



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 Second Quarter and the Six Months Ended 30 June 2019

Unaudited Financial Statement and Dividend Announcement for the Half-year Ended 30 June 2019 of Leader Environmental Technologies Limited (the “Company” or “LET”) 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.

	Group Unaudited 3 Months Ended			Group Unaudited 6 Months Ended		
	30.6.19 ("2Q2019") RMB'000	30.6.18 ("2Q2018") RMB'000	change %	30.6.19 ("HY2019") RMB'000	30.6.18 ("HY2018") RMB'000	change %
Revenue	8,495	16,808	(49.5)	11,206	28,914	(61.2)
Cost of sales	(6,643)	(11,866)	(44.0)	(8,806)	(20,562)	(57.2)
Gross profit	1,852	4,942	(62.5)	2,400	8,352	(71.3)
Financial income	1	3	(66.7)	2	22	(90.9)
Other income	-	1	(100.0)	105	36	191.7
Selling and distribution expenses	(267)	(534)	(50.0)	(869)	(942)	(7.7)
Administrative expenses	(2,602)	(3,339)	(22.1)	(5,112)	(7,401)	(30.9)
Finance costs	(1,273)	(1,547)	(17.7)	(2,471)	(2,797)	(11.7)
Other expenses	(71)	(1,660)	(95.7)	(146)	(1,679)	(91.3)
Loss before taxation	(2,360)	(2,134)	10.6	(6,091)	(4,409)	38.1
Taxation	-	-	-	-	-	-
Loss after taxation	(2,360)	(2,134)	10.6	(6,091)	(4,409)	38.1
Other comprehensive loss after tax	-	-	-	-	-	-
Total comprehensive loss for the period	(2,360)	(2,134)	10.6	(6,091)	(4,409)	38.1
Loss attributable to:						
Owners of the Company	(2,359)	(2,133)	10.6	(6,090)	(4,408)	38.2
Non-controlling interests	(1)	(1)	-	(1)	(1)	-
	(2,360)	(2,134)	10.6	(6,091)	(4,409)	38.1
Total comprehensive loss attributable to:						
Owners of the Company	(2,359)	(2,133)	10.6	(6,090)	(4,408)	38.2
Non-controlling interest	(1)	(1)	-	(1)	(1)	-
	(2,360)	(2,134)	10.6	(6,091)	(4,409)	38.1

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:

	Group			Group		
	Unaudited 3 Months Ended		change	Unaudited 6 Months Ended		change
	30.6.19	30.6.18		30.6.19	30.6.18	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Depreciation of property, plant and equipment	218	221	(1.4)	437	436	0.2
Allowance for impairment of trade receivables	-	1,651	100.0	47	1,651	(97.2)
Write-back of allowance for impairment of trade receivables	-	-	-	(105)	-	100.0
Bad debts written off	82	-	100.0	82	-	100.0
Amortisation of intangible assets	65	343	(81.0)	130	687	(81.1)
Operating lease expenses	175	169	3.6	349	339	2.9
Interest expense	1,273	1,547	(17.7)	2,471	2,797	(11.7)
Interest income	(1)	(3)	(66.7)	(2)	(22)	(90.9)
Inventories recognised as an expense in cost of goods sold	5,395	6,870	(21.5)	5,863	13,259	(55.8)
Employee compensations	2,179	3,161	(31.1)	4,146	5,506	(24.7)
Exchange loss	12	8	50.0	18	27	(33.3)

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 30.6.19 RMB'000	Audited 31.12.18 RMB'000	Unaudited 30.6.19 RMB'000	Audited 31.12.18 RMB'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	8,963	9,400	-	-
Intangible assets	1,413	1,543	-	-
Investment in subsidiaries	-	-	8,000	8,000
	10,376	10,943	8,000	8,000
Current Assets				
Contract assets	46,013	41,842	-	-
Inventories	1,026	1,281	-	-
Trade and other receivables	74,336	48,901	1	-
Deposits and prepayments	70,338	96,795	2	15
Bank deposits pledged	1,190	1,190	-	-
Cash and cash equivalents	4,448	10,516	57	56
	197,351	200,525	60	71
Total assets	207,727	211,468	8,060	8,071
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	224,747	224,747	224,747	224,747
Reserves	31,124	31,124	-	-
Accumulated losses	(197,392)	(191,302)	(225,494)	(223,925)
	58,479	64,569	(747)	822
Non-controlling interests	3	4	-	-
Total equity	58,482	64,573	(747)	822
Current Liabilities				
Contract liabilities	17,371	6,073	-	-
Trade and other payables	62,171	56,250	6,250	4,244
Borrowings	54,860	65,109	-	-
Other liabilities	14,843	19,463	2,557	3,005
	149,245	146,895	8,807	7,249
Total equity and liabilities	207,727	211,468	8,060	8,071

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 30.6.19	As at 31.12.18
	RMB'000	RMB'000
Amount repayable in one year or less, or on demand		
- secured	54,860	54,860
- unsecured	-	10,249
	<u>54,860</u>	<u>65,109</u>
Amount repayable after one year		
- secured	-	-
- unsecured	-	-
	<u>-</u>	<u>-</u>

Details of any collateral

As at 30 June 2019, short-term borrowings drawn down amounted to RMB54.9 million (31 December 2018: RMB54.9 million). The short-term borrowings are secured on the followings:

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 RMB6.0 million as at 30 June 2019 (31 December 2018: RMB6.1 million).

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 6 months ended	
	30.6.18	30.6.18
	RMB'000	RMB'000
Cash Flows from Operating Activities		
Loss before taxation	(6,091)	(4,409)
<u>Adjustments for :</u>		
Depreciation of property, plant and equipment	437	436
Amortisation of intangible assets and club membership	130	687
Allowance for impairment of trade receivables	47	1,651
Write-back of allowance for impairment of trade receivables	(105)	-
Finance costs	2,471	2,797
Interest income	(2)	(22)
Total adjustments	2,978	5,549
Operating (loss)/profit before working capital changes	(3,113)	1,140
Increase in contract assets	(4,171)	(53,669)
Decrease/(increase) in inventories	255	(154)
(Increase)/decrease in trade and other receivables	(25,377)	11,751
Decrease in prepayments	26,457	780
Increase in contract liabilities	11,298	57,178
Increase/(decrease) in trade and other payables	5,921	(828)
Decrease in other liabilities	(4,620)	(14,354)
Total changes in working capital	9,763	704
Cash from operations	6,650	1,844
Interest paid	(2,471)	(2,797)
Interest income received	2	22
Net cash from/(used in) operating activities	4,181	(931)
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(822)
Net cash used in investing activities	-	(822)
Cash flows from financing activities		
Repayments of bills payable - net	-	(10)
Proceeds from loans and borrowings	5,000	12,000
Repayments of borrowings	(5,000)	(7,000)
Repayments of third party loans	(10,249)	-
Decrease in bank deposits pledged	-	840
Net cash (used in)/from financing activities	(10,249)	5,830
Net (decrease)/increase in cash and cash equivalents	(6,068)	4,077
Cash and cash equivalents at beginning of period	10,516	17,398
Cash and cash equivalents at end of period (Note A)	4,448	21,475

- 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	
	30.6.19	30.6.18
	RMB'000	RMB'000
Note A: Cash and cash equivalents		
Cash and bank balances	5,638	22,285
Less: bank deposits pledged	(1,190)	(810)
Cash and cash equivalents	<u>4,448</u>	<u>21,475</u>

As at 30 June 2019, the Group's bank deposits pledged comprised solely bills payable of RMB1.2 million (30 June 2018: Nil). 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.**

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 2019	224,747	31,748	(454)	(191,302)	(170)	64,569	4	64,573
Loss for the period	-	-	-	(6,090)	-	(6,090)	(1)	(6,091)
Other comprehensive loss	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(6,090)	-	(6,090)	(1)	(6,091)
At 30 June 2019	224,747	31,748	(454)	(197,392)	(170)	58,479	3	58,482

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	-	-	-	(4,408)	-	(4,408)	(1)	(4,409)
Other comprehensive loss	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(4,408)	-	(4,408)	(1)	(4,409)
At 30 June 2018	224,747	31,748	(454)	(184,094)	(170)	71,777	(1)	71,776

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

The Company

	Share capital RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	224,747	(223,925)	822
Loss for the period	-	(1,569)	(1,569)
Other comprehensive loss	-	-	-
Total comprehensive loss for the period	-	(1,569)	(1,569)
At 30 June 2019	<u>224,747</u>	<u>(225,494)</u>	<u>(747)</u>

	Share capital RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2018	224,747	(165,296)	59,451
Loss for the period	-	(1,480)	(1,480)
Other comprehensive loss	-	-	-
Total comprehensive loss for the period	-	(1,480)	(1,480)
At 30 June 2018	<u>224,747</u>	<u>(166,776)</u>	<u>57,971</u>

- 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 2018 and 30 June 2019.

- 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 June 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**

	30 Jun 2019	31 Dec 2018
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 June 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 30 June 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.**

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 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 new Singapore Financial Reporting Standards (International) (SFRS(I)) for the financial period beginning 1 January 2019 as follow:

- **SFRS(I) 16 Leases**

SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. The Group has applied the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

As part of the cost cutting initiatives, the Group has terminated one of the leases of its sales offices, and the remaining lease was shortened to one year during the financial period. Hence, in applying the exemption for short-term leases, the adoption of SFRS(I) 16 has no financial impact on the Group.

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 six-month ended 30 June 2019 (HY2018: 617,209,000 ordinary shares).

	Group	
	Jan to Jun 2019	Jan to Jun 2018
Loss after tax attributable to owners of the Company (RMB'000)	(6,090)	(4,408)
Basic loss per share (RMB cents per share)	(0.99)	(0.71)

*There were no potential dilutive options 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 June 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Net asset value (RMB'000)	58,479	64,569	(747)	822
Net asset value per share (RMB cents per share)	9.47	10.46	(0.12)	0.13

Net asset value for the Group and Company as at 30 June 2019 and 31 December 2018 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:-
- 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
 - 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

	2Q2019		2Q2018		HY2019		HY2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Industrial wastegas treatment								
Dust elimination	820	9.7	14,984	89.2	1,919	17.1	26,875	93.0
Industrial wastewater	7,675	90.3	1,824	10.8	9,287	82.9	1,824	6.3
Design, technical and others	-	-	-	-	-	-	215	0.7
Total	8,495	100.0	16,808	100.0	11,206	100.0	28,914	100.0

Revenue

Total revenue decreased by RMB17.7 million or 61.2%, from RMB28.9 million in HY2018 to RMB11.2 million in HY2019 due largely to the decrease in revenue from the dust elimination segment and the absence of revenue from the design, technical and others segment of RMB25.0 million RMB0.2 million respectively in HY2019. The decrease in revenue of RMB25.2 million was partly offset by the increase in revenue from the industrial wastewater segment of RMB7.5 million in HY2019. The work activities in 2Q2019 only added an amount of RMB8.5 million to the Group's revenue and contract assets as opposed to RMB16.8 million in the same corresponding period of last year.

In light of the economic slowdown in the PRC economy, the Group was unable to secure new dust elimination contract in 2Q2019. The contribution to this business segment came primarily from the small amount of spillover work activities from previous year's uncompleted contracts of RMB0.2 million since majority of these contracts were already at the tail end of completions, and slower execution of the sole new contract from its existing order book which commenced only in May 2019, resulted in RMB0.6 million of revenue recognized in 2Q2019. Notwithstanding the slower execution, the new contract with a contract sum of RMB10.3 million is expected to be substantially completed by year's end. Hence, with the resulting decrease in the segment's revenue of RMB14.2 million in 2Q2019, HY2019's revenue slid further by RMB25.0 million to RMB1.9 million.

As for the industrial wastewater segment, the performance of a new contract from its existing order book of RMB6.6 million in 2Q2019 has lifted the segment's revenue by RMB5.9 million and RMB7.5 million to RMB7.7 million and RMB9.3 million in 2Q2019 and HY2019 respectively. The increase in revenue could have been higher if not for the delays to the performance of the two new contracts from its existing order book to 3Q2019 as both project sites were not ready in 2Q2019. Their contract sums amounted to RMB64.1 million in aggregate and approximately 40% to 50% of work completion is expected by year's end for one of the key government-related contracts.

Gross profit and gross profit margin

In line with the lower revenue generated in 2Q2019, gross profit also decreased by RMB3.0 million or 62.5%, from RMB4.9 million in 2Q2018 to RMB1.9 million in 2Q2019. This caused a further dent to the gross profit by RMB6.0 million to RMB2.4 million in HY2019.

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)

The gross profit margin decreased by 7.6%, from 29.4% in 2Q2018 to 21.8% in 2Q2019 because the Group's gross profit margin continued to be weighed down by further engineering and installation works on two smaller dust elimination contracts undertaken for equipment supply and retrofitting works in 2Q2019. The Group took on these smaller jobs, with lower than the Group's average gross profit margin, in anticipation of future collaboration with these customers on potential larger scale contracts. The lower gross profit margin was partly offset by higher gross profit margin from a larger scale industrial wastewater contract of 21.7% in 2Q2019 against 12.4% in the same period of last year. As a result, the overall gross profit margin of the Group decreased by 7.5%, from 28.9% in HY2018 to 21.4% in HY2019.

Financial income

The decrease in financial income of RMB20,000 or 90.9%, from RMB22,000 in HY2018 to only RMB2,000 in HY2019 was due to lower cash and cash equivalents in HY2019.

Other income

Other income increased by RMB69,000, from RMB36,000 in HY2018 to RMB105,000 in HY2019 due to write-back of allowance for impairment of trade receivables of RMB0.1 million, partly offset by the absence of an one-off unclaimed cash distribution received from CDP of RMB35,000 in HY2019.

Other items of expense

Selling and distribution expenses decreased marginally RMB73,000 or 7.7%, from RMB942,000 in HY2018 to RMB869,000 million in HY2019, which was in line with the decrease in business activities during the financial period,

Administrative expenses decreased by 30.9% or RMB2.3 million, from RMB7.4 million in HY2018 to RMB5.1 million in HY2019, which was also in line with the decrease in business activities.

Lower finance costs were incurred of RMB0.3 million due to lower loan quantum obtained of RMB54.9 million (HY2018: RMB65.0 million), partly offset by the higher weighted interest rate charged of 9.0% in HY2019 (HY2018: 5.87%).

Other expenses decreased by RMB1.6 million, from RMB1.7 million in HY2018 to RMB0.1 million due to lower bad debts written off and allowance for impairment of trade receivables.

Income tax expense

There was no income tax expense in HY2018 and HY2019 as the holding company and its subsidiaries were in loss making positions.

Loss after taxation

In view of the above, loss after taxation increased by RMB1.7 million or 6.9%, from RMB4.4 million in HY2018 to RMB6.1 million in HY2019.

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

Our non-current assets amounted to RMB10.4 million and comprised property, plant and equipment ("PPE") of RMB9.0 million and intangible assets of RMB1.4 million as at 30 June 2019. The decrease in PPE of RMB0.4 million was attributed mainly to depreciation of RMB0.4 million during the financial period.

Intangible assets decreased by RMB0.1 million, from RMB1.5 million as at 31 December 2018 to RMB1.4 million as at 30 June 2019 as a result of amortization of RMB0.1 million during the financial period. 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 65 months (31 December 2018: 71 months) as at 30 June 2019.

Current assets comprised contract assets, inventories, trade and other receivables, prepayments, bank deposits pledged and cash and cash equivalents. Current assets amounted to RMB197.3 million and RMB200.5 million as at 30 June 2019 and 31 December 2018 respectively. Our current assets accounted for 95.0% and 94.8% of our total assets as at 30 June 2019 and 31 December 2018 respectively.

Contract assets amounted to RMB46.0 million and RMB41.8 million as at 30 June 2019 and 31 December 2018 respectively, constituting 23.3% and 20.9% of our current assets as at the respective dates. The increase of RMB4.2 million relates to the performance of work of RMB11.2 million in HY2019 which have yet to achieve certain billing milestones, partly offset by the progress billings of RMB7.0 million during the financial period. Approximately RMB20.7 million of contract assets are completed contracts in the midst of final settlements with the customers, and there was another RMB6.7 million of outstanding to be collected from two state-owned enterprises relating to the oil and gas and steel manufacturing industries. The Group has initiated legal action recently against the oil and gas customer to recover RMB1.8 million of outstanding debt, while the steel maker has agreed to make payments on the outstanding debt of RMB4.9 million in the second half of the year after several visits made by the Group's deputy general manager.

Inventories amounted to RMB1.0 million and RMB1.3 million as at 30 June 2019 and 31 December 2018. The Group normally does not maintain substantial inventories due to relatively short purchasing lead time required. The decrease of RMB0.3 million was due to the utilization of raw materials for the on-going projects.

Trade and other receivables comprised trade receivables, retention monies and other receivables amounted to RMB74.3 million and RMB48.9 million as at 30 June 2019 and 31 December 2018 respectively, and accounted for approximately 37.7% and 24.4% of our current assets as at the respective balance sheet dates. Trade receivables and retention monies amounted to RMB2.9 million as at 30 June 2019, representing a decrease of RMB7.6 million largely due to collections during the period.

Other receivables comprised advances to employees for business purposes, bidding deposits and tax recoverable. Other receivables amounted to RMB71.4 million and RMB38.4 million as at 30 June 2019 and 31 December 2018 respectively. The increase of RMB33.0 million was mainly attributed to the placement of bidding deposits placed for the tender of industrial wastegas and wastewater contracts in 2019.

Prepayments comprised prepaid operating expenses, advances to trade and non-trade suppliers amounted to RMB70.3 million and RMB96.8 million as at 30 June 2019 and 31 December 2018 respectively. The decrease of RMB26.5 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.

Bank deposits pledged to secure the bills payable facility remained relatively unchanged at RMB1.2 million as at 30 June 2019 and 31 December 2018 for purpose of securing the bills payable facility.

Cash and cash equivalents amounted to RMB4.5 million and RMB10.5 million as at 30 June 2019 and 31 December 2018 respectively, and accounted for approximately 2.3% and 5.2% of current assets as at the respective balance sheet dates.

Net cash generated from operating activities was RMB4.1 million due mainly to several refunds obtained from certain supplier, partly offset by the higher working capital requirements.

Net cash used in financing activities was RMB10.2 million. This was attributed to repayments of third-party loans and bank borrowings of RMB10.2 million and RMB5.0 million respectively, partly offset by proceeds from bank borrowings of RMB5.0 million during the financial period.

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

Current liabilities comprised mainly contract liabilities, trade and other payables, loans and borrowings, other liabilities and income tax payable. Our current liabilities amounted to RMB149.2 million and RMB146.9 million as at 30 June 2019 and 31 December 2018 respectively, and accounted for 100.0% each of our total liabilities as at the respective balance sheet dates.

Contract liabilities increased by RMB11.2 million, from RMB6.1 million as at 31 December 2018 to RMB17.3 million as at 30 June 2019. These amounts were pending the completions of the on-going contracts in HY2019 before they can offset against the contract assets.

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

Trade payables amounted to RMB49.7 million, representing a decrease of RMB0.5 million over 31 December 2018 which was in line with the decrease in business activities.

Other payables comprised primarily VAT, other operating tax payables and other operating expenses. Other payables amounted to RMB11.3 million and RMB4.8 million as at 30 June 2019 and 31 December 2018 respectively. The increase of RMB6.5 million was due mainly to additional unsecured, interest free advances from a Director of RMB5.5 million for purpose of contracts tenders and higher unpaid expenses of holding company amounting to RMB0.8 million.

Bills payable remained relatively flat at RMB1.2 million as at 31 December 2018 and 30 June 2019.

Loans and borrowings decreased from RMB65.1 million as at 31 December 2018 to RMB54.9 million as at 30 June 2019 due to repayments of third parties' borrowings of RMB10.2 million.

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 30 June 2019 and 31 December 2018 respectively.

Accrued purchases, payroll and related expenses, operating expenses and welfare expenses amounted to RMB11.0 million and RMB13.2 million as at 30 June 2019 and 31 December 2018 respectively. The decrease of RMB2.2 million was in line with the decrease in business activities.

Advances from customers were RMB3.8 million and RMB6.3 million as at 30 June 2019 and 31 December 2018 respectively. The decrease of RMB2.5 million was due to the transfer to contract liabilities as a result of commencement of contract coupled by no signing of new industrial wastegas and wastewater contract during the financial period.

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 and non-controlling interest amounted to RMB6.1 million and RMB1,000 in the current period respectively. Consequently, total equity decreased to RMB58.5 million as at 30 June 2019, of which the amount was mainly attributable to equity holders of the Company.

The non-controlling interests of RMB3,000 relate to the minority shareholder's equity interest of 0.1% 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.

The delays and slower executions of the new industrial wastegas and wastewater contracts may continue to weigh on the Group's operating results in the second half of the year. Hence, the key focus of Management is to ensure that these new contracts are substantially completed before the harsh winter period sets in. Notwithstanding these challenges, Management remains optimistic on the business prospects and is looking ahead to tender for larger scale industrial wastegas and wastewater contracts in the next 12 months. Recently, the Group has identified a potential large-scale industrial wastewater-related contract of more than RMB150.0 million, and has placed a deposit of RMB25.0 million for the tender. The result of the tender will only be made known in second half of the financial year.

The Group has faced challenges in improving its cash flow position as it still operates on a tight working capital. The cash resources derived from collections and refunds from customers and supplier respectively have been mostly expended on raw materials and deposits for the tenders. Therefore, for the Group to be able to meet its financial commitments and obligations in the foreseeable future, timely collections from its contract assets and trade receivables are crucial in the upcoming quarters. Going forward, Management will not make significant changes to its business strategy but will embark on a cautious and disciplined approach on its execution and business spending, with the belief that such approach will enable the Group to turn around in the next half of the year.

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/recommended, a statement to that effect.

No dividend for the six months ended 30 June 2019 is declared or recommended. 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.

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

14 August 2019

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 second quarter and the six months' financial results for the period ended 30 June 2019 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

14 August 2019

Goh Kay Seng Edwin
Independent Non-Executive Director