147,000 and RMB1,451,000 respectively.

## 6. Inventories

	Group	
	30 June 2023 RMB'000	31 December 2022 RMB'000
Raw materials, at cost	6,613	5,622
Finished goods	-	51
Work-in-progress	359	14
Total	<b>6,972</b>	<b>5,687</b>

The increased inventory were mainly due to raw materials procured by NTi Memtech Pte Ltd for the production of membrane.

## 7. Trade and other receivables

	Group		Company	
	30 June 2023 RMB'000	31 December 2022 RMB'000	30 June 2023 RMB'000	31 December 2022 RMB'000
Trade and other receivables (Gross)	4,520	6,205	-	-
Allowance for impairments	(3,508)	(3,508)	-	-
Trade receivables (net)	1,012	2,697	-	-
Retention receivables	1,809	2,148	-	-
Grant receivables	-	34	-	18
Sundry receivables				
- Amounts due from subsidiaries	-	-	7,826	755
- Advances to trade suppliers	2,317	2,093	-	-
- Advances to non-trade suppliers	2,788	1,775	732	354
- Advances to a related party	605	582	-	-
- Tender and security deposits	8,566	8,069	-	-
- Advances to employees	71	34	-	-
- VAT and other tax receivables	1,787	1,616	-	-
- Others	1,638	801	97	94
	<b>17,772</b>	<b>14,970</b>	<b>8,655</b>	<b>1,203</b>
Total	<b>20,593</b>	<b>19,849</b>	<b>8,655</b>	<b>1,221</b>

During the six months ended 30 June 2023, the Group recognised allowance for impairment loss on financial assets relating to advances to trade and non-trade suppliers amounting to RMB66,000 (30 June 2022: RMB2,332,000) in aggregate. This was in accordance with the provision matrix under the expected credit loss model.

## 8. Borrowings

	Group	
	30 June 2023 RMB'000	31 December 2022 RMB'000
<b>Non-current liabilities</b>		
Bank loans - secured	23,193	23,542
<b>Current liabilities</b>		
Bank loans - secured	2,552	2,388
Bank loans – unsecured	7,800	2,800
Total	<b>10,352</b>	<b>5,188</b>
Total borrowings	<b>33,545</b>	<b>28,730</b>

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

- (i) legal mortgage of leasehold property at 8 Tuas West Avenue Singapore;
- (ii) corporate guarantees for all monies owing to be provided by the holding company, Leader Environmental Technologies Limited and Nanosun Pte. Ltd, a related company; and
- (iii) bank deposit of RMB3,963,000 (31 December 2022: RMB3,604,000) earmarked in a debt service reserve account with the bank to make payments in the event of disruption of cash flows to the extent that the repayments cannot be made.

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

The unsecured bank loans bear weighted average effective interest rate at 4.11% 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 RMB32.2 million). During the financial period ended 30 June 2023, there were no known instances of any breaches of bank covenants by the subsidiary.

## 9. Convertible Bonds

	<b>Group and Company</b>	
	<b>30 June 2023 RMB'000</b>	31 December 2022 RMB'000
Debt host liability component, at amortised cost	<b>36,918</b>	-
Derivative liability component, at fair value	<b>6,725</b>	-
<b>Total</b>	<b>43,643</b>	-

On 28 February 2023, the Company obtained shareholders' approval in respect of an aggregate principal amount of up to USD15 million Convertible bonds ("CB") with an initial conversion price of S\$0.10 per share. On 2 March 2023, the Company completed the first tranche of the CB amounting to USD6 million and these are potentially convertible into 85,704,000 of new shares.

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

	<b>Group and Company</b>	
	<b>30 June 2023 RMB'000</b>	31 December 2022 RMB'000
Nominal value of CB issued	<b>41,482</b>	-
Less: transaction costs	<b>(1,139)</b>	-
Net value of CB issued	<b>40,343</b>	-
Foreign exchange loss	<b>1,912</b>	-
Cumulative interest accrued	<b>1,388</b>	-
<b>Debt host and derivative liability component at end of period</b>	<b>43,643</b>	-

The interest accrued is calculated by applying an effective interest rate of 12.51% (31 December 2022: Nil) per annum to the liability component.

Management estimated that the carrying amount of the liability component of the CB as at 30 June 2023 approximates its fair value.

**10. Provision for restoration costs**

	<b>Group</b>	
	<b>30 June 2023 RMB'000</b>	<b>31 December 2022 RMB'000</b>
Beginning of period	488	377
Addition	-	65
Unwinding of the discount	4	10
Currency translation differences	19	36
End of period	<b>511</b>	<b>488</b>
Presented as:		
Non-current	<b>511</b>	<b>488</b>

**11. Trade and other payables**

	<b>Group</b>		<b>Company</b>	
	<b>30 June 2023 RMB'000</b>	<b>31 December 2022 RMB'000</b>	<b>30 June 2023 RMB'000</b>	<b>31 December 2022 RMB'000</b>
Trade payables	6,885	7,556	-	-
Sundry payables	1,456	2,080	27	507
VAT and other tax payables	35	941	-	-
Amount due to a related party	36	34	-	-
Amount due to subsidiaries	-	-	7,316	7,316
<b>Total</b>	<b>8,412</b>	<b>10,611</b>	<b>7,343</b>	<b>7,823</b>

**12. Other liabilities**

	<b>Group</b>		<b>Company</b>	
	<b>30 June 2023 RMB'000</b>	<b>31 December 2022 RMB'000</b>	<b>30 June 2023 RMB'000</b>	<b>31 December 2022 RMB'000</b>
Accrued purchases	53,532	56,678	-	-
Accrued salaries and related expenses	1,660	1,521	177	246
Accrued operating expenses	1,184	1,579	721	1,009
Accrued welfare expenses	44	44	-	-
Advance from customer	6,754	-	-	-
<b>Total</b>	<b>63,174</b>	<b>59,822</b>	<b>898</b>	<b>1,255</b>

Accrued purchases mainly pertained to unbilled invoices from the suppliers in respect of the equipment and systems received for the industrial wastewater plant in Shijiazhuang, and construction of sludge treatment plant in Bazhou city.

Advance from customer pertained to the payment received from a customer for a sludge treatment project.

### 13. Share capital

	Company			
	30 June 2023		31 December 2022	
	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000
At beginning and end of period	1,534,878,360	375,049	1,534,878,360	375,049

The Company did not hold any treasury shares as at 30 June 2023 and 31 December 2022.

The Company's subsidiaries did not hold any shares in the Company as at 30 June 2023 and 31 December 2022.

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

#### Outstanding shares as at 30 June 2023

1. Share options to subscribe for 28,400,000 ordinary shares (30 June 2022: 12,350,000) were outstanding under the Leader Environmental Technologies Share Option Scheme;
2. Share awards of 2,000,000 (30 June 2022: Nil) were outstanding under the Leader Environmental Technologies Share Award Plan; and
3. First tranche of the Convertible bonds ("CB") of USD6 million issued on 2 March 2023 has a maturity date of 3 years, and an extension option by the Company of further 2 years. The CB potentially can be convertible into 85,704,000 new shares.

### 14. Seasonal operations

The Group's business is not affected significantly by seasonal or cyclical factors.

### 15. Segment and revenue information

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

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

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

Others also 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 period ended 30 June 2023 and 2022 respectively.

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

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

The chief operating decision makers review the results of the segment using segment's EBITDA 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 makers.



## a) Reportable segments

### 30 June 2023

Group	Engineering solution services	AIWater and sludge treatment services	Manufacturing of high-performance membrane products	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Revenue</b>						
Sales to external customers	4,389	958	109	-	-	5,456
Inter-segment sales	841	734	-	-	(1,575)	-
<b>Total</b>	<b>5,230</b>	<b>1,692</b>	<b>109</b>	<b>-</b>	<b>(1,575)</b>	<b>5,456</b>
<b>Results</b>						
Segmental results	(5,020)	(1,748)	(3,238)	(8,318)	(322)	(18,646)
Impairment loss on financial assets and contract assets	(748)	-	-	-	-	(748)
<b>EBITDA*</b>						
Depreciation and amortisation	(1,620)	(289)	(2,051)	(245)	-	(4,205)
Interest expenses	(207)	(7)	(734)	(1,395)	-	(2,343)
Interest income	135	17	2	-	-	154
Share of results of an associate	-	706	-	-	-	706
<b>Loss before taxation</b>	<b>(7,460)</b>	<b>(1,321)</b>	<b>(6,021)</b>	<b>(9,958)</b>	<b>(322)</b>	<b>(25,082)</b>
Taxation	(1)	-	-	-	-	(1)
<b>Loss for the period</b>	<b>(7,461)</b>	<b>(1,321)</b>	<b>(6,021)</b>	<b>(9,958)</b>	<b>(322)</b>	<b>(25,083)</b>

### 30 June 2022

Group	Engineering solution services	AIWater and sludge treatment services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Revenue</b>				
Sales to external customers	23,845	786	521	25,152
<b>Results</b>				
Segmental results	5,187	956	(6,031)	112
Impairment loss on financial assets and contract assets	(2,896)	-	-	(2,896)
Impairment loss on financial assets and contract assets no longer required	259	-	-	259
<b>EBITDA*</b>	<b>2,550</b>	<b>956</b>	<b>(6,031)</b>	<b>(2,525)</b>
Depreciation and amortisation	(401)	-	(1,713)	(2,114)
Interest expenses	(38)	-	(307)	(345)
Interest income	99	6	169	274
<b>Profit/(loss) before taxation</b>	<b>2,210</b>	<b>962</b>	<b>(7,882)</b>	<b>(4,710)</b>
Taxation	(1,245)	-	(37)	(1,282)
<b>Profit/(loss) for the period</b>	<b>965</b>	<b>962</b>	<b>(7,919)</b>	<b>(5,992)</b>

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

**b) Geographical information**

Revenue based on geographical location is as follows:

	<b>30 June 2023 RMB'000</b>	<b>Group 30 June 2022 RMB'000</b>
PRC	5,317	25,152
Others	139	-
	<b>5,456</b>	<b>25,152</b>

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

	<b>30 June 2023 RMB'000</b>	<b>Group 31 December 2022 RMB'000</b>
Singapore <sup>(1)</sup>	60,244	58,900
PRC <sup>(2) #</sup>	71,771	67,933
	<b>132,015</b>	<b>126,833</b>

# included the intangible assets amounting to RMB6,041,000 (31 December 2022 – RMB4,165,000).

<sup>(1)</sup> included non-current assets of RMB59,774,000 (31 December 2022: RMB58,210,000), belonging to a subsidiary, whose operation is classified under the operating segment – manufacturing of high performance membrane.

<sup>(2)</sup> comprised plant under construction of RMB49,686,000 (31 December 2022: RMB47,575,000) in respect of the sludge treatment project in Bazhou city.

**c) Information about major customers**

Revenue of RMB5.3 million is derived from 4 PRC customers. During the period ended 30 June 2023, RMB4.3 million was attributable to the engineering segment and RMB0.9 million was attributable to the treatment services segment.

In the same corresponding period of last year, the revenue of RMB23.3 million was derived from 2 PRC customers, and was attributable to the engineering segment.

**d) Disaggregation of revenue**

The Group derives revenue from transfer of goods and services over time and at a point in time as follows:

	<b>HY2023 RMB'000</b>	<b>Group HY2022 RMB'000</b>
<b>Over time:</b>		
Engineering revenue	4,389	23,845
Treatment revenue	958	786
<b>At a point in time:</b>		
Sale of parts	-	521
Sale of membrane products	109	-
	<b>5,456</b>	<b>25,152</b>

**16. Loss before taxation**

This includes the following charges (credits):

	<u>Group</u>	
	HY2023 RMB'000	HY2022 RMB'000
Government grant	(62)	(370)
Share-based payment expenses	957	268
Impairment loss on financial assets and contract assets	748	2,896
Impairment loss on financial assets and contract assets no longer required	-	(259)
Interest income	(154)	(274)
Interest expenses on lease liabilities	91	55
Interest expenses on bank borrowings and other trade financing	860	286
Interest on provision for restoration costs	4	4
Interest on convertible bonds	1,388	-
Depreciation of property, plant and equipment	4,078	2,025
Amortisation of intangible assets	127	89
Goodwill written off	-	5
Exchange loss/(gain) - net	246	(883)
Short term operating lease expenses	58	115
Gain on re-measurement of lease liabilities	-	(7)
<b><u>Directors' remunerations</u></b>		
- Directors' fees	548	570
- Salaries and short-term benefits	1,561	1,546
- Contributions to defined contribution plans	56	69
- Share-based payments	156	56
<b><u>Key Management Personnel (other than Directors)</u></b>		
- Salaries and short-term benefits	3,298	1,757
- Contributions to defined contribution plans	309	233
- Share-based payments	455	173
<b><u>Other employees (other than Directors and Key Management Personnel)</u></b>		
- Salaries and short-term benefits	6,359	4,858
- Contributions to defined contribution plans	1,137	1,013
- Share-based payments	346	39

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

## 17. Taxation

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

	Group	
	HY2023 RMB'000	HY2022 RMB'000
Current year taxation	1	1,245
Under provision in respect of previous period	-	37
Income tax expense	<u>1</u>	<u>1,282</u>

United Greentech (Tianjin) Co., Ltd (“**Greentech Tianjin**”) is regarded as a qualified environmental protection enterprise by the local government authorities and is entitled to an exemption from PRC enterprise income tax for three years commencing its first profit-making year of operations. This is 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 engineering revenue derived from the project in Bazhou city and non-recurring technical services rendered are taxable at 25% for the six month period ended 30 June 2022.

## 18. Related party transactions

In relation to the related party information disclosed elsewhere in the financial statements, the following are significant transactions with related parties at mutually agreed amounts:

	Group	
	30 June 2023 RMB'000	31 December 2022 RMB'000
Outsourcing of services from a related party*	-	413
Capitalisation of loan from a related party into share capital of a subsidiary*	-	(1,025)
Treatment income <sup>(1)</sup>	(2,358)	(1,179)
Provision of manpower support <sup>(2)</sup>	(209)	(1,218)
Sale of goods to a related party*	(6)	-

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

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

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

## 19. Loss per share

The loss per share is calculated based on the consolidated loss attributable to ordinary shareholders of the Company divided by the weighted average number of shares in issue of shares during the financial year. The following table reflects the loss and share data used in the computation of loss per share for the 6-month period ended 30 June:

	<u>Group</u>	
	HY2023	HY2022
<b><u>Loss</u></b>		
Loss attributable to owners of the Company (RMB'000)	(22,176)	(5,263)
<b><u>Number of shares</u></b>		
Weighted average number of ordinary shares outstanding for the purpose of diluted loss per share	1,534,878,360	1,534,878,360
Loss per share (RMB cents)		
- basic	<u>(1.44)</u>	<u>(0.34)</u>
- diluted	<u>(1.44)</u>	<u>(0.34)</u>

For the financial period ended 30 June 2023 and 2022, the computation of diluted loss per share did not assume the effect on the conversion of the Convertible bonds and outstanding share options and awards as they have anti-dilutive effect on the loss per share calculation.

## 20. Net Asset Value

	<u>Group</u>		<u>Company</u>	
	30 June 2023 RMB	31 December 2022 RMB	30 June 2022 RMB	31 December 2022 RMB
Net asset value per ordinary share (RMB cents per share)	<u>6.37</u>	7.69	<u>6.68</u>	<u>7.27</u>

Net asset value of the Group and Company as at 30 June 2023 and 31 December 2022 is computed based on 1,534,878,360 ordinary shares in issue at the end of the financial period/year respectively.

## 21. Dividends

No interim dividend is paid during the six months ended 30 June 2023 (30 June 2022: Nil). The Group needs to preserve its cash for working capital requirements.

## 22. Fair value measurement

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

There are no financial assets and financial liabilities measured at fair value as at 30 June 2023 and 2022 except for the derivative liability component of the convertible bonds as disclosed in Note 9. The carrying amounts of financial assets and financial liabilities in each category are as follows:

	Group		Company	
	30 June 2023 RMB'000	31 December 2022 RMB'000	30 June 2023 RMB'000	31 December 2022 RMB'000
<b>Financial assets</b>				
Trade and other receivables* (excluding VAT and other tax receivables)	15,884	15,558	8,655	1,221
Cash and bank balances	72,007	48,907	28,228	9,476
	<b>87,891</b>	<b>64,465</b>	<b>36,883</b>	<b>10,697</b>
<b>Financial liabilities</b>				
Bank borrowings	33,545	28,730	-	-
Lease liabilities	2,987	3,797	299	463
Provision for restoration costs	511	488	-	-
Trade and other payables (excluding VAT and other tax payables)	8,377	9,670	7,343	7,823
Other liabilities	63,174	59,822	898	1,255
	<b>108,594</b>	<b>102,507</b>	<b>8,540</b>	<b>9,541</b>

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

## 23. Commitments

Significant capital commitments:	30 June 2023 RMB'000	31 December 2022 RMB'000
Engineering contracts on the PPP project in Bazhou city	76,289	78,400
Build-Operate-Transfer ("BOT") project in respect of municipal sludge treatment in Jinghai District, Tianjin City*	-	62,500
Pilot sludge treatment plant	11,208	-

\*The construction of the sludge treatment plant was delayed as the land use rights for the project site has yet to be granted by the relevant authorities. While the delay is beyond the Group's control, the Group had mutually agreed with the joint venture partner, Tianjin Capital Water Co. Ltd to re-commence the project at a later date once the land use rights are secured.

## 24. Financial guarantees

	30 June 2023 RMB'000	31 December 2022 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	27,400	27,400
Bank guarantee to a related 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	7,102	7,900

As at 30 June 2023, the fair values of the financial guarantees determined based on the expected loss arising from the risk of default is negligible.


**Leader Environmental Technologies Limited**

利德环保技术有限公司

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(Company Registration Number: 200611799H)

**25. Events after the reporting period**

On 31 July 2023, the Group completed the issuance of the second tranche of CB amounting to US\$9 million. Please refer to the announcement dated 31 July 2023 on the SGXNet for the details.

**Other Information required by Listing Rule Appendix 7.2**
**Audit**

The statements of financial position as at 30 June 2023 and the related consolidated statement of profit or loss and comprehensive income, statements of changes in equity and consolidated statement of cash flows for the six months ended on 30 June 2023 and the selected explanatory notes (“the Condensed Interim Financial Statements”) have not been audited or reviewed by the Company’s auditors.

**REVIEW OF GROUP PERFORMANCE**
**Consolidated Statement of Profit or Loss**
**Revenue**

	HY2023 RMB’000	Group	HY2022 RMB’000
Engineering revenue	4,389		23,845
Treatment revenue	958		786
Manufacturing of membrane revenue	109		-
Sales of parts	-		521
	<b>5,456</b>		<b>25,152</b>

The Group’s revenue decreased by RMB19.7 million in HY2023, from RMB25.2 million in HY2022 to RMB5.5 million in HY2023. The decrease was mainly due to the decrease in engineering revenue of RMB19.5 million in HY2023.

**Gross profit**

The gross profit decreased by RMB9.6 million or 97.5% in HY2023, from RMB9.9 million in HY2022 to RMB0.2 million in HY2023 due to the decrease in revenue.

**Other income** was lower by RMB2.7 million in HY2023, from RMB2.8 million in HY2022 to RMB0.2 million in HY2023 mainly due to lower government subsidies received. In HY2022, other income comprised higher subsidies from the Singapore Government in view of the COVID-19 pandemic, recoveries of operating expenses, net exchange gain and compensation received from a customer of RMB2.7 million.


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**Other items of expense**

**Administrative expenses** increased by 55.3% to RMB22.1 million in HY2023 attributed mainly to operating costs of the AI Water business segment of the Group in HY2023. The bulk of these operating expenses related to payroll and related costs and depreciation of PPE.

**Finance costs** increased by RMB2.0 million or 579.1%, from RMB0.3 million in HY2022 to RMB2.3 million in HY2023 due to an increase in short term loan of RMB 5 million undertaken by a China subsidiary to finance its operations, higher interest rates ranging from 4.0% to 5.7% charged for the Group's loans and interest cost of RMB1.4 million recorded for the convertible bonds issued in HY2023. While the convertible bonds issued by the Group bear zero coupon interest, the Group imputed interest rate of 12.51% per annum to fair value the liability component of the CB under SFRS(I) 9.

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

	<b><u>HY2023</u></b> <b><u>RMB'000</u></b>	<b><u>HY2022</u></b> <b><u>RMB'000</u></b>
<b><i>Credited from/(Charged to) profit or loss</i></b>		
Contract assets	(682)	(305)
Retention receivables	-	(1,465)
Advances to non-trade suppliers	(53)	-
Advances to trade suppliers	(13)	(1,171)
Trade receivables	-	45
Retention receivables	-	259
Net credit charged to profit and loss	<u>(748)</u>	<u>(2,637)</u>

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

**Other expenses** increased by RMB0.3 million in HY2023, from RMB3,000 in HY2022 to RMB0.3 million in HY2023 due mainly to net foreign exchange losses incurred by the Group due to the depreciation of RMB against USD. In HY2022, the Group recorded a net foreign exchange gain.

**Income tax expense**

The tax expense was lower by RMB1.3 million for the period as the group was loss-making for the 6 months period ended 30 June 2023.

**Profit after taxation**

In view of the above, the Group recorded a loss after taxation of RMB25.1 million (HY2022: RMB6.0 million).





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

**Consolidated Statement of Financial Position**

**Equity:**

Total equity decreased by RMB19.7 million due mainly to the recognition of share-based payment on the employee stock options and stock award of RMB1.0 million, and higher accumulated losses of RMB 22.2 million. This decrease was partly offset by the increase in non-controlling interests of RMB0.7 million mainly arising from NCI's capital contributions and NCI share of losses for the period.

**Assets:**

Total Group assets increased by RMB29.1 million to RMB275.2 million as at 30 June 2023 from RMB246.1 million as at 31 December 2022 due to higher non-current assets of RMB5.2 million and higher current assets of RMB23.9 million.

The increase in non-current assets of RMB5.2 million was due mainly to the recognition of contract asset of RMB2.1 million in relation to the sludge treatment plant under construction in Bazhou city ("**Bazhou**" project). Once the plant is constructed, the Group will enter into the next phase of the Bazhou project to operate and recycle the treated sludge into bricks for a concessionary period of 30 years. The non-current contract asset will then be reclassified as service concession receivable since minimum tariff payment is guaranteed as this was included in the approved annual finance budget of the province.

In addition, intangible assets increased by RMB1.9 million mainly due to software development costs capitalised for the AI Water segment, net of amortisation of patents. Property, plant and equipment also increased by RMB0.5 million due to additions in fixed assets and rights-of-use ("**ROU**") assets, net of depreciation. The Group also recorded an increase in associate balance due to the share of associate profits, net of tax amounting to RMB0.7 million.

The increase in current assets of RMB23.9 million was due to higher bank balances, deposits and cash of RMB23.1 million as the Group received net proceeds from the first tranche of the convertible bonds issued amounting to RMB43.2 million.

**Liabilities:**

Total Group liabilities increased by RMB48.8 million to RMB156.0 million as at 30 June 2023 from RMB107.3 million as at 31 December 2022 due to higher current and non-current liabilities of RMB6.3 million and RMB42.5 million respectively.

The increase in current liabilities of RMB6.3 million was mainly attributed to (i) increase in other liabilities of RMB3.4 million in relation to increase in advances from customer and (ii) higher bank borrowings due to RMB5.0 million loan undertaken by a subsidiary for working capital purposes. This increase was offset by a reduction in trade & other payables amounting to RMB2.1 million.

The increase in non-current liabilities of RMB42.5 million was mainly due to convertible bonds issued by the company amounting to RMB43.6 million as at 30 June 2023. This was offset by the repayment of bank borrowings amounting to RMB1.2 million.

**VARIANCE FROM PROSPECT STATEMENT**

Not applicable as no prospect statement is given.

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(Company Registration Number: 200611799H)

**PROSPECTS**

The Chinese economy continues to show an uneven path of recovery as it emerges from the impact of its stringent Covid-19 restrictions. Consequently, the Group's business activities remained sluggish in first quarter of 2023. Nonetheless, the Group's focus on transforming into a technology-driven company came to fruition as it successfully secured 4 AIWater projects in Shandong and Zhejiang to treat 500,000 ton/day of municipal and industrial wastewater in the second quarter of 2023.

Subsequent to the last update on 28 June 2023, the Group has secured 2 more AIWater projects in Sichuan and Shandong to treat 190,000 ton/day of municipal wastewater. This brings the total wastewater treatment plants ("WWTPs") to be implemented using the Group's proprietary AIWater technology to 9 with a combined treatment capacity of 780,000 ton/day.

Against the backdrop of China's quest to reduce carbon footprint, we believe that there is a huge market potential for our AIWater technology as China generates daily more than 220 million tons of municipal wastewater and 60 million tons of industrial wastewater. The Group plans to allocate more resources to the AIWater segment as it is pivotal in building sustainable business growth for the Group in the foreseeable future. We deploy cutting-edge technology to improve the performance and efficiency of existing WWTPs without having to incur significant capital outlay. Given the strong interests from our potential customers, we foresee that more AIWater projects will be secured.

On 31 July 2023, the Group had completed the issuance of the USD15 million convertible bonds ("CB"). With these cash proceeds, the Group can use them to grow the AIWater, sludge and membrane business. The existing sludge treatment projects in China, Taiwan and Singapore are in the midst of fabrications/constructions. The oil sludge treatment technology has been deployed on an offshore platform to provide treatment service for an oil and gas customer. In addition, the membrane manufacturing company has made a positive start as it recorded some sale of membrane products and is in the midst of sourcing for increased large orders from potential customers in China and Taiwan.


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

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

	S\$'000	S\$'000
Net proceeds from the Rights Issue as announced on the SGX-Net dated 28 February 2023		1,177
<b><u>95% of the net proceeds earmarked for business investments and acquisitions of environmental related business as per Offer Information Statement ("OIS")</u></b>		
Acquisition of Bofeng		(700)
<b><u>Re-designation of the balance net proceeds from business investments and acquisitions to capital commitment and working capital purposes</u></b>		
<b><u>Working capital</u></b>		
Directors' fees, remunerations, salaries and related costs	(350)	
Professional fees and compliance costs	(79)	
Rental, utilities and related deposits	(12)	
Corporate tax	(7)	
Transportations and entertainment expenses	(25)	
Communications and internet expenses	(1)	
Miscellaneous expenses	(3)	
	<hr/>	(477)
Total disbursements		<hr/> <hr/> (1,177)
<b>Balance of Rights Issue proceeds (Net)</b>		<hr/> <hr/> <hr/> -

The proceeds from the Rights Issue were fully utilised.

**Use of proceeds from the first tranche of the convertible bonds ("CB") completed on 2 March 2023**

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

	S\$'000	S\$'000
Net proceeds from the CB as announced on the SGX-Net dated 2 March 2023		7,672
<b><u>95% of the net proceeds earmarked for business investments and acquisitions of environmental related business</u></b>		
Advance to membrane business segment		(1,100)
Capital injection into AIWater		(1,358)
Investment in equipment for oil sludge business segment		(240)
<b><u>5% of the net proceeds earmarked for working capital purposes</u></b>		
Directors' fees, remunerations, salaries and related costs		(384)
Total disbursements		<hr/> <hr/> (3,082)
<b>Balance of CB proceeds (Net)</b>		<hr/> <hr/> <hr/> 4,590

**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.



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

S/N	Company Name	Place of Incorporation	Issued and fully paid-up capital ('000)	Additional capital injections during the period ended 30 June 2023 ('000)	Principal Activities	Effective interest held by the Group
1.	United Greentech Holdings Pte. Ltd.	Singapore	RMB87,569	RMB7,074	Investment holding	100.0%
2.	AIWater (Anhui) Co., Ltd	China	RMB20,000	RMB7,000	Investment and development of artificial intelligent technology in water treatment system	70.0%

**CONFIRMATION OF UNDERTAKINGS FROM DIRECTORS AND EXECUTIVE OFFICERS**

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

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

We, the undersigned, hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which render the unaudited interim financial results for the half year ended 30 June 2023 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Dr Lin Yucheng  
Executive Chairman

Mr Ngoo Lin Fong  
Executive Director

**BY ORDER OF THE BOARD**  
**Leader Environmental Technologies Limited**

Mr Ngoo Lin Fong  
Executive Director  
14 August 2023