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 2018

Unaudited Financial Statement and Dividend Announcement for the Financial Year Ended 31 December 2018 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 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 profit and loss and other comprehensive income

	Group 3 Months Ended			Group 12 Months Ended		
	31.12.18 ("4Q2018") RMB'000	31.12.17 ("4Q2017") RMB'000	Change %	31.12.18 ("FY2018") RMB'000	31.12.17 ("FY2017") RMB'000	Change %
Revenue	16,569	48,090	(65.5)	53,818	119,838	(55.1)
Cost of sales	(12,624)	(36,254)	(65.2)	(39,675)	(96,285)	(58.8)
Gross profit	**3,945**	**11,836**	(66.7)	**14,143**	**23,553**	(40.0)
Financial income	5	(29)	(117.2)	31	127	(75.6)
Other income	302	8,163	(96.3)	757	10,310	(92.7)
Selling and distribution expenses	(991)	(729)	35.9	(2,522)	(2,311)	9.1
Administrative expenses	(4,236)	(3,922)	8.0	(16,088)	(13,820)	16.4
Finance costs	(996)	(1,086)	(8.3)	(4,435)	(4,139)	7.2
Other expenses	34	(10)	(440.0)	(2,306)	(299)	671.2
(Loss)/profit before income tax	**(1,937)**	**14,223**	(113.6)	**(10,420)**	**13,421**	(177.6)
Taxation	(17)	(31)	(45.2)	119	(70)	(270.0)
(Loss)/profit after taxation	**(1,954)**	**14,192**	(113.8)	**(10,301)**	**13,351**	(177.2)
Other comprehensive (loss)/profit after tax	**-**	**-**	-	**-**	**-**	-
Total comprehensive (loss)/income for the period/year	**(1,954)**	**14,192**	(113.8)	**(10,301)**	**13,351**	(177.2)
(Loss)/profit attributable to:						
Owners of the Company	(1,954)	14,193	(113.8)	(10,297)	13,366	(177.0)
Non-controlling interest	-	(1)	(100.0)	(4)	(15)	(73.3)
	(1,954)	**14,192**		**(10,301)**	**13,351**	(177.2)
Total comprehesive (loss)/profit attributable to:						
Owners of the Company	(1,954)	14,193	(113.8)	(10,297)	13,366	(177.0)
Non-controlling interest	-	(1)	(100.0)	(4)	(15)	(73.3)
	(1,954)	**14,192**	(113.8)	**(10,301)**	**13,351**	(177.2)

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 3 Months Ended			Group 12 Months Ended		
	31.12.18 RMB'000	31.12.17 RMB'000	Change %	31.12.18 RMB'000	31.12.17 RMB'000	Change %
Depreciation of property, plant and equipment	222	202	9.9	878	830	5.8
Loss/(gain) on disposal of property, plant and equipment	8	-	100.0	8	(59)	(113.6)
Fixed asset written off	-	-	100.0	1	38	(100.0)
Amortization of intangible assets	252	344	(26.7)	1,282	1,404	(8.7)
Write-back of allowance for impairment of trade receivables	(297)	(6,649)	(95.5)	(297)	(8,663)	(96.6)
Write-back of impairment of trade receivables	(420)	-	100.0	(420)	-	100.0
Impairment of trade receivables	861	-	100.0	861	-	100.0
Impairment of retention monies	1,300	-	100.0	1,300	-	100.0
Bad debts recovered	-	(95)	(100.0)	-	(105)	(100.0)
Operating lease expenses	248	168	47.6	767	772	(0.6)
Finance costs	996	1,086	(8.3)	4,435	4,139	7.2
Interest income	(5)	29	(117.2)	(31)	(127)	(75.6)
Inventories recognised as an expense in cost of goods sold	4,316	20,044	(78.5)	23,667	61,141	(61.3)
Employee compensations	2,577	2,355	9.4	9,988	8,691	14.9
Exchange loss/(gain)	19	-	100.0	56	(61)	(191.8)

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
	31.12.18	31.12.17	31.12.18	31.12.17
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	9,400	9,365	-	-
Intangible assets	1,543	2,825	-	-
Investment in subsidiaries	-	-	12,000	63,000
	10,943	**12,190**	**12,000**	**63,000**
Current assets				
Contract assets	41,842	59,165	-	-
Inventories	1,281	1,281	-	-
Trade and other receivables	48,901	48,096	-	14
Prepayments	96,795	95,134	15	-
Bank deposits pledged	1,190	1,650	-	-
Cash and cash equivalents	10,516	17,398	56	19
	200,525	**222,724**	**71**	**33**
Total assets	**211,468**	**234,914**	**12,071**	**63,033**
Equity and liabilities				
Capital and reserves				
Share capital	224,747	224,747	224,747	224,747
Reserves	(160,178)	(148,562)	(219,925)	(165,296)
	64,569	**76,185**	**4,822**	**59,451**
Non-controlling interests	4	-	-	-
Total equity	**64,573**	**76,185**	**4,822**	**59,451**
Current liabilities				
Contract liabilities	6,073	11,087	-	-
Trade and other payables	56,250	54,141	4,244	1,272
Loans and borrowings	65,109	60,000	-	-
Other liabilities	19,463	33,354	3,005	2,310
Income tax payable	-	147	-	-
	146,895	**158,729**	**7,249**	**3,582**
Total equity and liabilities	**211,468**	**234,914**	**12,071**	**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 31.12.2018 RMB'000	As at 31.12.2017 RMB'000
Amount repayable in one year or less, or on demand		
Bank and non-bank borrowings		
- secured	54,860	60,000
- unsecured	10,249	-
	65,109	60,000
Amount repayable after one year		
- secured	-	-
- unsecured	-	-
	-	-

<u>Details of any collateral</u>

As at 31 December 2018, short term bank borrowings drawn down amounted to RMB54.9 million (31 December 2017: RMB60.0 million). The short term working capital loans 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 RMB6.1 million as at 31 December 2018.

In addition, the Group also obtained unsecured loans of RMB6.5 million and RMB3.7 million, comprising interest free loan and interest charge of 10.0% per annum respectively from certain third parties. These loans are repayable on demand and to be settled in cash. Subsequent to year end, the unsecured loans of RMB10.2 million in aggregate are fully repaid.

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**	
	12 months Ended	
	31.12.18	**31.12.17**
	RMB'000	**RMB'000**
	(Unaudited)	**(Audited)**
Cash Flows from Operating Activities		
(Loss)/profit before taxation	(10,420)	13,421
Adjustments for:		
Fixed asset written off	1	38
Depreciation of property, plant and equipment	878	830
Loss/(gain) on disposals of property, plant and equipment	8	(59)
Amortization of intangible assets and club membership	1,282	1,404
Write-back of allowance for impairment of trade receivables	(297)	(1,345)
Impairment of trade receivables	291	-
Impairment of retention monies	1,300	-
Gain on disposal of subsidiary (Note B)	-	(1,401)
Finance costs	4,435	4,139
Interest income	(31)	(127)
Loss on disposal of club membership	-	197
Total adjustments	7,867	3,676
Operating (loss)/profit before working capital changes	(2,553)	17,097
Changes in working capital		
Decrease/(increase) in contract assets	17,323	(40,992)
Decrease in inventories	-	26
Increase in trade and other receivables	(3,410)	(25,051)
(Increase)/decrease in prepayments	(1,661)	1,888
(Decrease)/increase in contract liabilities	(5,014)	11,087
Increase in trade and other payables	1,739	28,560
(Decrease)/increase in other liabilities	(13,891)	9,524
Total changes in working capital	(4,914)	(14,958)
Cash (used in)/generated from operations	(7,467)	2,139
Interest paid	(4,435)	(4,139)
Interest income received	31	127
Income tax paid	(28)	(70)
Net cash used in operating activities	(11,899)	(1,943)
Cash flows from investing activities		
Purchase of property, plant and equipment	(937)	(58)
Construction in progress on solar photovoltaic plant	-	(901)
Proceeds from disposals of property, plant and equipment	15	238
Proceed from disposal of club membership	-	450
Disposal of subsidiary **(Note B)**	-	3,660
Net cash flows (used in)/generated from investing activities	(922)	3,389
Cash flows from financing activities		
Proceeds/(repayments of) from bills payable - net	370	(4,732)
Proceeds from third party loans	26,619	-
Repayments of third party loans	(16,370)	-
Proceeds from bank borrowings	75,860	88,000
Repayments of bank borrowings	(81,000)	(98,000)
Decrease in bank deposits pledged	460	4,731
Net cash flows generated from/(used in) financing activities	5,939	(10,001)
Net decrease in cash and cash equivalents	(6,882)	(8,555)
Exchange differences on translation of cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	17,398	25,953
Cash and cash equivalents at the end of the year (Note A)	**10,516**	**17,398**

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	
	31.12.18	**31.12.17**
Note A: Cash and cash equivalents	**RMB'000**	**RMB'000**
Fixed deposit	10,000	-
Cash at bank and on hand	1,706	19,048
Less: bank deposits pledged	(1,190)	(1,650)
Cash and cash equivalents	10,516	17,398

As at 31 December 2018, the Group's bank deposits pledged comprised solely bills payable of RMB1.2 million. Whereas, as at 31 December 2017, bank deposits pledged consisted of bills payable and performance guarantee for certain contract of RMB0.8 million each. The bills payable have a maturity period of 180 days and are non-interest bearing.

Note B: Disposal of subsidiary

There was no disposal of subsidiary during the financial year. In FY2017, the book values of net assets disposed were as follows:

	31.12.17
	RMB'000
Fixed asset - construction in progress	2,052
Other receivables	5,207
Prepayments	60
Other payables	(5,060)
Net assets disposed of	2,259
Net profit on disposal	1,401
Sales proceeds	3,660
Less: cash and bank balances disposed	-
Cash flow on disposal	3,660

The Group completed the divestment of the wholly owned subsidiary, Dunhuang Anjie New Energy Co., Ltd on 4Q2017.

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 interests RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at 31 December 2017								
As previously reported	224,747	31,748	(454)	(179,686)	(170)	76,185	-	76,185
Adoption of SFRS(I) 9	-	-	-	(1,319)	-	(1,319)	-	(1,319)
As restated as at 1 January 2018	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)
Issuance of new ordinary shares in subsidiary	-	-	-	-	-	-	8	8
Balance at 31 December 2018	224,747	31,748	(454)	(191,302)	(170)	64,569	4	64,573

	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
Balance at 1 January 2017	224,747	31,748	(454)	(193,052)	-	62,989	31	63,020
Profit for the year	-	-	-	13,366	-	13,366	(15)	13,351
Other comprehensive profit for the year	-	-	-	-	-	-	-	-
Total comprehensive profit for the year	-	-	-	13,366	-	13,366	(15)	13,351
Change in interest in a subsidiary	-	-	-	-	(170)	(170)	(16)	(186)
Balance at 31 December 2017	224,747	31,748	(454)	(179,686)	(170)	76,185	-	76,185

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 2018	224,747	(165,296)	59,451
Loss for the year	-	(54,629)	(54,629)
Other comprehensive loss for the year	-	-	-
Total comprehensive loss for the year	-	(54,629)	(54,629)
Balance at 31 December 2018	224,747	(219,925)	4,822

	Share capital RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2017	224,747	(162,171)	62,576
Loss for the year	-	(3,125)	(3,125)
Other comprehensive loss for the year	-	-	-
Total comprehensive loss for the year	-	(3,125)	(3,125)
Balance at 31 December 2017	224,747	(165,296)	59,451

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 31 December 2017.

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 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

	Company	
	31.12.2018	**31.12.2017**
Total number of shares issued at end of year	617,209,000	617,209,000

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

Except for the comparative balance sheets of the Group and of the Company as at 31 December 2017 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 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 fourth quarter and full year ended 31 December 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 trade receivables, either on a 12-month or lifetime basis. The impairment calculated using the expected credit loss model resulted in additional impairments of RMB1.3 million which is adjusted against accumulated losses as at 1 January 2018.

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 Group's financial statements.

The Group has also changed the presentation of certain amounts in the Group balance sheet to reflect the terminology used in SFRS (I) 15, as follows:

i) Amounts due from customers on construction contracts and construction contracts work-in-progress, have been reclassified to be presented as part of contract assets.

ii) Amounts due to customers on construction contracts have been reclassified to be presented as contract liabilities.

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)/earnings per share is based on the Group's net (loss)/profit attributable to owners of the Company for the respective periods divided by the weighted average of 617,209,000 ordinary shares for the year ended 31 December 2018 (2017: 617,209,000 ordinary shares).

	2018	**2017**
(Loss)/profit after tax attributable to owners of the Company (RMB'000)	(10,297)	13,366
Basic (loss)/earnings per share (RMB cents per share)	(1.67)	2.17

There are no potential dilutive options or instruments for both financial years.

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**	
	31.12.18	**31.12.17**	**31.12.18**	**31.12.17**
Net asset value (RMB'000)	64,569	76,185	4,822	59,451
Net asset value per ordinary share (RMB cents per share)	10.46	12.34	0.78	9.63

Net asset value of the Group and Company as at 31 December 2018 and 31 December 2017 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

	4Q2018		4Q2017		FY2018		FY2017
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000
Industrial wastegas treatment							
- Dust elimination	9,811	59.2	46,344	96.4	39,095	72.6	53,614
- Desulphurization	-	-	1,466	3.0	-	-	64,321
Sub-total	9,811	59.2	47,810	99.4	39,095	72.6	117,935
Industrial wastewater	6,758	40.8	280	0.6	14,508	27.0	1,903
Design, technical services and others	-	-	-	-	215	0.4	-
	16,569	100.0	48,090	100.0	53,818	100.0	119,838

Revenue

Total revenue decreased by RMB66.0 million or 55.1% in FY2018, dragged down by further decline in revenue of RMB31.5 million in 4Q2018. The Group recorded RMB16.6 million in revenue for 4Q2018, compared to RMB48.1 million in 4Q2017. There were no in-progress uncompleted desulphurization contracts carried are from FY2017 into FY2018. The contracted projects were completed in FY2017 and the tender of new contracts 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 additional RMB21.9 million of contracts in 4Q2018, comprising dust elimination and industrial wastewater contracts.

The Group's revenue in 4Q2018 was partly derived from the spillover of uncompleted dust elimination contracts from FY2017, accounting for some RMB3.0 million in revenue as these contracts were already completed or near completions. The performance of five dust elimination contracts, secured mainly in FY2018, added another RMB6.8 million in revenue in the last quarter of FY2018. Furthermore, the Group also performed works in 4Q2018 on two industrial wastewater contracts entered into in FY2018, contributing a further RMB6.5 million in revenue for the current quarter.

Gross profit and gross profit margin

Gross profit decreased by 66.7% or RMB7.9 million, from RMB11.8 million in 4Q2017 to RMB3.9 million in 4Q2018. The decrease was mainly in line with the substantial decrease in work activities in dust elimination segment as it only contributed RMB2.9 million of gross profit in 4Q2018 as opposed to RMB12.4 million in 4Q2017. Consequently, the overall gross profit in FY2018 was dragged down to RMB14.1 million, a decrease of RMB9.5 million when compared against the same period of last year.

Our gross profit margin decreased marginally from 24.6% in 4Q2017 to 23.8% in 4Q2018. The higher gross margin derived from dust elimination contracts in the previous quarters lifted the overall gross profit margin from 19.7% in FY2017 to 26.2% in FY2018.

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)**

Financial income

The decrease in financial income of RMB0.1 million or 75.6%, from RMB127,000 in FY2017 to only RMB31,000 in FY2018, was in line with the lower bank deposits pledged and cash and cash equivalents in FY2018.

Other income

Other income decreased by RMB9.5 million, from RMB10.3 million in FY2017 to RMB0.8 million in FY2018 due mainly to absence of gain on disposal of subsidiary of RMB1.4 million and lower written back of allowance for impairment of trade receivables amounting to RMB8.5 million in FY2018, partly offset by bad debts recovered from certain customer of RMB0.4 million during the financial year.

Operating Expenses

In FY2018, selling and distribution expenses increased by RMB0.2 million or 9.1%, from RMB2.3 million in FY2017 to RMB2.5 million in FY2018 due to higher payroll and related costs of RMB0.2 million due to headcount additions, tender related expenses and travelling and entertainment expenses of RMB0.4 million in aggregate as a result of increased participations in tendering of contracts and lease of new office in 4Q2018 of RMB0.1 million. The increase of RMB0.7 million in aggregate was partly offset by lower miscellaneous expenses of RMB0.4 million, in line with the decrease in revenue and 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.

Administrative expenses increased by RMB2.3 million or 16.4%, from RMB13.8 million in FY2017 to RMB16.1 million in FY2018 attributed to higher payroll and related costs of RMB0.2 million due to headcount additions, compliance costs incurred of RMB0.4 million, travelling and entertainment and miscellaneous expenses of RMB1.1 million and RMB0.7 million respectively in FY2018 because of increased participations in biddings of contracts. The increase of RMB2.4 million was partly offset by the decrease in amortization of intangibles of RMB0.1 million as the deferred development costs capitalized were fully amortized in October 2018.

Finance costs increased by RMB0.3 million or 7.2%, from RMB4.1 million in FY2017 to RMB4.4 million in FY2018 mainly due to higher weighted average interest rate (FY2018: 5.87% vs FY2017: 5.65%) on bank loans, coupled by new loans renewed on a higher weighted average interest rate of 9.0% in 4Q2018, despite the lower loan quantum drawn down of RMB60.0 million (FY2017: RMB65.0 million).

Other expenses for FY2018 increased by RMB2.0 million or 671.2% attributed mainly to the allowance for impairment of trade receivables of RMB1.6 million as retention monies of RMB1.3 million were deemed to be no longer recoverable. There was no such allowance in FY2017**.** In addition, there was also 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 FY2018.

Income tax expense

Income tax expense decreased by RMB0.2 million or 270.0% in FY2018 due mainly 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 RMB23.7 million or 177.2%, from profit after taxation of RMB13.4 million in FY2017 to loss after taxation of RMB10.3 million in FY2018.

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 2018, the Company made further allowance for impairment of approximately RMB51.0 million (RMB2017: nil) 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 exceeded its recoverable amount.

The Group

Non-current assets amounted to RMB11.4 million and comprised property, plant and equipment ("PPE") of RMB9.4 million, intangible assets of RMB1.5 million as at 31 December 2018. The amount of PPE was relatively flat at RMB9.4 million as at 31 December 2017 and 31 December 2018 because the fixed asset additions of RMB0.9 million was negated by depreciation of RMB0.9 million in FY2018.

Intangible assets amounted to RMB1.5 million and comprised solely patents as the deferred development costs were fully amortized in FY2018. The decrease in intangible assets of RMB1.3 million was attributed mainly to amortization in FY2018. The patent in relation to an internally developed new dust elimination technology with pulsating rotary positioning mechanism has a remaining tenure of 71 months (31 December 2017: 83 months) as at 31 December 2018.

Our current assets comprised contract assets, inventories, trade and other receivables, prepayments, bank deposits pledged and cash and cash equivalents. Current assets amounted to RMB200.5 million and RMB222.7 million as at end of 31 December 2018 and 31 December 2017 respectively. Our current assets accounted for 94.8% of our total assets as at 31 December 2018 and 31 December 2017 respectively.

Contract assets relates to unbilled trade receivables and amounted to RMB41.8 million and RMB59.2 million as at 31 December 2018 and 31 December 2017 respectively, constituting 20.9% and 26.7% of our current assets as at the respective dates. The decrease of RMB17.4 million was mainly in line with the decrease in revenue.

Inventories were relatively unchanged at RMB1.3 million as at 31 December 2018 and 31 December 2017 as the procurement of industrial wastewater systems in previous quarter was transferred to the project in 4Q2018. The Group normally does not maintain substantial inventories due to relatively short purchasing lead time required.

Trade and other receivables comprised trade receivables, retention monies and other receivables amounted to RMB48.9 million and RMB48.1 million as at 31 December 2018 and 31 December 2017 respectively, and accounted for approximately 24.4% and 21.6% of our current assets as at the respective balance sheet dates. Trade receivables and retention monies amounted to RMB10.5 million as at 31 December 2018, representing a decrease of RMB7.6 million, in line with the decrease in revenue and higher allowance for impairment.

Other receivables comprised advances to employees for business purposes, bidding deposits and tax recoverable. Other receivables amounted to RMB38.4 million and RMB30.0 million as at 31 December 2018 and 31 December 2017 respectively. The increase in other receivables of RMB8.4 million was attributed mainly to increase in tender and security deposits of RMB12.8 million. The increase was partly offset by lower VAT receivables and business advances of RMB1.4 million and RMB3.0 million respectively, in line with the decrease in business activities.

Prepayments comprised prepaid operating expenses and advances to trade and non-trade suppliers of RMB96.8 million and RMB95.1 million as at 31 December 2018 and 31 December 2017 respectively. The increase of RMB1.7 million was attributed to higher advances of RMB17.9 million for raw materials, partly offset by the refund received from certain supplier of RMB15.0 million as a result of termination of a contract and lower advances to non-trade suppliers of RMB1.2 million. These advances will be offset against trade payables when certain performance milestones have been achieved.

Bank deposits pledged decreased by RMB0.4 million, from RMB1.6 million as at 31 December 2017 to RMB1.2 million as at 31 December 2018. The decrease was attributed to the released of performance guarantee amounting to RMB0.8 million for certain contract as the performance obligation had been satisfied, partly offset by the increase in bank deposit placed for additional bill payable facilities of RMB0.4 million.

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)

Net cash and cash equivalents decreased from RMB17.4 million as at 31 December 2017 to RMB10.5 million as at 31 December 2018 as net cash used in operating activities was RMB11.9 million compared to RMB1.9 million in the prior year. This was due mainly to the increase in working capital to fund the tendering of contracts during the financial year.

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 RMB5.9 million. This was attributable to proceeds from third party loans of RMB26.6 million, bank loans of RMB75.8 million, decrease in bank deposits pledged of RMB0.5 million and bills payable of RMB0.4 million, partly offset by repayments of third party loans and bank borrowings of RMB16.4 million and RMB81.0 million respectively..

Our 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 RMB146.9 million and RMB158.7 million as at 31 December 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 decreased by RMB5.0 million, from RMB11.1 million as at 31 December 2017 to RMB6.1 million as at 31 December 2018. The decrease was in line with the decrease in revenue.

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

Trade payables amounted to RMB50.2 million, representing an increase of RMB3.8 million over 31 December 2017. The increase was attributed to delays in payments.

Other payables comprised primarily VAT, other operating tax payables and other operating expenses. Other payables amounted to RMB4.8 million and RMB7.0 million as at 31 December 2018 and 31 December 2017 respectively. The decrease of RMB2.2 million was mainly in line with the decrease in business activities.

Bills payable increased by RMB0.4 million, from RMB0.8 million as at 31 December 2017 to RMB1.2 million as at 31 December 2018 due to the increase in utilization of bills payable facilities in FY2018.

Loans and borrowings increased by RMB5.1 million, from RMB60.0 million as at 31 December 2017 to RMB65.1 million as at 31 December 2018. The increase was attributed to loans obtained from third parties of RMB10.2 million for purpose of tendering of contracts, partly offset by the lower loan quantum obtained from the bank of RMB5.1 million.

Other liabilities comprised accrued purchases, VAT, salaries and travelling expenses, other operating expenses, advances from customers and welfare expenses. Other liabilities amounted to RMB19.5 million and RMB33.4million as at 31 December 2018 and 31 December 2017 respectively.

Accrued purchases, payroll and related expenses, operating expenses and welfare expenses amounted to RMB13.2 million and RMB19.6 million as at 31 December 2018 and 31 December 2017 respectively. The decrease of RMB6.4 million was in line with the decrease in business activities.

Advances from customers were RMB6.3 million and RMB13.8 million as at 31 December 2018 and 31 December 2017 respectively. The advances received from customers were partly transferred to contract liabilities because the Group has already commenced contract works relating to these advances during the financial year, which explained why the advances from customers decreased by RMB7.5 million in FY2018.

Income tax payable was nil as at 31 December 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 FY2018 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 and was restated to RMB74.9 million due to the adoption of SFRS(I) 9. Loss attributable to owners of the Company amounted to RMB10.3 million in the current year. Consequently, total equity decreased to RMB64.6 million as at 31 December 2018, 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.

Given the slow down and uncertainty in the PRC economy, the business environment has become more challenging. Furthermore, the Group's borrowing costs are expected to increase significantly and impact the Group's bottom line. Our renewal of loans in December 2018 has seen an increase in the weighted average borrowing interest rate to 9.0%. Faced with such headwinds, the Group needs to be judicious in its spending and resource management.

On the brighter note, our Group has an order book of approximately of RMB89.4 million going into FY2019, the bulk of these contracts were deferred from FY2018 to commence work in FY2019. Notwithstanding the challenging economic conditions, Management is still hopeful that increased stimulus measures as implemented by the PRC government will help to revive the slowing Chinese economy. Hence, it intends to proceed with its plan to target larger scale industrial wastegas and wastewater contracts. While it focusses on securing, executing and delivering its contracts, the key priority remains in strengthening the Group's overall cash flow position. With a stronger cash flow, the Group will be in a better position to partake in more contracts so as to nurse itself back to profitability in the foreseeable future.

11. Dividend

(a) Current Financial Period Reported On?

No. The Group needs to preserve its cash flows for working capital and operations. In addition, the Company is also prohibited by the Companies Act (Chapter 50) to pay dividend due to its substantial accumulated losses.

(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 2018 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.

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

Segmental information (RMB'000)	**Dust elimination**	**Desulphurisation**	**Industrial wastewater**	**Total**
2017				
Revenue				
Sales to external customers	53,614	64,321	1,903	119,838
Results				
Segment gross profit	17,385	5,167	1,001	23,553

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 2018, revenue from three (2017: three) major customers amounted to RMB14.7 million, RMB7.8 million and RMB7.3 million (2017: RMB60.7 million, RMB12.5 million and RMB12.0 million), arising from sales by the dust elimination and industrial wastewater segments. In FY2017, the sales derived from these major customers were mainly from desulphurization and dust elimination 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

	Group		
	2018	**2017**	**change**
	RMB'000	**RMB'000**	**%**
Sales reported for the first half year	28,914	27,644	4.6
Operating loss after tax before deducting non-controlling interests reported for first half year	(4,408)	(4,109)	7.3
Sales reported for the second half year	24,904	92,195	(73.0)
Operating (loss)/profit after tax before deducting non-controlling interests for second half year	(5,889)	17,475	(133.7)

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	50	Cousin of Lin Baiyin *	**(1) Procurement Manager – Leader Environmental Technologies Limited** Duties – Responsible for the procurement works, such as maintaining relationship with suppliers and ensure smooth coordination of projects with other departments. Position held since January 2006. **(2) Director of Jilin Anjie Environmental Engineering Co., Ltd.** Duties – same as above. Position held since November 2005.	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

1 March 2019