



Leader Environmental Technologies Limited

利德环保技术有限公司

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

(Company Registration Number: 200611799H)

Unaudited Results for the Third Quarter and the Nine Months Ended 30 September 2018

Unaudited Financial Statement and Dividend Announcement for the Third Quarter Ended 30 September 2018 of Leader Environmental Technologies Limited ("Company") and Its Subsidiaries (Collectively, the "Group")

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) Income statement and statement of comprehensive income, or a statement of comprehensive income, for the group together with a comparative statement for the corresponding period of immediately preceding year.

The Group's operations are principally conducted in the People's Republic of China ("PRC"). Accordingly, the consolidated financial statements have been prepared in Chinese Renminbi ("RMB"), being the functional currency of the Group.

Consolidated Statement of Comprehensive Income

	Group Unaudited 3 Months Ended			Change	Group Unaudited 9 Months Ended			Change
	30.9.18 ("3Q2018") RMB'000	30.9.17 ("3Q2017") RMB'000	%		30.9.18 ("9M2018") RMB'000	30.9.17 ("9M2017") RMB'000	%	
Revenue	8,335	44,104	(81.1)		37,249	71,748	(48.1)	
Cost of sales	(6,489)	(36,871)	(82.4)		(27,051)	(60,031)	(54.9)	
Gross profit	1,846	7,233	(74.5)		10,198	11,717	(13.0)	
Financial income	4	-	100.0		26	156	(83.3)	
Other income	419	2,025	(79.3)		455	2,147	(78.8)	
Selling and distribution expenses	(589)	(705)	(16.5)		(1,531)	(1,582)	(3.2)	
Administrative expenses	(4,451)	(4,033)	10.4		(11,852)	(9,898)	19.7	
Finance costs	(1,212)	(940)	28.9		(3,439)	(3,053)	12.6	
Other expenses	(91)	(279)	(67.4)		(2,340)	(289)	709.7	
(Loss)/profit before tax	(4,074)	3,301	(223.4)		(8,483)	(802)	957.7	
Taxation	136	(18)	(855.6)		136	(39)	(448.7)	
(Loss)/profit after tax	(3,938)	3,283	(220.0)		(8,347)	(841)	892.5	
Other comprehensive (loss)/profit after taxation	-	-	-		-	-	-	
Total comprehensive (loss)/profit for the period	(3,938)	3,283	(220.0)		(8,347)	(841)	892.5	
(Loss)/profit attributable to:								
Owners of the Company	(3,935)	3,282	(219.9)		(8,343)	(827)	908.8	
Non-controlling interests	(3)	1	(400.0)		(4)	(14)	(71.4)	
	(3,938)	3,283	(220.0)		(8,347)	(841)	892.5	
Total comprehensive (loss)/profit attributable to:								
Owners of the Company	(3,935)	3,282	(219.9)		(8,343)	(827)	908.8	
Non-controlling interest	(3)	1	(400.0)		(4)	(14)	(71.4)	
	(3,938)	3,283	(220.0)		(8,347)	(841)	892.5	

1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of immediately preceding year.

(i) (Loss)/profit before income tax is arrived at after charging/(crediting) the following:

	Group			Group		
	Unaudited 3 Months Ended		Change	Unaudited 9 Months Ended		Change
	30.9.18	30.9.17		30.9.18	30.9.17	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Depreciation of property, plant and equipment	220	201	9.5	656	628	4.5
Fixed asset written off	1	38	(97.4)	1	38	(97.4)
Amortisation of intangible assets	343	343	-	1,030	1,060	(2.8)
Gain on disposal of property, plant and equipment	-	-	-	-	(59)	(100.0)
Allowance for impairment of trade receivables	579	-	100.0	2,230	-	100.0
Write-back of allowance for impairment of trade receivables	-	(2,014)	(100.0)	-	(2,014)	(100.0)
Bad debts recovered	(421)	(10)	4,110.0	(421)	(10)	4,110.0
Operating lease expenses	180	206	(12.6)	519	604	(14.1)
Interest expense	1,020	940	8.5	3,439	3,053	12.6
Interest income	(4)	-	100.0	(26)	(156)	(83.3)
Inventories recognised as an expense in cost of goods sold	6,092	16,473	(63.0)	19,351	41,097	(52.9)
Employee compensations	2,507	2,619	(4.3)	7,411	6,336	17.0
Exchange loss/(gain)	10	-	100.0	37	(61)	(160.7)

1(b)(i) Statement of financial position (for the issuer and group) together with a comparative statement as at the end of the immediately preceding year.

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	30.9.18	31.12.17	30.9.18	31.12.17
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	9,597	9,365	-	-
Intangible assets	1,795	2,825	-	-
Investment in subsidiaries	-	-	63,000	63,000
	11,392	12,190	63,000	63,000
Current Assets				
Contract assets	87,685	59,165	-	-
Inventories	2,061	1,281	-	-
Trade and other receivables	48,373	48,096	-	-
Prepayments	111,151	95,134	70	14
Bank deposits pledged	1,999	1,650	-	-
Cash and cash equivalents	2,181	17,398	56	19
	253,450	222,724	126	33
Total assets	264,842	234,914	63,126	63,033
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	224,747	224,747	224,747	224,747
Reserves	31,294	31,294	-	-
Premium paid on acquisition of non-controlling interests	(170)	(170)	-	-
Accumulated losses	(188,029)	(179,686)	(167,631)	(165,296)
	67,842	76,185	57,116	59,451
Non-controlling interests	(4)	-	-	-
Total equity	67,838	76,185	57,116	59,451
Current Liabilities				
Contract liabilities	58,146	11,087	-	-
Trade and other payables	58,968	54,141	3,883	1,272
Loans and borrowings	60,000	60,000	-	-
Other liabilities	19,890	33,354	2,127	2,310
Income tax payable	-	147	-	-
	197,004	158,729	6,010	3,582
Total equity and liabilities	264,842	234,914	63,126	63,033

1(b)(ii) Borrowings and debt securities (for the group) together with a comparative statement as at the end of the immediately preceding year.

	Group	
	As at 30.9.18	As at 31.12.17
	RMB'000	RMB'000
Amount repayable in one year or less, or on demand		
- secured	60,000	60,000
- unsecured	-	-
	<u>60,000</u>	<u>60,000</u>
Amount repayable after one year		
- secured	-	-
- unsecured	-	-
	<u>-</u>	<u>-</u>

Details of any collateral

As at 30 September 2018, short term loans and borrowings drawn down amounted to RMB60.0 million (31 December 2017: RMB60.0 million). The short term loans and borrowings are secured on the following:

1. a corporate guarantee from the Company;
2. personal guarantees by the Executive Chairman cum Chief Executive Officer of the Company and his spouse; and
3. pledge of 4 units of commercial properties with a net book value of approximately RMB6.1 million as at 30 September 2018.

- 1(c) **Statement of cash flows (for the group) together with a comparative statement for the corresponding period of immediately preceding year.**

Consolidated statement of cash flows

	Group	
	Unaudited 9 months ended	
	30.9.18	30.9.17
	RMB'000	RMB'000
Cash Flows from Operating Activities		
Loss before tax	(8,483)	(802)
<u>Adjustments for :</u>		
Depreciation of property, plant and equipment	656	628
Amortisation of intangible assets	1,030	1,060
Fixed assets written off	1	38
Gain on disposal of property, plant and equipment	-	(59)
Loss on sale of club membership	-	197
Interest income	(26)	(156)
Finance costs	3,439	3,053
Write-back of allowance for impairment of trade receivables	-	(2,014)
Allowance for impairment of trade receivables	2,230	-
Bad debts recovered	-	(10)
Unrealised exchange gain	(2)	(14)
Total adjustments	7,328	2,723
Operating (loss)/profit before working capital changes	(1,155)	1,921
Increase in contract assets	(28,520)	(51,230)
(Increase)/decrease in inventories	(780)	21
Increase in trade and other receivables	(2,507)	(20,363)
Increase in prepayments	(16,017)	(5,613)
Increase in contract liabilities	47,059	59,196
Increase in trade and other payables	3,648	7,320
Decrease in other liabilities	(13,464)	(1,196)
Total changes in working capital	(10,581)	(11,865)
Cash flows used in operations	(11,736)	(9,944)
Interest income received	26	121
Interest expenses paid	(3,439)	(3,053)
Income taxes paid	(11)	(39)
Net cash used in operating activities	(15,160)	(12,915)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(889)	(3)
Construction in progress on solar photovoltaic plant	-	(901)
Proceeds from disposal of property, plant and equipment	-	238
Proceeds from sale of club membership	-	450
Net cash used in investing activities	(889)	(216)
Cash Flows from Financing Activities		
Proceeds from loans and borrowings	26,000	35,000
Repayments of loans and borrowings	(26,000)	(40,000)
Proceeds from/(repayments of) bills payable - net	1,179	(3,942)
(Increase)/decrease in bank deposits pledged	(349)	3,941
Net cash from/(used in) financing activities	830	(5,001)
Net decrease in cash and cash equivalents	(15,219)	(18,132)
Exchange differences on translation of cash and cash equivalents	2	14
Cash and cash equivalents at 1 January	17,398	25,954
Cash and cash equivalents as at 30 September (Note A)	2,181	7,836

- 1(c) **Statement of cash flows (for the group) together with a comparative statement for the corresponding period of immediately preceding year.**

Consolidated statement of cash flows (cont'd)

	Group	
	As at	
	30.9.18	30.9.17
	RMB'000	RMB'000
Note A: Cash and cash equivalents		
Cash and bank balances	4,180	10,276
Less: bank deposits pledged	(1,999)	(2,440)
Cash and cash equivalents	<u>2,181</u>	<u>7,836</u>

As at 30 September 2018, the Group has RMB2.0 million (30 September 2017: RMB1.6 million) of bills payable to suppliers which are secured by bank deposits pledged. These bills payable have a maturity period of 180 days and are non-interest bearing. There was no bank deposit relating to performance guarantee for certain project as at 30 September 2018 (30 September 2017: RMB0.8 million).

1(d)(i) Changes in equity (for the issuer and group) together with a comparative statement for the corresponding period of immediately preceding year.

Group

← Attributable to the equity holders of the Company →

	Share capital RMB'000	PRC statutory common reserve RMB'000	Merger reserve RMB'000	Accumulated losses RMB'000	Premium paid on acquisition of non-controlling interest RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018	224,747	31,748	(454)	(179,686)	(170)	76,185	-	76,185
Loss for the period	-	-	-	(8,343)	-	(8,343)	(4)	(8,347)
Other comprehensive loss	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(8,343)	-	(8,343)	(4)	(8,347)
At 30 September 2018	224,747	31,748	(454)	(188,029)	(170)	67,842	(4)	67,838

Group

← Attributable to the equity holders of the Company →

	Share capital RMB'000	PRC statutory common reserve RMB'000	Merger reserve RMB'000	Accumulated losses RMB'000	Premium paid on acquisition of non-controlling interest RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	224,747	31,748	(454)	(193,052)	-	62,989	31	63,020
Loss for the period	-	-	-	(827)	-	(827)	(14)	(841)
Other comprehensive loss	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(827)	-	(827)	(14)	(841)
Change in interest in a subsidiary	-	-	-	-	(170)	(170)	(16)	(186)
At 30 September 2017	224,747	31,748	(454)	(193,879)	(170)	61,992	1	61,993

1(d)(i) Changes in equity (for the issuer and group) together with a comparative statement for the corresponding period of immediately preceding year (cont'd)

Company

	Share capital RMB'000	Accumulated loss RMB'000	Total RMB'000
Balance at 1 January 2018	224,747	(165,296)	59,451
Loss for the period	-	(2,335)	(2,335)
Other comprehensive loss	-	-	-
Total comprehensive loss for the period	-	(2,335)	(2,335)
Balance at 30 September 2018	224,747	(169,966)	57,116

	Share capital RMB'000	Accumulated loss RMB'000	Total RMB'000
Balance at 1 January 2017	224,747	(162,171)	62,576
Loss for the period	-	(6,219)	(6,219)
Other comprehensive loss	-	-	-
Total comprehensive loss for the period	-	(6,219)	(6,219)
Balance at 30 September 2017	224,747	(168,390)	56,357

- 1(e) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares and subsidiary holdings, if any, against the total number of issued shares excluding treasury shares of the issuers, as at the end of the current financial period on and as at the end of the corresponding period of the immediately preceding financial year.**

Not applicable.

The subsidiary did not hold any treasury shares or convertibles as at 31 December 2017 and 30 September 2018.

- 1(f) Number of shares that may be issued on conversion of all outstanding convertibles together with a statement for the corresponding period of immediately preceding year**

Not applicable. The Company does not have any convertibles as at 30 September 2018 and 31 December 2017.

- 1(g)(i) Number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer together with a statement for the corresponding period of immediately preceding year**

	30.9.2018	31.12.2017
Total number of shares issued at end of period/year	<u>617,209,000</u>	<u>617,209,000</u>

The Company does not have any treasury shares as at 30 September 2018 and 31 December 2017.

- 1(g)(ii) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable. The Company does not have any treasury shares as at 30 September 2018 and 31 December 2017.

- 2. Whether the figures have been audited or reviewed, and if so which auditing standard or practice has been followed.**

The financial statements presented above have not been audited or reviewed by the Company's auditors.

- 3. Where the figures have been audited or reviewed, please provide a statement on whether there are any qualifications or emphasis of matter.**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2017.

5. If there have been any changes to the above, please make adequate disclosure and state the reasons for and effect of the change.

The Group has adopted a new financial reporting framework, Singapore Financial Reporting Standards (International) (SFRS(I)s), on 1 January 2018 and has prepared its first set of financial information under SFRS(I)s for the quarter ended 30 September 2018.

The adoption of SFRS(I)s requires the Group to apply all of the specific transition requirements in SG-IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

The following are amendments of SG-IFRS that are relevant to the Group and the Company's operations and are effective for the annual periods beginning on or after 1 January 2018:

SFRS(I)s 1 *First time Adoption of International Financial Reporting Standards*

SFRS(I)s 9 *Financial Instruments*

SFRS(I)s 15 *Revenue from Contracts with Customers*

SFRS(I)s 1 First time Adoption of International Financial Reporting Standards

The adoption of SFRS(I) 1 has no significant impact on the financial statements.

SFRS(I) 9 Financial Instruments

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Overall, the Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under SFRS(I) 9.

SFRS(I) 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The impairment calculated using the expected credit loss model has no significant impact on the financial statements.

SFRS(I) 15 Revenue from Contracts with Customers

The Group has adopted SFRS(I) 15 using the full retrospective approach and applies all of the requirements of SFRS(I) 15 retrospectively, except for the practical expedients used for completed contracts. Under these practical expedients, completed contracts that began and ended in the same comparative reporting period, as well as completed contracts at the beginning of the earliest period presented, are not restated. The adoption of SFRS(I) 15 does not have a significant impact on the financial statements.

6. **Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding year, after deducting any provision for preference dividends.**

The calculation of the basic loss per share is based on the Group's net loss attributable to owners of the Company for the respective periods divided by the weighted average of 617,209,000 ordinary shares for the nine month ended 30 September 2018 (9M2017: 617,209,000 ordinary shares).

	Group	
	Jan to Sep 2018	Jan to Sep 2017
Loss after tax attributable to owners of the Company (RMB'000)	(8,343)	(827)
Basic loss per share (RMB cents per share)	(1.35)	(0.13)

* There were no potential dilutive for the periods

7. **Net asset value (for the issuer and Group) per ordinary share based on issued share capital of the issuer at the end of the:-**
- (a) **current financial period reported on; and**
- (b) **immediately preceding financial year.**

	Group		Company	
	30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017
Net asset value (RMB'000)	67,842	76,185	57,116	59,451
Net asset value per share (RMB cents per share)	10.99	12.34	9.25	9.63

Net asset value for the Group and Company as at 30 September 2018 and 31 December 2017 were computed based on 617,209,000 ordinary shares in issue at the end of the financial period/year respectively.

8. **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:-**
- (a) **any significant factors that affected the turnover, costs and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) **any material factors that affected the cash flow, working capital, assets and liabilities of the Group during the current financial period reported on.**

Review of Group Performance

Consolidated Statement of Comprehensive Income

Revenue

	3Q2018		3Q2017		9M2018		9M2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Industrial wastegas treatment								
- Dust elimination	2,409	28.9	3,796	8.6	29,284	78.6	7,270	10.1
- Desulphurization	-	-	39,870	90.4	-	-	62,855	87.6
Sub-total	2,409	28.9	43,666	99.0	29,284	78.6	70,125	97.7
Industrial wastewater	5,926	71.1	438	1.0	7,750	20.8	1,623	2.3
Design, techncial and others	-	-	-	-	215	0.6	-	-
	8,335	100.0	44,104	100.0	37,249	100.0	71,748	100.0

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. (cont'd)

Revenue

Total revenue decreased by RMB30.2 million or 48.1% in 9M 2018, dragged down by the decrease in revenue of RMB35.8 million in 3Q2018. The Group recorded RMB8.3 million in revenue for 3Q2018, compared to RMB44.1 million in 3Q2017. There were no in-progress uncompleted desulphurization projects undertaken in 9M2018. The contracted projects were completed in FY2017 and the tender of new projects had only begun in May 2018 after the winter season. By and large, the desulphurisation segment has experienced intensifying competition, resulting in an erosion of profit margins from our contracts. Our Group has therefore shifted its focus towards dust elimination works in the interim. Nevertheless, we have tendered for numerous projects spanning across all business segments and has secured RMB79.0 million of contracts in 3Q2018, comprising dust elimination, desulphurization and industrial wastewater contracts.

The Group's revenue in 3Q2018 was derived mainly from the spillover of uncompleted dust elimination contracts from FY2017, accounting for some RMB2.4 million in revenue as most contracts are already at the tail end. Similarly, the Group also performed additional works in 3Q2018 on a new industrial wastewater contract entered into in FY2017, contributing a further RMB5.9 million in revenue for the current quarter.

Gross profit and gross profit margin

Gross profit decreased by 74.5% or RMB5.4 million, from RMB7.2 million in 3Q2017 to RMB1.8 million in 3Q2018. The decrease was due mainly to the absence of contribution from desulphurization segment in 3Q2018, which contributed gross profit of RMB5.2 million in 3Q2017. Consequently, the overall gross profit in 9M2018 was dragged down to RMB10.2 million, a decrease of RMB1.5 million when compared against the same period of last year.

Our gross profit margin improved from 16.4% in 3Q2017 to 22.1% in 3Q2018 due primarily to a change in revenue mix. Our dust elimination contracts performed in the current quarter derived much higher margins than the desulphurization contract undertaken in 3Q2017. The gross profit margin generated from the desulphurization contract in 3Q2017 was only approximately 13.2%. As part of the Group's risk management, a substantial amount of work for pertaining to this desulphurization contract was outsourced to sub-contractors due to collectibility concerns over the customer. Hence, overall gross profit margin improved from 16.3% in 9M2017 to 27.4% in 9M2018.

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. (cont'd)

Financial income

The decrease in financial income of RMB130,000 or 83.3%, from RMB156,000 in 9M2017 to only RMB26,000 in 9M2018, was in line with the lower bank deposits pledged in 9M2018.

Other income

Other income decreased by RMB1.6 million, from RMB2.1 million in 9M2017 to RMB0.5 million in 9M2018 due mainly to the absence of written back of allowance for impairment of trade receivables amounting to RMB2.1 million in 9M2018, partly offset by bad debts recovered from certain customer of RMB0.4 million during the financial period.

Operating expenses

In 9M2018, selling and distribution expenses decreased by RMB0.1 million or 3.2%, from RMB1.6 million in 9M2017 to RMB1.5 million in 9M2018 due to lower operating rental paid of RMB0.1 million as certain leases relating to sales offices were terminated so that the Group can pool its resources to better service its customers from certain geographical regions. In addition, other miscellaneous expenses also decreased by RMB0.3 million in 9M2018, in line with the decrease in revenue. The decrease of RMB0.4 million was partly offset by higher payroll and related costs of RMB0.2 million due to headcount additions and travelling and entertainment expenses of RMB0.1 million as a result of increased participations in tendering of contracts.

Administrative expenses increased by RMB2.0 million or 19.7%, from RMB9.9 million in 9M2017 to RMB11.9 million in 9M2018 attributed to higher payroll and related costs of RMB0.3 million as a result of additions in headcount and normal pay was resumed for management in 9M2018. In the same period of last year, 20% of managements' remunerations were withheld and were only paid at end of 2017 when certain performance targets were met. In addition, travelling and entertainment expenses and tender consultations and agency fees increased by RMB1.3 million and RMB0.5 million respectively in 9M2018 because of increased participations in contracts biddings. The increase of RMB2.1 million was partly offset by the decrease in miscellaneous expenses of RMB0.1 million in 9M2018.

Finance costs increased by RMB0.3 million or 12.6%, from RMB3.1 million in 9M2017 to RMB3.4 million in 9M2018 as a result of higher weighted average interest rate (9M2018: 5.87% vs 9M2017: 5.65%) despite the lower loan quantum drawn down of RMB60.0 million (9M2017: RMB65.0 million).

Other expenses for 9M2018 increased by RMB2.0 million or 709.7% due mainly to the allowance for impairment of trade receivables of RMB1.6 million, computed based on the expected credit loss model on the trade receivables as at 30 September 2018. There was no such allowance in 9M2017. In addition, there was also allowance for impairment of trade receivables amounting to RMB0.6 million arising from our concessions to a customer to accept immediate settlement amounts in cash of RMB15.8 million out of RMB16.4 million, vis-a-vis a full settlement of the debts outstanding in 12 months. The increase was partly offset by the absence of a loss arising from the sale of club membership of RMB0.2 million in 9M2018.

Income tax expense

Income tax expense decreased by RMB0.1 million or 448.7% in 9M2018 due to the reversal of RMB0.1 million of previous year's tax provision as it was deemed to be no longer payable by the tax authority.

Loss after taxation

In view of the above, loss after taxation increased by RMB7.6 million or 892.5%, from RMB0.8 million in 9M2017 to RMB8.4 million in 9M2018.

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. (cont'd)

Balance sheet review

The Group

Non-current assets amounted to RMB11.4 million and comprised property, plant and equipment ("PPE") of RMB9.6 million, intangible assets of RMB1.8 million as at 30 September 2018. The increase in PPE of RMB0.2 million was attributed mainly to fixed assets additions of RMB0.9 million, partly offset by depreciation of RMB0.7 million in 9M2018.

Intangible assets amounted to RMB1.8 million and comprised patents of RMB1.6 million and deferred development costs of RMB0.2 million as at 30 September 2018. The decrease in intangible assets of RMB1.0 million was attributed mainly to amortization in 9M2018. The patent in relation to an internally developed new dust elimination technology with pulsating rotary positioning mechanism have a remaining tenure of 74 months (31 December 2017: 83 months) as at 30 September 2018. In the case of the deferred development costs, they have an average amortization period of 2 months (31 December 2017: 11 months) as at 30 September 2018.

Current assets comprised gross amount due from customers for contract work-in-progress, inventories, trade and other receivables, prepayments, bank deposits pledged and cash and cash equivalents. Current assets amounted to RMB253.5 million and RMB222.7 million as at end of 30 September 2018 and 31 December 2017 respectively. Our current assets accounted for 95.7% and 94.8% of our total assets as at 30 September 2018 and 31 December 2017 respectively.

Contract assets relates to unbilled trade receivables and amounted to RMB87.7 million and RMB59.2 million as at 30 September 2018 and 31 December 2017 respectively, constituting 34.6% and 26.6% of our current assets as at the respective dates. The increase of RMB28.5 million relates to works performed in 9M2018 which was not billed because they have not achieved certain billing milestones.

Inventories amounted to RMB1.3 million and RMB2.1 million as at 31 December 2017 and 30 September 2018 respectively. The increase of RMB0.8 million was mainly attributed to the procurement of industrial wastewater systems during the financial period. There was no such purchase as at 31 December 2017.

Trade and other receivables comprised trade receivables, bills receivable, retention monies and other receivables amounted to RMB48.4 million and RMB48.1 million as at 30 September 2018 and 31 December 2017 respectively, and accounted for approximately 19.1% and 21.6% of our current assets as at the respective balance sheet dates. Trade receivables and retention monies amounted to RMB19.6 million as at 30 September 2018, representing an increase of RMB1.5 million as a result of billings issued during the financial period, partly offset by allowance for impairment of trade receivables amounting to RMB2.2 million in 9M2018.

Other receivables comprised advances to employees for business purposes, bidding deposits and tax recoverable. Other receivables amounted to RMB28.8 million and RMB30.0 million as at 30 September 2018 and 31 December 2017 respectively. The decrease in other receivables of RMB1.2 million was attributed mainly to payments of net VAT receivables of RMB1.9 million to the tax authority and there was no addition during the period because it was a net payable position as at 30 September 2018. This was partly offset by higher bidding deposits placed and procurement of raw materials of RMB0.8 million for increased participations of tenders.

Prepayments comprised prepaid operating expenses and advances to trade and non-trade suppliers of RMB111.1 million and RMB95.1 million as at 30 September 2018 and 31 December 2017 respectively. The increase of RMB16.0 million was due to net advances for procurement of raw materials of RMB31.0 million for contracts already secured and to be performed in 4Q2018 onwards, partly offset by the refund received from certain supplier of RMB15.0 million as a result of termination of a contract. These advances will be offset against trade payables when certain performance milestones have been achieved.

Bank deposits pledged increased by RMB0.4 million, from RMB1.6 million as at 31 December 2017 to RMB2.0 million as at 30 September 2018. The increase was attributed to increased deposits placed for additional bills payable facilities of RMB1.2 million, partly offset by the released of performance guarantee amounting to RMB0.8 million for certain contract as the performance obligation had been satisfied.

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. (cont'd)

Net cash and cash equivalents decreased from RMB17.4 million as at 31 December 2017 to RMB2.2 million as at 30 September 2018 as net cash used in operating activities was RMB15.2 million compared to RMB12.9 million in the prior period. This was due mainly to the increase in working capital to fund the tendering of contracts during the period.

Net cash used in investing activities was RMB0.9 million. This was mainly attributable to the acquisitions of fixed assets of RMB0.9 million.

Net cash from financing activities was RMB0.8 million. This was attributable to proceeds from bills payable of RMB1.2 million, partly offset by the increase in bank deposits pledged of RMB0.4 million.

Current liabilities comprised mainly gross amount due to customers for contract work-in-progress, trade and other payables, loans and borrowings, other liabilities and income tax payable. Our current liabilities amounted to RMB197.0 million and RMB158.7 million as at 30 September 2018 and 31 December 2017 respectively, and accounted for 100.0% each of our total liabilities as at the respective balance sheet dates.

Contract liabilities amounted to RMB11.1 million and RMB58.1 million as at 31 December 2017 and 30 September 2018. The increase in contract liabilities by RMB47.0 million was mainly attributed to increased advance payments by the customers for on-going contracts.

Trade and other payables comprised trade payables, other payables and bills payable.

Trade payables amounted to RMB46.5 million, a marginal increase of RMB0.1 million over 31 December 2017.

Other payables comprised primarily VAT, other operating tax payables and other operating expenses. Other payables amounted to RMB10.5 million and RMB7.0 million as at 30 September 2018 and 31 December 2017 respectively. The increase of RMB3.5 million was mainly due to short term loans obtained from third party for purpose of security deposits on projects and increase in billings received from sub-contractors of RMB3.1 million in aggregate. In addition, the amounts of billings issued to customers were higher than the amounts of purchases from suppliers during the period, which resulted in net VAT payables of RMB0.4 million.

Bills payable increased by RMB1.2 million, from RMB0.8 million as at 31 December 2017 to RMB2.0 million as at 30 September 2018 due to the increase in utilization of bills payable facilities in 3Q2018.

Other liabilities comprised accrued purchases, VAT, salaries and travelling expenses, other operating expenses, advances from customers and welfare expenses. Other liabilities amounted to RMB19.9 million and RMB33.4million as at 30 September 2018 and 31 December 2017 respectively.

Accrued purchases, payroll and related expenses, operating expenses and welfare expenses amounted to RMB19.9 million and RMB19.6 million as at 30 September 2018 and 31 December 2017 respectively. The increase of RMB0.3 million was mainly attributed to the delays in the payments of accrued operating expenses.

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. (cont'd)

Advances from customers were nil and RMB13.8 million as at 30 September 2018 and 31 December 2017 respectively. The advances received from customers were mainly transferred to contract liabilities because the Group has already commenced contract works relating to these advances during the financial period, which explained why the advances from customers were nil as at 30 September 2018.

Income tax payable was nil as at 30 September 2018 as opposed to RMB0.1 million as at 31 December 2017. The decrease was attributed to the reversal of RMB0.1 million of income tax payable against tax expense in 3Q2018 because the amount was deemed to be no longer payable by the tax authority.

The Group's total shareholder's equity comprised share capital, PRC statutory common reserve fund, merger reserve, accumulated losses and premium paid on acquisition of non-controlling interests. Total equity as at 1 January 2018 amounted to RMB76.2 million. Loss attributable to owners of the Company and non-controlling interest amounted to RMB8.4 million and RMB4,000 in the current period respectively. Consequently, total equity decreased to RMB67.8 million as at 30 September 2018, of which the amount was mainly attributable to equity holders of the Company.

The non-controlling interests of RMB4,000 relate to the minority shareholder's 0.1% stake in our subsidiary, Jilin Anjie New Energy Group Co., Ltd.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary of the competitive conditions of the industry in which the group operates and any known factors that might affect the group in the next reporting period and the next 12 months has been provided.

China is experiencing a slowdown in its economy as evidenced by the lower reported economic growth of 6.5% in the third quarter of 2018. Liquidity, a key catalyst in generating growth in the PRC economy, remains tight as a result of the credit controls imposed by the central bank, which culminated in Chinese companies facing cash flow issues. Without the funding support from the banks, several PRC entities were forced to withdraw or delay their capital expenditure on certain industrial wastegas and wastewater contracts. In spite of these challenges, the Group has managed to secure approximately RMB79.0 million of industrial wastegas and wastewater contracts from established customers and state owned companies in 3Q2018. The lacklustre PRC business environment has however enjoyed a reprieve recently with the PRC central bank's decision to inject more liquidity into the economy to support the Chinese enterprises. In the light of this development, Management is confident of securing more contracts going forward. Nonetheless, the delayed timing in securing these contracts is expected to adversely affect the Group's financial performance for FY2018. While the Group has commenced work on some of the recently secured contracts, completion or substantial completion of these project work would only occur after the approaching winter months.

With the increased participations in contract tenders, the Group has substantially expended its financial resources and will be stepping up its efforts in its collections from customers in the coming months. Management will also review its prepayments to suppliers and recover advances made for projects which are deferred indefinitely. Notwithstanding the adversities ahead, Management remains positive on the Group's business prospects in the near term. The Group will also focus on research and development activities to enhance existing and develop new technologies so as to maintain our competitiveness.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date Payable

Not applicable.

(d) Book Closure Date.

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend for the nine months ended 30 September 2018 is declared or recommended.

13. 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.

BY ORDER OF THE BOARD
Leader Environmental Technologies Limited

Lin Baiyin
Executive Chairman and Chief Executive Officer

13 November 2018

Confirmation that the issuer has procured undertakings from all its Directors and Executive Officers (in the format set out in appendix 7.7) under Rule 720(1)

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual

On behalf of the Board of Directors of the Company, we confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the third quarter and the nine months' financial results for the period ended 30 September 2018 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD
Leader Environmental Technologies Limited

Lin Baiyin
Executive Chairman and Chief Executive Officer

13 November 2018

Goh Kay Seng Edwin
Non Executive Independent Director