



**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 Fourth Quarter and the Twelve Months Ended 31 December 2019**

**Unaudited Financial Statement and Dividend Announcement for the Financial Year Ended 31 December 2019 of Leader Environmental Technologies Limited (“Company”) and Its Subsidiaries (Collectively, “Group”)**

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

**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 profit and loss and other comprehensive income**

	Group 3 Months Ended			Group 12 Months Ended		
	31.12.19 ("4Q2019") RMB'000	31.12.18 ("4Q2018") RMB'000	Change %	31.12.19 ("FY2019") RMB'000	31.12.18 ("FY2018") RMB'000	Change %
Revenue	15,762	16,569	(4.9)	37,239	53,818	(30.8)
Cost of sales	(11,352)	(12,624)	(10.1)	(27,821)	(39,675)	(29.9)
Gross profit	<b>4,410</b>	<b>3,945</b>	11.8	<b>9,418</b>	<b>14,143</b>	(33.4)
Financial income	2	5	(60.0)	22	31	(29.0)
Other income	1,813	302	500.3	2,318	757	206.2
Selling and distribution expenses	(202)	(991)	(79.6)	(1,291)	(2,522)	(48.8)
Administrative expenses	(2,961)	(4,236)	(30.1)	(10,461)	(16,088)	(35.0)
Finance costs	(2,060)	(996)	106.8	(5,877)	(4,435)	32.5
Other expenses	(8,746)	34	(25,823.5)	(13,322)	(2,306)	477.7
<b>Loss before income tax</b>	<b>(7,744)</b>	<b>(1,937)</b>	299.8	<b>(19,193)</b>	<b>(10,420)</b>	84.2
Taxation	(2)	(15)	(86.7)	(6)	119	(105.0)
<b>Loss after taxation</b>	<b>(7,746)</b>	<b>(1,952)</b>	296.8	<b>(19,199)</b>	<b>(10,301)</b>	86.4
<b>Other comprehensive loss after tax</b>	-	-	-	-	-	-
<b>Total comprehensive loss for the year</b>	<b>(7,746)</b>	<b>(1,952)</b>	296.8	<b>(19,199)</b>	<b>(10,301)</b>	86.4
<b>Loss attributable to:</b>						
Owners of the Company	(7,747)	(1,954)	296.5	(19,199)	(10,297)	86.5
Non-controlling interest	1	-	100.0	-	(4)	(100.0)
	<b>(7,746)</b>	<b>(1,954)</b>	296.4	<b>(19,199)</b>	<b>(10,301)</b>	86.4
<b>Total comprehensive loss attributable to:</b>						
Owners of the Company	(7,747)	(1,954)	296.5	(19,199)	(10,297)	86.5
Non-controlling interest	1	-	100.0	-	(4)	(100.0)
	<b>(7,746)</b>	<b>(1,954)</b>	296.4	<b>(19,199)</b>	<b>(10,301)</b>	86.4

**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 before income tax is arrived at after charging/(crediting) the following:

	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Depreciation of property, plant and equipment	200	222	(9.9)	850	878	(3.2)
Loss on disposal of property, plant and equipment	-	8	(100.0)	245	8	2,962.5
Fixed asset written off	6	-	100.0	6	1	500.0
Amortization of intangible assets	66	252	(73.8)	261	1,284	(79.7)
Amortisation of right-of-use asset	83	-	100.0	220	-	100.0
(Write-back)/allowance for impairment of contract assets	(1,524)	-	100.0	2,576	-	100.0
Allowance for impairment of retention monies	305	1,300	(76.5)	305	1,300	(76.5)
Allowance for impairment of other receivables	887	-	100.0	887	-	100.0
Allowance for impairment of prepayments	9,101	-	100.0	9,101	-	100.0
Write-back of allowance for impairment of trade receivables	(1,715)	(297)	477.4	(2,171)	(297)	631.0
Bad debts written off	-	861	(100.0)	82	861	(90.5)
Bad debts recovered	-	(421)	(100.0)	-	(421)	(100.0)
Operating lease expenses <sup>1</sup>	86	248	(65.3)	463	767	(39.6)
Finance costs	2,060	998	106.4	5,877	4,437	32.5
Interest income	(2)	(3)	(33.3)	(22)	(29)	(24.1)
Inventories recognised as an expense						
in cost of goods sold	4,954	4,316	14.8	12,806	23,667	(45.9)
Employee compensations	1,567	2,577	(39.2)	7,076	9,988	(29.2)
Exchange loss	20	21	(4.8)	58	58	-

<sup>1</sup> The Group has adopted the practical expedient for recognition exemptions relating to two short-term leases.

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 31.12.19 RMB'000	Audited 31.12.18 RMB'000	Unaudited 31.12.19 RMB'000	Audited 31.12.18 RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	7,862	9,400	-	-
Right-of-use asset	769	-	-	-
Intangible assets	1,282	1,543	-	-
Investment in subsidiaries	-	-	8,000	8,000
	<b>9,913</b>	<b>10,943</b>	<b>8,000</b>	<b>8,000</b>
<b>Current assets</b>				
Contract assets	20,799	41,842	-	-
Inventories	934	1,281	-	-
Trade and other receivables	78,649	48,901	-	-
Deposits and prepayments	52,227	96,795	15	15
Bank deposits pledged	1,526	1,190	-	-
Cash and cash equivalents	9,707	10,516	58	56
	<b>163,842</b>	<b>200,525</b>	<b>73</b>	<b>71</b>
<b>Total assets</b>	<b>173,755</b>	<b>211,468</b>	<b>8,073</b>	<b>8,071</b>
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Share capital	224,747	224,747	224,747	224,747
Reserves	(179,377)	(160,178)	(227,465)	(223,925)
	<b>45,370</b>	<b>64,569</b>	<b>(2,718)</b>	<b>822</b>
<b>Non-controlling interests</b>	4	4	-	-
<b>Total equity</b>	<b>45,374</b>	<b>64,573</b>	<b>(2,718)</b>	<b>822</b>
<b>Non-Current Liabilities</b>				
Lease liabilities	459	-	-	-
<b>Current liabilities</b>				
Contract liabilities	5,691	6,073	-	-
Trade and other payables	57,130	56,250	7,075	4,244
Borrowings	50,000	65,109	-	-
Lease liabilities	323	-	-	-
Other liabilities	14,778	19,463	3,716	3,005
	<b>127,922</b>	<b>146,895</b>	<b>10,791</b>	<b>7,249</b>
<b>Total equity and liabilities</b>	<b>173,755</b>	<b>211,468</b>	<b>8,073</b>	<b>8,071</b>

**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 31.12.2019 RMB'000	As at 31.12.2018 RMB'000
<b>Amount repayable in one year or less, or on demand</b>		
<b>Bank and non-bank borrowings</b>		
- secured	50,000	54,860
- unsecured	-	10,249
	50,000	65,109
	50,000	65,109
 <b>Amount repayable after one year</b>		
- secured	-	-
- unsecured	-	-
	-	-
	-	-

**Details of any collateral**

As at 31 December 2019, short term borrowings drawn down amounted to RMB50.0 million (31 December 2018: RMB54.9 million). The short term 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 RMB5.8 million as at 31 December 2019.

There was no unsecured borrowing as at 31 December 2019 as the previous year's borrowings of RMB10.2 million were fully repaid in 1Q2019.

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**

	<b>Group</b>	
	<b>12 months Ended</b>	
	<b>31.12.19</b>	<b>31.12.18</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Cash Flows from Operating Activities</b>		
Loss before taxation	(19,193)	(10,420)
<u>Adjustments for:</u>		
Fixed asset written off	6	1
Depreciation of property, plant and equipment	850	878
Loss on disposals of property, plant and equipment	245	8
Amortization of intangible assets	261	1,282
Amortization of right-of-use asset	220	-
Allowance for impairment of contract assets	2,576	-
Allowance for impairment of trade receivables	-	291
Allowance for impairment of retention monies	305	1,300
Allowance for impairment of other receivables	887	-
Allowance for impairment of prepayments	9,101	-
Write-back of allowance for impairment of trade receivables	(2,171)	(297)
Finance costs	5,877	4,435
Interest income	(22)	(31)
Total adjustments	18,135	7,867
<b>Operating loss before working capital changes</b>	<b>(1,058)</b>	<b>(2,553)</b>
<b>Changes in working capital</b>		
Decrease in contract assets	18,467	17,323
Decrease in inventories	347	-
Increase in trade and other receivables	(28,769)	(3,410)
Decrease/(increase) in prepayments	35,467	(1,661)
Decrease in contract liabilities	(382)	(5,014)
Increase in trade and other payables	544	1,739
Decrease in other liabilities	(4,685)	(13,891)
Total changes in working capital	20,989	(4,914)
<b>Cash generated from/(used in) operations</b>	<b>19,931</b>	<b>(7,467)</b>
Interest paid	(5,877)	(4,435)
Interest income received	22	31
Income tax paid	(6)	(28)
<b>Net cash generated from/(used in) operating activities</b>	<b>14,070</b>	<b>(11,899)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(14)	(937)
Proceeds from disposal of property, plant and equipment	451	15
<b>Net cash flows generated from/(used in) investing activities</b>	<b>437</b>	<b>(922)</b>
<b>Cash flows from financing activities</b>		
Proceeds from bills payable - net	336	370
Proceeds from third party loans	-	26,619
Repayments of third party loans	(10,249)	(16,370)
Proceeds from bank borrowings	70,000	75,860
Repayments of bank borrowings	(74,860)	(81,000)
(Increase)/decrease in bank deposits pledged	(336)	460
Principal repayments of lease obligations	(207)	-
<b>Net cash flows (used in)/generated from financing activities</b>	<b>(15,316)</b>	<b>5,939</b>
Net decrease in cash and cash equivalents	(809)	(6,882)
Exchange differences on translation of cash and cash equivalents	-	-
<b>Cash and cash equivalents at the beginning of the year</b>	<b>10,516</b>	<b>17,398</b>
<b>Cash and cash equivalents at the end of the year (Note A)</b>	<b>9,707</b>	<b>10,516</b>

- 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)**

	<b>Group</b>	
	<b>As at</b>	
	<b>31.12.19</b>	<b>31.12.18</b>
<b>Note A: Cash and cash equivalents</b>	<b>RMB'000</b>	<b>RMB'000</b>
Fixed deposit	-	10,000
Cash at bank and on hand	11,233	1,706
Less: bank deposits pledged	(1,526)	(1,190)
Cash and cash equivalents	<u>9,707</u>	<u>10,516</u>

As at 31 December 2019, the Group's bank deposits pledged comprised solely bills payable of RMB1.5 million (2018: RMB1.2 million). The bills payable have a maturity period of 180 days and are non-interest bearing.

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

← 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 interests RMB'000	Sub-total RMB'000	Non- controlling interests RMB'000	Total RMB'000
<b>At 1 January 2019</b>	224,747	31,748	(454)	(191,302)	(170)	64,569	4	64,573
Loss for the period	-	-	-	(19,199)	-	(19,199)	-	(19,199)
Other comprehensive loss	-	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(19,199)	-	(19,199)	-	(19,199)
<b>At 31 December 2019</b>	224,747	31,748	(454)	(210,501)	(170)	45,370	4	45,374

	Share capital RMB'000	PRC statutory common reserve RMB'000	Merger reserve RMB'000	Accumulated losses RMB'000	non-controlling interests RMB'000	Sub-total RMB'000	controlling interests RMB'000	Total RMB'000
<b>At 31 December 2017</b>								
<b>As previously reported</b>	224,747	31,748	(454)	(179,686)	(170)	76,185	-	76,185
Effects of adopting SFRS(I) 9	-	-	-	(1,319)	-	(1,319)	-	(1,319)
<b>As restated as at 1 January 2018</b>	224,747	31,748	(454)	(181,005)	(170)	74,866	-	74,866
Loss for the year	-	-	-	(10,297)	-	(10,297)	(4)	(10,301)
Other comprehensive loss for the year	-	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(10,297)	-	(10,297)	(4)	(10,301)
Transaction with owners - issuance of shares of subsidiary	-	-	-	-	-	-	8	8
<b>At 31 December 2018</b>	224,747	31,748	(454)	(191,302)	(170)	64,569	4	64,573

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

Company

	Share capital RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2019	224,747	(223,925)	822
Loss for the year	-	(3,540)	(3,540)
Other comprehensive loss for the year	-	-	-
Total comprehensive loss for the year	-	(3,540)	(3,540)
<b>Balance at 31 December 2019</b>	<b>224,747</b>	<b>(227,465)</b>	<b>(2,718)</b>

	Share capital RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2018	224,747	(165,296)	59,451
Loss for the year	-	(58,629)	(58,629)
Other comprehensive loss for the year	-	-	-
Total comprehensive loss for the year	-	(58,629)	(58,629)
<b>Balance at 31 December 2018</b>	<b>224,747</b>	<b>(223,925)</b>	<b>822</b>



- 1(e) **Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision and consolidation, 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 2019 and 31 December 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 31 December 2019 and 31 December 2018.

- 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**

	<b>Company</b>	
	<b>31.12.2019</b>	<b>31.12.2018</b>
Total number of shares issued at end of year	<u>617,209,000</u>	<u>617,209,000</u>

The Company does not have any treasury shares as at 31 December 2019 and 31 December 2018.

- 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 31 December 2019 and 31 December 2018.

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

Except for the comparative balance sheets of the Group and of the Company as at 31 December 2018 and the comparative income statement of the Group for the year then ended, 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 method of computation as the issuer's most recently audited financial statements have been followed.**

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 2018.

**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 Singapore Financial Reporting Standards (International) (SFRS(I)) 16 Leases, effective for the annual periods beginning on or after 1 January 2019.

• **SFRS(I) 16 Leases**

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessee. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. The Group applied the modified retrospective approach with no restatement of comparative information and the practical expedient for recognition exemptions for short-term leases and leases of low-value items.

Following the adoption of SFRS(1) 16 Leases, the Group recognised the right-of-use asset of approximately RMB769,000, net of amortisation of approximately RMB220,000 during the year. In addition, there was also lease liabilities recorded of approximately RMB782,000 as at 31 December 2019. Total lease payables and finance charges amounted to approximately and RMB207,000 and RMB31,000 respectively during the year.

**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 years divided by the weighted average of 617,209,000 ordinary shares for the year ended 31 December 2019 (31 December 2018: 617,209,000 ordinary shares).

	<b>Group</b>	
	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
Loss after tax attributable to owners of the Company (RMB'000)	<u>(19,199)</u>	<u>(10,297)</u>
Basic loss per share (RMB cents per share)	<u>(3.11)</u>	<u>(1.67)</u>

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.**

	<b>Group</b>		<b>Company</b>	
	<b>31.12.19</b>	<b>31.12.18</b>	<b>31.12.19</b>	<b>31.12.18</b>
Net asset value (RMB'000)	45,370	64,569	(9,718)	4,822
Net asset value per ordinary share (RMB cents per share)	7.35	10.46	(1.57)	0.78

Net asset value of the Group and Company as at 31 December 2019 and 31 December 2018 was computed based on 617,209,000 ordinary shares in issue at the end of the financial 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**

**INCOME STATEMENT/STATEMENT OF COMPREHENSIVE INCOME**

**Revenue**

	<b>4Q2019</b>		<b>4Q2018</b>		<b>FY2019</b>		<b>FY2018</b>	
	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>%</b>
Industrial wastegas treatment								
- Dust elimination	6,530	41.4	9,811	59.2	10,713	28.8	39,095	72.6
Industrial wastewater	9,232	58.6	6,758	40.8	26,526	71.2	14,508	27.0
Design, technical services and others	-	-	-	-	-	-	215	0.4
	15,762	100.0	16,569	100.0	37,239	100.0	53,818	100.0

**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:- (cont'd)**

**Revenue**

Total revenue decreased by RMB16.6 million or 30.8% in FY2019, from RMB53.8 million in FY2018 to RMB37.2 million in FY2019. The dust elimination segment was the main drag on the overall performance of the Group with further declined in revenue by RMB3.3 million in 4Q2019, from RMB9.8 million in 4Q2018 to RMB6.5 million in 4Q2019. As a result, the full year's revenue recorded for this business segment was RMB28.4 million or 72.6% lower when compared against the previous financial year, from RMB39.1 million in FY2018 to RMB10.7 million in FY2019. In addition, the absence of revenue from the design, technical and others segment of RMB0.2 million also contributed to the Group's lower revenue in FY2019. The decrease was partly offset by higher revenue generated in the industrial wastewater segment by RMB2.4 million in 4Q2019, from RMB6.8 million in 4Q2018 to RMB9.2 million in 4Q2019. The added contribution in 4Q2019 brought an increase in this segment's revenue by RMB12.0 million in FY2019, from RMB14.5 million in FY2018 to RMB26.5 million in FY2019. Notwithstanding the increase, it failed to lift up the overall Group's revenue as 4Q2019 recorded a decrease in revenue of RMB0.8 million to RMB15.8 million, contributing to a full year decrease in revenue of RMB16.6 million to RMB37.2 million.

The poor performance from the dust elimination segment in 4Q2019 and FY2019 was attributed to no new contract added in the wake of the economic slowdown in the Chinese economy coupled with less spilled-over contract works since majority of these contracts were already at the tail-end of completions.

As for the industrial wastewater segment, it has fared better with contributions added from four new contracts, but the delay caused by the industrial wastewater contract in Linjiang proved pivotal to the Group. The work activities which could only commenced in 4Q2019, recognized revenue of approximately RMB4.0 million in 4Q2019 out of the projected contract sum of RMB49.3 million. Nonetheless, the segment's revenue was still higher in both 4Q2019 and FY2019.

**Gross profit and gross profit margin**

The better performance in the industrial wastewater segment largely contributed to the higher gross profit by RMB0.5 million or 11.8%, from RMB3.9 million in 4Q2018 to RMB4.4 million in 4Q2019. However, this small amount of gross profit increase was not sufficient to fully compensate for the significant decrease in gross profit in the dust elimination segment, and could only reduce the overall decline in gross profit to RMB4.7 million in FY2019, from RMB14.1 million in FY2018 to RMB9.4 million in FY2019.

The total gross profit margin improved by 1.5%, from 23.8% in 4Q2018 to 25.3% in 4Q2019 due mainly to better gross profit margins generated by the two business segments. Upon final settlements with the customers, additional contributions of 99.8% were agreed and recognized on two past year's industrial wastewater contracts, partly offset by lower gross margin generated by the large scale industrial wastewater contract in Linjiang of RMB10.8% as the project was at an earlier stage with minimum work performed, has helped to improve the segment's gross profit margin by 4.4%, from 20.0% in 4Q2018 to 24.4% in 4Q2019. In addition, upon final settlements with the customers, additional contributions of 99.6% were agreed and recognized in relation to four past year's dust elimination contracts also helped to increase the segment's gross profit margin by 6.7%, from 26.4% in 4Q2018 to 33.1% in 4Q2019. In light of the higher gross profit margins generated by both business segments in 4Q2019, the overall gross profit margin only dropped marginally by 1.0% in FY2019, from 26.3% in FY2018 to 25.3% in FY2019.

**Financial income**

The decrease in financial income of RMB10,000 or 32.3%, from RMB31,000 in FY2018 to only RMB21,000 in FY2019, was in line with the lower cash and cash equivalents in FY2019.

**Other income**

Other income increased by RMB1.4 million or 192.3%, from RMB0.8 million in FY2018 to RMB2.2 million in FY2019 due to higher write-back of impairment allowance on trade receivables of RMB1.5 million in 4Q2019, which was in line with the decrease in trade receivables. Accordingly, total write-back amounted to RMB2.1 million in FY2019 against RMB0.3 million in the previous corresponding year. The increase was partly offset by no bad debts recovered of RMB0.4 million in FY2019.

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:- (cont'd)**

**Operating Expenses**

Selling and distribution expenses decreased by RMB1.2 million or 48.8%, from RMB2.5 million in FY2017 to RMB1.3 million in FY2019 due to lower payroll and related costs of RMB0.5 million as a result of staff attritions and layoffs. Furthermore, travelling and entertainment expenses and others also decreased by RMB0.4 million and RMB0.3 million respectively in FY2019, in line with the decrease in business activities during the financial year.

Administrative expenses decreased by RMB5.6 million or 35.0%, from RMB16.1 million in FY2018 to RMB10.5 million in FY2019 attributed to lower payroll and related costs incurred of RMB2.0 million attributed to staff attritions and layoffs, and amortization costs on intangible assets of RMB1.0 million as the deferred development costs were fully amortized in FY2018. In addition, travelling and entertainment, others and office expenses also decreased by RMB1.4 million, RMB1.0 million and RMB0.1 million respectively, which were in line with the decrease in business activities during the year.

Higher finance costs were incurred of RMB1.5 million or 32.5%, from RMB4.4 million in FY2018 to RMB5.9 million in FY2019 due to the higher weighted interest rate charged of 9.19% in FY2019 (FY2018: 8.71%), partly offset by the lower average loan quantum drawn down of RMB50.0 million in FY2019 (FY2018: RMB54.9 million). There was also interest paid on the third party loan of RMB0.7 million in 4Q2019. Furthermore, the Group also obtained unsecured short term loans amounting to RMB10.0 million from another bank in November 2019, bearing interest rate of 5.22%. These loans were fully repaid in December 2019.

Other expenses for FY2019 increased by RMB11.0 million or 477.7%, from RMB2.3 million in FY2018 to RMB13.3 million in FY2019 attributed mainly to higher allowances for impairments of contract assets, retention monies, prepayments to trade and non-trade suppliers, tendered deposits and other receivables of RMB11.5 million in aggregate and loss on disposal of a motor vehicle of RMB0.2 million in FY2019. The increase was partly offset by decrease in bad debts written off of RMB0.7 million as this mainly relates to our concession given to certain customer to accept immediate cash settlement, albeit a smaller amount to be settled in FY2019 as opposed to FY2018. The breakdown of the allowances for impairments is as follows:

**Allowances for impairments:**

	FY2019 RMB'000	FY2018 RMB'000
Contract assets	2,576	-
Retention monies	305	1,300
Tendered deposits	167	-
Other receivables	720	-
Prepayments to trade and non-trade suppliers	9,101	-
	<u>12,869</u>	<u>1,300</u>

**Contract assets**

The allowance for impairment comprised of specific identification of certain oil & gas customer of RMB1.8 million. This was for work performed on dust elimination contract with total contract sum of RMB22.2 million. The remaining allowance balance of RMB0.8 million pertains to expected credit loss model applied on the outstanding amounts of RMB20.9 million as at 31 December 2019 on five customers. Based on the ageing of the contract assets' balances and the subsequent receipts of RMB8.1 million thereafter, the probability of default was estimated to be 10% and using the discounted rate of 4.35%, China's prime lending rate, on amounts due for more than 1 year to their present values.

**Retention monies**

The impairment allowance relates to the specific identification of outstanding amounts due mainly for more than 1 year from two customers of RMB0.1 million from the housing and construction industry in Gansu province. The remaining allowance balance of RMB0.2 million pertains to an expected credit loss rate of 3.2% applied on the outstanding amounts of RMB5.9 million as at 31 December 2019 on six customers.

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:- (cont'd)**

**Tendered deposits**

The expected credit loss rate of 3.23% was applied on the tendered deposits placed for 4 industrial wastewater and related projects and 2 dust elimination projects of RMB4.5 million and RMB0.7 million respectively which amounted to RMB167,000. The expected credit loss rate took into consideration China's default rate and liquidity risk.

**Other receivables**

The bulk of the allowance for impairment pertains to long outstanding business advances to three employees of RMB0.6 million. The Group expects to recover these amounts by FY2020.

**Prepayments to trade and non-trade suppliers**

There were specific impairments allowances provided on prepayments to trade and non-trade suppliers of RMB2.3 million in aggregate as they were long overdue. In addition, there was also specific impairment allowance recognized on the long outstanding advances to certain supplier of RMB37.6 million (2018: RMB68.6 million) for remaining two industrial wastewater contracts. The percentage computed based on the outstanding amount as at 31 December 2019 vis-à-vis the total advances paid to this supplier was approximately 36%, of which 50% is expected to be unpaid based on the payment history. The Group is still working closely with the supplier and expects another refund of at least RMB5.0 million after year end so as to further reduce the credit risk amid the on-going discussion on the status of the remaining industrial wastewater contracts.

**Income tax expense**

Income tax expense increased by RMB0.1 million or 105.0% in FY2019 due mainly to the absence of a reversal of tax provision of RMB0.1 million in FY2019 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 RMB8.9 million or 86.4%, from loss after taxation of RMB10.3 million in FY2018 to loss after taxation of RMB19.2 million in FY2019.

**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:- (cont'd)**

**Balance sheet review**

**The Company**

As at 31 December 2019, no allowance for impairment (RMB2018: RMB55.0 million) is made on the carrying amount of its investment in the subsidiary, Jilin Anjie Environmental Engineering Co., Ltd ("Anjie"). Management had used cash flow projections to perform a detailed assessment and established that the carrying amount of its investment in Anjie approximates to its recoverable amount.

**The Group**

Non-current assets amounted to RMB9.9 million and comprised property, plant and equipment ("PPE") of RMB7.9 million, right-of-use asset of RMB0.7 million and intangible assets of RMB1.3 million as at 31 December 2019.

The decrease in PPE of RMB1.5 million was due mainly to disposal of motor vehicle with a net book value of RMB0.7 million and depreciation of RMB0.9 million during the financial period.

Following the adoption of SFRS(I) 16 leases, there was a recognition of right-of-use asset amounting to RMB0.7 million during the financial year.

Intangible assets decreased by RMB0.2 million, from RMB1.5 million as at 31 December 2018 to RMB1.3 million as at 31 December 2019 as a result of amortization of RMB0.2 million during the financial year. It comprised solely the patent in relation to an internally developed new dust elimination technology with pulsating rotary positioning mechanism, and has a remaining tenure of 59 months (31 December 2018: 71 months) as at 31 December 2019.

Current assets comprised contract assets, inventories, trade and other receivables, prepayments, bank deposits pledged and cash and cash equivalents. Current assets amounted to RMB163.8 million and RMB200.5 million as at end of 31 December 2019 and 31 December 2018 respectively. Our current assets accounted for 94.3% and 94.8% of our total assets as at 31 December 2019 and 31 December 2018 respectively.

Contract assets amounted to RMB20.8 million and RMB41.8 million as at 31 December 2019 and 31 December 2018 respectively, constituting 12.7% and 20.9% of our current assets as at the respective dates. The decrease of RMB21.0 million was attributed to progress billings of RMB55.6 million during the financial year coupled by impairment allowance on contract assets of RMB2.6 million (please refer to other expenses for the details) based on the expected credit loss model, partly offset by the performance of work of RMB37.2 million in FY2019. Approximately RMB15.7 million of contract assets are completed contracts pending final settlements with the customers, and there was another RMB1.8 million of contract assets from certain state-owned enterprise from the oil and gas industry. The Group has initiated legal action against the oil and gas customer to firm up and recover the final settlement amount relating to the dust elimination contract. In addition, the amount of contract assets from certain steel manufacturer of RMB3.4 million was agreed with the customer upon final settlement in 4Q2019 and transferred to retention monies, of which RMB50,000 was received subsequent to year end. The balance is still in the midst of follow up with the customer.

Inventories amounted to RMB1.3 million and RMB0.9 million as at 31 December 2018 and 31 December 2019 respectively. The decrease of RMB0.4 million was in line with the decrease in business activities during the financial year. The Group normally does not maintain high level of inventories in the warehouse due to relatively short purchasing lead time.

Trade and other receivables comprised trade receivables, retention monies and other receivables amounted to RMB78.7 million and RMB48.9 million as at 31 December 2019 and 31 December 2018 respectively, and accounted for approximately 48.0% and 24.4% of our current assets as at the respective balance sheet dates. Trade receivables amounted to RMB3.4 million as at 31 December 2019, a decrease of RMB6.3 million over FY2018. The decrease was attributed to collections and in line with the decrease in business activities of RMB8.5 million, partly offset by the higher write-back in allowance for trade receivables of RMB2.2 million during the year.

Retention monies amounted to RMB6.3 million as at 31 December 2019, representing an increase of RMB5.5 million over FY2018 as a result of more completed contracts which were commissioned and handed over to the customers, partly offset by an increase in allowance for impairment of RMB0.3 million (please refer to other expenses for the details) during the year.

**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:- (cont'd)**

Other receivables comprised advances to employees for business purposes, bidding deposits and tax recoverable. Other receivables amounted to RMB69.0 million and RMB38.4 million as at 31 December 2019 and 31 December 2018 respectively. The bulk of the increase of RMB30.6 million was mainly attributed to the placement of bidding deposit for the tender of a large scale industrial wastewater contract and because of the project size and complexity, the result of the tender originally scheduled for announcement in January 2020 will be postponed to a later date due to the coronavirus. Management is following up closely with the customer. The increase was partly offset by allowance for impairment amounting to RMB0.7 million (please refer to other expenses for the details) during the year.

Deposits and prepayments comprised prepaid operating expenses and advances to trade and non-trade suppliers of RMB52.2 million and RMB96.8 million as at 31 December 2019 and 31 December 2018 respectively. The decrease of RMB44.6 million was due mainly to several refunds received from certain supplier amounting to RMB26.0 million so as to minimize its credit risk exposure because the industrial wastewater contracts are still under discussions with the customers as to their continuity, and also in line with the decrease in business activities. In addition, there was also allowance for impairment of RMB9.1 million (please refer to other expenses for the details) during the year.

Bank deposits pledged to secure the bills payable facility increased by RMB0.3 million, from RMB1.2 million as at 31 December 2018 to RMB1.5 million as at 31 December 2019.

Cash and cash equivalents amounted to RMB9.7 million and RMB10.5 million as at 31 December 2019 and 31 December 2018 respectively, and accounted for approximately 5.9% and 5.2% of current assets as at the respective balance sheet dates.

Net cash generated from operating activities was RMB14.1 million compared to net cash used in operating activities of RMB11.9 million in the prior year. This was due mainly to several refunds received from certain supplier coupled by lower working capital requirements.

Net cash generated from investing activities was RMB0.4 million. This was directly attributable to the proceeds received from the disposal of motor vehicle of RMB0.4 million.

Net cash used in financing activities was RMB15.3 million. This was due mainly to the repayments of third-party loans of RMB10.2 million and higher repayments of bank borrowings of RMB4.9 million during the financial year. In addition, there was also principal repayment of lease obligations amounting to RMB0.2 million

Non-current liabilities comprised mainly lease liabilities of RMB0.5 million following the adoption of SFRS (I) 16 Leases.

Current liabilities comprised mainly gross amount due to contract liabilities, trade and other payables, loans and borrowings, other liabilities and income tax payable. Our current liabilities amounted to RMB127.9 million and RMB146.9 million as at 31 December 2019 and 31 December 2018 respectively, and accounted for 99.6% and 100.0% respectively of our total liabilities as at the respective balance sheet dates.

Contract liabilities decreased by RMB0.4 million, from RMB6.1 million as at 31 December 2018 to RMB5.7 million as at 31 December 2019. These pertain to advances received from customers on on-going contracts which works have yet to be performed. The decrease is in line with the decrease in business activities.

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

Trade payables were relatively flat at RMB50.2 million and RMB50.1 million respectively as at 31 December 2018 and 31 December 2019. The Group has delayed certain payments to suppliers pending the finalization of certain contracts and payments with customers.

Other payables comprised primarily VAT, other operating tax payables and other operating expenses. Other payables amounted to RMB5.5 million and RMB4.8 million as at 31 December 2019 and 31 December 2018 respectively. The increase of RMB0.7 million was attributed mainly to higher advances from a Director of RMB0.5 million for purpose of projects tenders and unpaid operating expenses of holding company amounting to RMB0.3 million.

Bills payable increased by RMB0.3 million, from RMB1.2 million as at 31 December 2018 to RMB1.5 million as at 31 December 2019 due to the increase in utilization of bills payable facilities in FY2019.



**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:- (cont'd)**

Borrowings decreased from RMB65.1 million as at 31 December 2018 to RMB50.0 million as at 31 December 2019 due to repayments of third party borrowings of RMB10.2 million coupled by higher net repayments of bank borrowings of RMB4.9 million during the year as the loan quantum approved by the bank for drawn down for working capital was reduced from RMB55.0 million to RMB50.0 million in FY2019.

There were lease liabilities of RMB0.3 million following the adoption of SFRS (I) 16 Leases.

Other liabilities comprised accrued purchases, VAT, salaries and travelling expenses, other operating expenses, advances from customers and welfare expenses. Other liabilities amounted to RMB14.8 million and RMB19.5 million as at 31 December 2019 and 31 December 2018 respectively.

Accrued purchases, payroll and related expenses, operating expenses and welfare expenses amounted to RMB10.5 million and RMB13.2 million as at 31 December 2019 and 31 December 2018 respectively. The decrease of RMB2.7 million was in line with the decrease in business activities.

Advances from customers were RMB4.3 million and RMB6.3 million as at 31 December 2019 and 31 December 2018 respectively. The decrease of RMB2.0 million was mainly due to the transfer to contract liabilities as these contracts have already commenced works.

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 2019 amounted to RMB64.6 million. Loss attributable to owners of the Company amounted to RMB19.2 million in the current year. Consequently, total equity decreased to RMB45.4 million as at 31 December 2019, 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 prospect statement ("Prospect Statement") has been made and disclosed to shareholders, any variances between the forecast and actual results has been explained.**

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.**

Apart from the slowdown in its economy, the PRC now faces new challenges posed by the 2019 novel coronavirus (COVID-19) outbreak during the Lunar New Year period. Notwithstanding the various measures implemented by the PRC government to curtail the spread of the virus, there is no certainty that the situation will improve or be resolved soon. A prolonged outbreak will have serious repercussions on the global economy. However, it is unclear at this stage as to the extent of the impact on the Group's business because 1Q2020 is a lull period with minimum economic activity. The Group's staff resumed work only on 10 February 2020, and the remaining engineering and installation works on the uncompleted projects can only proceed after the winter period in early May 2020. The epidemic has created fear, anxiety and uncertainty in China, resulting in project discussions and tenders being postponed indefinitely by our customers even though Changchun Province and Jilin City are not the epicentre of the virus. This may potentially result in fewer industrial wastegas and wastewater contracts to be secured by the Group in the coming year. There is also the possibility of rescheduling the works of the uncompleted contracts until the all-clear signs are given by the PRC authorities.

In spite of these uncertainties, all is not bleak as amid the battle to contain the virus, the PRC government has swiftly rolled out various stimulus measures to help businesses. More financial assistance could be on the way if the situation persists. Management acknowledges that it will be a challenging year ahead for businesses in China, but with help of and support from the PRC government, the Group is confident that it will be able to ride through this difficult period by staying focused, leveraging on its expertise and networks, and maintaining a prudent strategy. In addition, the Group is also working closely with its customers and suppliers on the outstanding payments and orders, so that it has the necessary resources to work on the projects when the situation improves.

**11. Dividend**

**(a) Current Financial Period Reported On?**

No. The Group needs to preserve its cash for working capital requirements. Furthermore, pursuant to the Companies Act (Chapter 50), the Company is unable to pay dividends due to its huge accumulated loss position.

**(b) Corresponding Period of the Immediately Preceding Financial Year?**

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

Not applicable.

**(c) Date Payable**

Not applicable.

**(d) Book Closure Date.**

Not applicable.

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

No dividend in respect of the year ended 31 December 2019 has been proposed by the Directors.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**  
**(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

13. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

<b>Segmental information (RMB'000)</b>	<b>Desulphurisation</b>	<b>Dust elimination</b>	<b>Industrial wastewater</b>	<b>Total</b>
<b>2019 Revenue</b>				
Sales to external customers	-	10,712	26,527	37,239
<b>Results</b>				
Segment gross profit	-	3,271	6,147	9,418

<b>Segmental information (RMB'000)</b>	<b>Dust elimination</b>	<b>Industrial wastewater</b>	<b>Design, technical services and others</b>	<b>Total</b>
<b>2018 Revenue</b>				
Sales to external customers	39,095	14,508	215	53,818
<b>Results</b>				
Segment gross profit	12,103	1,825	215	14,143

The chief operating decision makers reviews the results of the segment using segment gross profit. Segment assets, liabilities and other expenses are not disclosed as they are not regularly provided to the chief operating decision maker.

**Geographical information**

There is no geographical segment information as the Group operates predominately in the PRC only.

**Information about major customers**

During the financial year ended 31 December 2019, revenue from three (2017: three) major customers amounted to RMB10.5 million, RMB9.3 million and RMB7.8 million (2018: RMB14.5 million, RMB7.8 million and RMB7.3 million), arising from sales by the dust elimination and industrial wastewater segments. In FY2018, the sales derived from these major customers were mainly from dust elimination and industrial wastewater segments.

14. **In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Refer to review of performance of the Group in para 8.

15. **A breakdown of sales**

	<b>Group</b>		
	<b>2019</b>	<b>2018</b>	<b>change</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
Sales reported for the first half year	11,206	28,914	(61.2)
Operating loss after tax before deducting non-controlling interests reported for first half year	(6,091)	(4,408)	38.2
Sales reported for the second half year	26,033	24,904	4.5
Operating loss after tax before deducting non-controlling interests for second half year	(13,108)	(5,889)	122.6

16. **A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

Not applicable.

17. **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.

18. **14 Confirmation that the issuer has procured undertakings from all of its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).**

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

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(11) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Zhan Bijin	51	Cousin of Lin Baiyin *	<p><b>(1) Procurement Manager – Leader Environmental Technologies Limited</b></p> <p>Duties – Responsible for the procurement works, such as maintaining relationship with suppliers and ensure smooth coordination of projects with other departments.</p> <p>Position held since January 2006.</p> <p><b>(2) Director of Jilin Anjie Environmental Engineering Co., Ltd.</b></p> <p>Duties – same as above.</p> <p>Position held since November 2005.</p>	N.A

Note:

\* Lin Baiyin (Executive Chairman cum Chief Executive Officer)

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

Lin Baiyin  
 Executive Chairman and Chief Executive Officer

28 February 2019