



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 2016

Unaudited Financial Statement and Dividend Announcement for the Financial Year Ended 31 December 2016 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 Comprehensive Income

	Group 3 Months Ended			Group 12 Months Ended		
	31.12.16 ("4Q2016") RMB'000 (Unaudited)	31.12.15 ("4Q2015") RMB'000 (Audited)	Change %	31.12.16 ("FY2016") RMB'000 (Unaudited)	31.12.15 ("FY2015") RMB'000 (Audited)	Change %
Revenue	14,154	19,770	(28.4)	43,790	51,187	(14.5)
Cost of sales	(11,335)	(16,663)	(32.0)	(36,434)	(35,526)	2.6
Gross profit	2,819	3,107	(9.3)	7,356	15,661	(53.0)
Financial income	11	530	(97.9)	93	1,696	(94.5)
Other income	539	28	1,825.0	10,873	176	6,077.8
Selling and distribution expenses	(257)	(375)	(31.5)	(1,347)	(1,754)	(23.2)
Administrative expenses	(1,669)	(4,930)	(66.1)	(13,311)	(17,726)	(24.9)
Finance costs	(1,172)	(1,803)	(35.0)	(4,105)	(7,540)	(45.6)
Other expenses	(41)	(16,341)	(99.7)	(104)	(266,820)	(100.0)
Share of results of associated company	-	-	-	-	(275)	(100.0)
Profit/(loss) before income tax	230	(19,784)	(101.2)	(545)	(276,582)	(99.8)
Taxation	499	(24)	(2,179.2)	2,821	3,985	(29.2)
Profit/(loss) and total comprehensive income/(loss) for the period/year *	729	(19,808)	(103.7)	2,276	(272,597)	(100.8)
Profit/(loss) and total comprehensive income/(expenses) for the year attributable to:						
Owners of the Company	757	(19,774)	(103.8)	2,401	(272,563)	(100.9)
Non-controlling interest	(28)	(34)	(17.6)	(125)	(34)	267.6
	729	(19,808)		2,276	(272,597)	

* There are no other comprehensive income and expense items for both financial years.

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

	Group 3 Months Ended			Group 12 Months Ended		
	31.12.16 RMB'000	31.12.15 RMB'000	Change %	31.12.16 RMB'000	31.12.15 RMB'000	Change %
Depreciation of property, plant and equipment	212	222	(4.5)	844	839	0.6
Gain on disposal of property, plant and equipment	(36)	(28)	28.6	(36)	(28)	28.6
Gain on disposal of equity interest in associate	-	-	-	(4,750)	-	100.0
Fixed asset written off	-	6	(100.0)	-	6	(100.0)
Amortization of intangible assets	(594) *	355	(267.3)	1,414	1,439	(1.7)
Unbilled work-in-progress written off	-	1,169	(100.0)	-	1,169	(100.0)
Bad debts written off	-	1,875	(100.0)	-	1,875	(100.0)
Allowance for impairment of trade receivables	-	13,551	(100.0)	-	174,763	(100.0)
Allowance for impairment of advances to supplier	-	-	-	-	84,743	(100.0)
Other non-trade supplier written off	-	-	-	-	503	(100.0)
Allowance for impairment of investment in associate	-	-	-	-	3,440	(100.0)
Write-back of allowance for impairment of trade receivables	(1,095)	-	100.0	(5,445)	-	100.0
Operating lease expenses	194	254	(23.6)	850	1,030	(17.5)
Finance costs	1,172	1,803	(35.0)	4,105	7,540	(45.6)
Interest income	(11)	(530)	(97.9)	(93)	(1,696)	(94.5)
Inventories recognised as an expense						
in cost of goods sold	4,965	23,424	(78.8)	15,171	31,145	(51.3)
Employee compensations	1,760	2,543	(30.8)	7,301	7,819	(6.6)
Fair value of shares issued pursuant to LET Performance Share scheme	-	-	-	-	2,798	(100.0)
Exchange loss/(gain)	96	(277)	(134.7)	(586)	244	(340.2)

* The credit balance of RMB0.6 million in 4Q2016 relates to the reversal of excess amortization that was inadvertently recorded during the first nine months of 2016.

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
	31.12.16	31.12.15	31.12.16	31.12.15
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	11,505	10,970	-	2
Intangible assets	4,206	5,573	-	-
Club membership	670	717	-	-
Investment in subsidiaries	-	-	63,000	75,000
	16,381	17,260	63,000	75,002
Current assets				
Gross amount due from customers for contract work-in-progress	18,173	18,193	-	-
Inventories	1,307	1,342	-	-
Trade and other receivables	27,092	30,230	-	-
Prepayments	97,082	116,355	39	69
Bank deposits pledged	6,381	17,960	-	-
Cash and cash equivalents	25,954	26,097	1,066	9,371
	175,989	210,177	1,105	9,440
Total assets	192,370	227,437	64,105	84,442
Equity attributable to owners of the Company				
Share capital	224,747	224,747	224,747	224,747
Reserves	31,294	31,294	-	-
Accumulated loss	(193,052)	(195,453)	(162,171)	(141,891)
	62,989	60,588	62,576	82,856
Non-controlling interest	31	18	-	-
Total equity	63,020	60,606	62,576	82,856
Current liabilities				
Gross amount due to customers for contract work-in-progress	-	573	-	-
Trade and other payables	35,373	61,772	294	421
Loans and borrowings	70,000	97,000	-	-
Other liabilities	23,830	7,338	1,235	1,165
Income tax payable	147	148	-	-
	129,350	166,831	1,529	1,586
Total equity and liabilities	192,370	227,437	64,105	84,442

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 31.12.2016 RMB'000	As at 31.12.2015 RMB'000
Amount repayable in one year or less, or on demand		
Bank loans		
- secured	70,000	17,000
- unsecured	-	80,000
Third party loan		
- Unsecured	-	20,000
	<u>70,000</u>	<u>117,000</u>
 Amount repayable after one year		
- secured	-	-
- unsecured	-	-
	<u>-</u>	<u>-</u>

Details of any collateral

As at 31 December 2016, short term loans and borrowings drawn down amounted to RMB70.0 million (31 December 2015: RMB80.0 million). The short term loans and borrowings are secured on the following:

1. a corporate guarantee from the Company;
2. personal guarantees by the Executive Chairman cum Chief Executive Officer of the Company and his spouse; and
3. 4 units of commercial properties with a net book value of RMB6.6 million are also pledged on 25 November 2016.

Apart from the above, there was no new loan obtained during FY2016. The additional short-term secured loan of RMB17.0 million as at 31 December 2015, which was guaranteed by bank deposits pledged of RMB18.0 million, was fully repaid on 29 January 2016.

The unsecured third party loan of RMB20.0 million was subsequently repaid in January 2016. On 7 March 2016, the Group obtained another unsecured third party loan of RMB15.0 million which was repaid in full on 10 March 2016.

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	
	31.12.16	31.12.15
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cash Flows from Operating Activities		
Loss before taxation	(545)	(276,582)
<u>Adjustments for:</u>		
Fair value of shares issued pursuant to LET Performance Share scheme	-	2,798
Fixed asset written off	-	6
Depreciation of property, plant and equipment	844	839
Gain on disposal of property, plant and equipment	(36)	(28)
Amortization of intangible assets and club membership	1,414	1,439
Unbilled work-in-progress written off	-	1,169
Bad debts written off	-	1,875
Allowance for impairment of trade receivables	-	174,763
Allowance for impairment of advances to made trade supplier	-	84,743
Other non-trade supplier written off	-	503
Write-back of allowance for impairment of trade receivables	(1,000)	-
Finance costs	4,105	7,540
Interest income	(93)	(1,696)
Share of results of associated company	-	275
Impairment loss on investment in associate	-	3,440
Gain on disposal of equity interest in associate	(4,750)	-
Unrealised exchange (gain)/loss	(46)	231
Total adjustments	438	277,897
Operating (loss)/profit before working capital changes	(107)	1,315
Changes in working capital		
Decrease/(increase) in gross amount due from customers for contract work-in-progress	20	(2,155)
Decrease in inventories	35	405
Decrease/(increase) in trade and other receivables	4,276	(428)
Decrease/(increase) in prepayments	19,273	(26,413)
Decrease in gross amount due to customers for contract work-in-progress	(573)	(1,199)
(Decrease)/increase in trade and other payables	(11,883)	2,077
Increase/(decrease) in other liabilities	16,492	(11,810)
Total changes in working capital	27,640	(39,523)
Cash from/(used in) operations	27,533	(38,208)
Interest paid	(4,105)	(7,540)
Interest income received	93	1,199
Income tax refunds/(paid) - net	2,820	(1,771)
Net cash from/(used in) operating activities	26,341	(46,320)
Cash flows from investing activities		
Purchase of property, plant and equipment	(260)	(1,357)
Construction in progress on solar photovoltaic plant	(1,151)	-
Proceed from disposal of fixed asset	-	35
Proceeds from disposal of equity interest in associate	4,750	-
Net cash flows from/(used in) investing activities	3,339	(1,322)
Cash flows from financing activities		
Proceeds from issuance of new ordinary shares pursuant to the placement	-	10,749
Share issuance expenses	-	(249)
Proceeds from/(repayments of) bills payable - net	5,552	(232)
Cash contribution from non-controlling interest for incorporation of subsidiary	-	39
Loan from third party	15,000	20,000
Repayment of third party loans	(35,000)	-
Proceeds from loans and borrowings	70,000	97,000
Repayments of loans and borrowings	(97,000)	(172,600)
Decrease in bank deposits pledged	11,579	44,212
Net cash flows used in financing activities	(29,869)	(1,081)
Net decrease in cash and cash equivalents	(189)	(48,723)
Exchange differences on translation of cash and cash equivalents	46	(231)
Cash and cash equivalents at the beginning of the year	26,097	75,051
Cash and cash equivalents at the end of the year (Note B)	25,954	26,097

- 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)

Note A:

The net proceeds on disposals of property, plant and equipment amounting to RMB70,000 (2015: Nil) have been offset against the balances owing to trade creditors as part settlement for trade payable balances.

	Group	
	As at	
	31.12.16	31.12.15
	RMB'000	RMB'000
Note B: Cash and cash equivalents		
Cash at bank and on hand	32,335	44,057
Less: bank deposits pledged	(6,381)	(17,960)
Cash and cash equivalents	<u>25,954</u>	<u>26,097</u>

As at 31 December 2016, bank deposits pledged of RMB5.6 million relate solely to bills payable to suppliers. These bills payable have a maturity period of 180 days and are non-interest bearing. In addition, the remaining bank deposits pledged of RMB0.8 million relate to performance guarantees for projects relating to aviation industry. Conversely, the bank deposits pledged as at 31 December 2015, comprised placement of RMB18.0 million to secure additional loan amount of RMB17.0 million from China Merchants Bank.

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 owners of the Company

	Share capital RMB'000	PRC statutory common reserve RMB'000	Merger reserve RMB'000	Accumulated loss RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance at 1 January 2016	224,747	31,748	(454)	(195,453)	60,588	18	60,606
Profit for the year, representing total comprehensive profit for the year	-	-	-	2,401	2,401	(125)	2,276
Issuance of new ordinary shares in subsidiary - unpaid	-	-	-	-	-	138	138
Balance at 31 December 2016	<u>224,747</u>	<u>31,748</u>	<u>(454)</u>	<u>(193,052)</u>	<u>62,989</u>	<u>31</u>	<u>63,020</u>

Attributable to the owners of the Company

	Share capital RMB'000	PRC statutory common reserve RMB'000	Merger reserve RMB'000	Accumulated loss RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance at 1 January 2015	211,449	31,748	(454)	77,110	319,853	-	319,853
Loss for the year, representing total comprehensive loss for the year	-	-	-	(272,563)	(272,563)	(34)	(272,597)
Issuance of new shares	10,749	-	-	-	10,749	-	10,749
Share issue expenses	(249)	-	-	-	(249)	-	(249)
Grant of shares under LET Performance share scheme	2,798	-	-	-	2,798	-	2,798
Issuance of shares for the incorporation of subsidiary - fully paid up	-	-	-	-	-	39	39
- unpaid	-	-	-	-	-	13	13
Balance at 31 December 2015	<u>224,747</u>	<u>31,748</u>	<u>(454)</u>	<u>(195,453)</u>	<u>60,588</u>	<u>18</u>	<u>60,606</u>

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

Attributable to the owners of the Company

	Share capital	Accumulated loss	Total
	RMB'000	RMB'000	RMB'000
Balance at 1 January 2016	224,747	(141,891)	82,856
Profit for the year, representing total comprehensive profit for the year	-	1,832	1,832
Allowance for impairment of investment in subsidiary	-	(22,112)	(22,112)
Balance at 31 December 2016	224,747	(162,171)	62,576

	Share capital	Accumulated loss	Total
	RMB'000	RMB'000	RMB'000
Balance at 1 January 2015	211,449	(12,270)	199,179
Loss for the year, representing total comprehensive loss for the year	-	(11,567)	(11,567)
Allowance for impairment of investment in subsidiary	-	(77,494)	(77,494)
Allowance for impairment of amount due from subsidiary	-	(40,560)	(40,560)
Issuance of new shares	10,749	-	10,749
Share issue expenses	(249)	-	(249)
Grant of shares under LET Performance share scheme	2,798	-	2,798
Balance at 31 December 2015	224,747	(141,891)	82,856

- 1(e) Changes in issuer's share capital (for the issuer) 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**

Not applicable.

- 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 2016 and 31 December 2015.

- 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	
	31.12.2016	31.12.2015
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 2016 and 31 December 2015.

- 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 2016 and 31 December 2015.

- 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 2015 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.**

The same accounting policies and methods of computation have been applied in the financial statements as in the most recently audited annual financial statements as at 31 December 2015 except for the adoption of Financial Reporting Standards ("FRSs") which are relevant to the Group's operations and became effective for the financial years beginning on or after 1 January 2016.

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

Nil.

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 earnings/(loss) per share is based on the Group's net profit/(loss) attributable to owners of the Company for the respective year divided by the weighted average of 617,209,000 ordinary shares for the year ended 31 December 2016 (2015: 580,151,702 ordinary shares).

	Group	
	Year ended 31 December	
	2016	2015
Profit/(loss) after tax attributable to owners of the Company (RMB'000)	2,401	(272,563)
Basic earnings/(loss) per share (RMB cents per share)	0.39	(46.98)

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	
	31.12.16	31.12.15	31.12.16	31.12.15
Net asset value (RMB'000)	62,989	60,588	62,576	82,856
Net asset value per ordinary share (RMB cents per share)	10.21	9.82	10.14	13.42

Net asset value of the Group and Company as at 31 December 2016 and 31 December 2015 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

	4Q2016		4Q2015		FY2016		FY2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Industrial wastegas treatment								
- Dust elimination	8,339	58.9	2,362	11.9	30,963	70.7	15,700	30.7
- Desulphurization	855	6.0	17,215	87.1	2,761	6.3	29,215	57.1
- De-nitrification	-	-	193	1.0	-	-	2,515	4.9
Industrial wastewater	4,960	35.1	-	-	10,066	23.0	374	0.7
Operation and maintenance	-	-	-	-	-	-	3,383	6.6
	14,154	100.0	19,770	100.0	43,790	100.0	51,187	100.0

Revenue

Our dust elimination and industrial wastewater segments performed well in FY2016 with an increase in revenue by RMB5.9 million and RMB5.0 million respectively in 4Q2016 and RMB15.3 million and RMB9.6 million respectively in FY2016. However, aggregate annual revenue still decreased by RMB5.6 million in 4Q2016 and RMB7.4 million in FY2016 due to decreased work activities in our desulphurization segment and the absence of new contracts awarded in de-nitrification and operation and maintenance ("O&M") segments.

Desulphurization segment was a key growth engine of the Group because of its larger contract size and better gross profit margin than dust elimination and industrial wastewater contracts. The strategy to grow our revenue in the desulphurization segment remains unchanged heading forward. FY2016 however has been a daunting year for the Group as fewer desulphurization projects were rolled out by our customers because they were affected by the slowdown in the Chinese economy. Accordingly, there was no new contract secured in FY2016 and the revenue recognized in FY2016 was merely an continuation of work for prior year contracts and the work activities in 4Q2016 were mostly at the tail ends of completions. Our desulphurization segment accounted for significant decreases in revenue of RMB16.3 million and RMB26.4 million in 4Q2016 and FY2016 respectively.

The absence of engineering, procurement and engineering works relating to de-nitrification resulted in further contracts decrease in revenue of RMB2.5 million in FY2016. This is part of the new initiative introduced by the PRC government and therefore contracts for this business segment is still relatively scarce.

The Group also could not find suitable replacement after it had terminated its maiden O&M contract with a steel maker in 2Q2015, also accounted for a further decrease in revenue of RMB3.4 million in FY2016. Most Chinese companies usually do not outsource this segment of the work to a third party.

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)

Total gross profit decreased by RMB8.3 million or 53.0%, from RMB15.7 million in FY2015 to RMB7.4 million in FY2016. The lower gross profit was generally in tandem with the decrease in revenue; which resulted in decrease in gross profit from desulphurization, denitrification and O&M segments of RMB4.8 million, RMB1.5 million and RMB1.8 million respectively. In the case of dust elimination segment, notwithstanding the increase in revenue of RMB15.3 million in FY2016, gross profit decreased by RMB3.4 million because premium charged on a customer from the oil and gas industry in FY2015 for applying the Group's latest patented dust elimination technology. There was no such premium in FY2016 coupled with the additional value added tax ("VAT") borne by the Group due to the recent changes in tax structure. The overall decrease in gross profit of RMB11.5 million in FY2016 was partly offset by higher gross profit derived from industrial wastewater segment of RMB3.2 million in FY2016, attributed to the larger contract size and increased work activities commencing from 2Q2016 onwards.

Gross profit margin increased from 15.7% in 4Q2015 to 19.9% in 4Q2016, which improved the overall gross profit margin to 16.8% in FY2016, slightly better than that achieved in 9M2016 of RMB15.3%, and comparing against the overall gross profit margin derived in FY2015 of 30.6%, there was however, a decrease of 13.8%.

The dust elimination segment was the main reason for the relatively low gross profit margin in FY2016. It only generated an average gross profit margin of 9.7% in FY2016 as compared to 40.6% in FY2015. Two contracts which generated an average gross profit margin of 4.8% in 3Q2016 as they were used as experimental basis for testing of the Group's newly developed technology coupled by additional VAT charged in 4Q2016 due to recent change in tax structure, caused the gross profit margin relating to these contracts to enter into negative territory of 7.2% in FY2016. Gross profit margin in FY2016 was also dragged down by the requirement to pay VAT in 4Q2016 solely on another dust elimination contract which was already completed and billed in FY2015. Furthermore, extension of work activities on two previous dust elimination contracts undertaken in 2Q2016, which generated an average gross profit margin of 15.5% in FY2016, also contributed to the overall decrease in gross profit margin in FY2016.

Financial income

Higher financial income of RMB1.7 million was received in FY2015 because interest income of RMB1.0 million relating to FY2014 was inadvertently recognized in FY2015. In addition, the Group's average bank deposit balances have also decreased in FY2016 which resulted in a decline in interest income in the current financial year.

Other income

Other income increased by RMB10.7 million from RMB0.2 million in FY2015 to RMB10.9 million in FY2016 partly due to the disposal of equity interest in an associate, Nano Sun Pte Ltd for RMB4.8 million. The investment was fully impaired in FY2015 and hence a gain of RMB4.8 million was recognized on the disposal. There was also an exchange gain of RMB0.6 million derived from the translation of SGD bank balances. In addition, the Group wrote-back allowance for impairment of trade receivables of RMB5.4 million as receipts of RMB4.5 million were received during the year and the remaining RMB1.0 million was subsequently received on January 2017. The write-back of allowance for impairment of trade receivables mainly relates to receipts from 通化钢铁股份有限公司 as the Group specifically provided an allowance for impairment of RMB14.0 million on this customer in FY2015. Apart from these receipts, 通化钢铁股份有限公司 has also agreed to an installment plan to repay the remaining RMB9.0 million by end of 2017. On prudent ground, no write-back of the allowance for impairment for RMB9.0 million has been made.

Operating Expenses

Selling and distribution expenses decreased by RMB0.5 million or 23.2%, from RMB1.8 million in FY2015 to RMB1.3 million due to lower payroll and related costs of RMB0.2 million. Fewer tenders for contracts in FY2016 has resulted in lower travelling and office expenses of RMB0.2 million and RMB0.1 million 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:- (cont'd)

Administrative expenses decreased by RMB4.4 million or 24.9%, from RMB17.7 million in FY2015 to RMB13.3 million in FY2016 due to the absence of issuance of LET performance shares of RMB2.8 million in FY2015, decrease in staff payroll and related costs of RMB1.7 million as a result of staff attrition and lower employment of contract technical consultants for advisory works in FY2016. In addition, travelling and entertainment expenses, agent and professional fees and others also decreased by RMB1.0 million, RMB0.1 million and RMB0.6 million respectively in FY2016, in line with the overall decrease in business activities. The decrease of RMB6.2 million was partly offset by new payroll and other operating expenses of RMB1.8 million in aggregate in FY2016. This new payroll pertains to subsidiaries which were only set up in 4Q2015 for the photovoltaic business.

Lower finance costs of RMB4.1 million were incurred in FY2016 against RMB7.5 million in FY2015 due to the decline in loan quantum as well as lower borrowing rates offered by China Merchants Bank.

Other expenses of RMB266.7 million were incurred in FY2015 due to the impairment charges recognized mainly on the investment in associate, trade receivables and advances to trade supplier. There were no such expenses in FY2016.

There was no further share of results of associate in FY2016 as the investment in associate was fully impaired in FY2015 and disposed of in FY2016.

Taxation

The tax assessments for financial years ended 31 December 2012, 2014 and 2015 respectively were finalized by the PRC Tax Authority in FY2016. They have agreed to recognize the tax losses suffered by the subsidiary, Jilin Anjie Engineering Co., Ltd. ("Anjie") on these financial years and tax refunds of RMB2.8 million in aggregate were paid to Anjie in FY2016.

Profit/(loss) after taxation

In line with the absence of impairment charges, higher other income, lower selling and distribution expenses, administrative expenses and finance costs partly offset by decrease in revenue and gross profit and net tax refunds, the Group recorded profit after taxation of RMB2.3 million in FY2016 against loss after taxation of RMB272.6 million in FY2015.

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

The investment in subsidiaries decreased by RMB12.0 million as a result of additional impairment in Jilin Anjie Engineering Co., Ltd ("Anjie") of RMB22.1 million due to Anjie's continuing lacklustre performance and uncertain economic prospects. Notwithstanding, the Company has injected RMB10.0 million in Anjie during FY2016 to finance its operating cash flow requirements. A review was performed on Anjie's business and an additional allowance for impairment of RMB22.1 million was recognized to reduce the carrying value of the investment to its recoverable amount. The recoverable amount was determined based on the Value in Use of Anjie using cash flow projections.

The Group

Non-current assets amounted to RMB16.4 million and comprised property, plant and equipment ("PPE") of RMB11.5 million, intangible assets of RMB4.2 million and club membership of RMB0.7 million as at 31 December 2016. The increase in PPE of RMB0.5 million was attributed mainly to construction in progress on solar photovoltaic plant of RMB1.1 million as this is still under the exploratory stage and purchase of office equipment of RMB0.3 million, partly offset by depreciation and disposal of net book value of motor vehicle of RMB0.9 million in aggregate. In 9M2016, 4 units of commercial properties with a net book value of RMB6.7 million were pledged to the China Merchants bank ("bank") for RMB5.0 million for purpose of issuing performance guarantees directly to customers on the contracts secured. The pledge was subsequently released and replaced by bank deposits pledged of only RMB0.8 million in 4Q2016. In addition to the corporate guarantee and personal guarantees furnished by the CEO and his wife on 25 November 2016, the 4 units of commercial properties are then pledged to the bank to secure banking facilities of RMB80.0 million for purpose of financing its working capital.

Intangible assets amounted to RMB4.2 million and comprised two patents and deferred development costs of RMB2.1 million each as at 31 December 2016. The decrease in intangible assets of RMB1.4 million was attributed mainly to amortization in FY2016.

The patents in relation to a dust precipitator was fully amortized and internally developed new dust elimination technology with pulsating rotary positioning mechanism have a remaining tenure of 95 months (2015: 107 months) as at 31 December 2016 respectively. In the case of the deferred development costs, they have an average amortization period of 23 months (2015: 35 months) as at 31 December 2016.

Club membership of RMB0.7 million relates to a golf club membership acquired in May 2011. The Group's accounting policy is to amortize the club membership on a straight line basis over its useful life of 20 years. As at 31 December 2016, the club membership has a remaining useful life of 173 months (2015: 185 months).

Current assets comprised gross amount due from customers for contract work-in-progress, inventories, trade and other receivables, prepayments, bank deposits pledged and cash and cash equivalents. Current assets amounted to RMB176.0 million and RMB210.2 million as at end of 31 December 2016 and 31 December 2015 respectively. Our current assets accounted for 91.5% and 92.4% of our total assets as at 31 December 2016 and 31 December 2015 respectively. The decrease in current assets of RMB34.2 million was attributed to decreases in trade and other receivables of RMB3.1 million, prepayments of RMB19.3 million, bank deposits pledged of RMB11.6 million and cash and cash equivalents of RMB0.2 million.

Amount due from customers for contract work-in-progress relates to unbilled trade receivables and remained relatively unchanged at RMB18.2 million each as at 31 December 2016 and 31 December 2015, constituting 10.3% and 8.7% of our current assets as at the respective dates.

Inventories were relatively unchanged at RMB1.3 million as at 31 December 2016 and 31 December 2015. The Group normally does not maintain substantial inventories due to relatively short purchasing lead time required.

Trade and other receivables comprised trade receivables, bills receivable, retention monies and other receivables amounted to RMB27.1 million and RMB30.2 million as at 31 December 2016 and 31 December 2015 respectively, and accounted for 15.4% and 14.4% of our current assets as at the respective balance sheet dates. Trade receivables and retention receivables amounted to RMB13.6 million as at 31 December 2016, representing a decrease of RMB6.9 million from 31 December 2015. Trade receivables decreased by RMB9.4 million due mainly to collections and the decrease in business activities during the financial year. The decrease was partly offset by an increase in retention receivables of RMB2.5 million relating to newly completed contracts in FY2016.

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)

Bills receivable received from the customers for settlement of debts amounted to RMB0.3 million and RMB3.5 million as at 31 December 2016 and 31 December 2015 respectively. The decrease of RMB3.2 million was attributed to presentation of bills receivable to the bank as they have reached maturity during the current financial year.

Other receivables comprised advances to employees for business purposes, bidding deposits and tax recoverable. Other receivables amounted to RMB13.1 million and RMB6.2 million as at 31 December 2016 and 31 December 2015 respectively. The increase of RMB6.9 million was mainly attributed to the placement of bidding deposits placed with the customers for the tender of industrial wastegas and wastewater contracts in 2017.

Prepayments comprised prepaid operating expenses, advances to trade and non-trade suppliers amounted to RMB97.1 million and RMB116.4 million as at 31 December 2016 and 31 December 2015 respectively. The decrease of RMB19.3 million was attributed to refunds of advances from suppliers due to delays in certain contracts.

Bank deposits pledged decreased by RMB11.6 million, from RMB18.0 million as at 31 December 2015 to RMB6.4 million as at 31 December 2016 which was in line with the decrease in loans and borrowings to RMB70.0 million in FY2016, down from RMB97.0 million a year ago.

Cash and cash equivalents amounted to RMB25.9 million and RMB26.1 million as at 31 December 2016 and 31 December 2015 respectively, and accounted for approximately 14.7% and 12.4% of our current assets as at the respective balance sheet dates. Operational cash inflow for the year was RMB26.3 million as opposed to cash outflow of RMB46.3 million in the previous year as the changes in working capital of the Group improved substantially by RMB72.6 million or 156.9% during FY2016. More conscientious efforts were made by the management to improve collections from receivables and to cease participation in those tenders that required advances to be given to trade suppliers. In addition, the Group also received more advances from customers due to signing of contracts during FY2016 which contributed to the increase in operational cash inflow.

Net cash from investing activities was RMB3.3 million as compared to cash outflow of RMB1.3 million a year ago, attributed mainly from the proceeds received due to the disposal of 20% equity interest in associate of RMB4.8 million and costs incurred of RMB1.1 million in relation to solar photovoltaic plant under construction ("CIP"). There was no such disposal of associate and CIP in FY2015. Against FY2015, the Group's fixed assets additions were lower by RMB1.1 million in FY2016.

Net cash used in financing activities was RMB29.8 million, an increase of RMB28.7 million over FY2015 due to the repayments of third party loans of RMB35.0 million, lower bank deposits pledged of RMB32.6 million which was in line with the decrease in bank borrowings obtained of RMB27.0 million as the Group has sufficient operating cash flows and plans to reduce its reliance on external financing, absence of net proceeds of RMB10.5 million from shares issuance pursuant to the private placement and lower loan of RMB5.0 million from third party to temporarily help the Group to tide over its cash flows. The cash outflow was partly offset by an increase in proceeds of RMB5.8 million from bills payable as the Group has increased the use of such facility to repay suppliers and lower repayments of loans and borrowings of RMB75.6 million which was in line with the decrease in bank borrowings.

Current liabilities comprised mainly gross amount due to customers for contract work-in-progress, trade and other payables, loans and borrowings, other liabilities and income tax payable. Our current liabilities amounted to RMB129.4 million and RMB166.8 million as at 31 December 2016 and 31 December 2015 respectively, and accounted for 100% each of our total liabilities as at the respective balance sheet dates. The decrease in current liabilities of RMB37.5 million was attributed to decreases in trade and other payables of RMB26.4 million, loans and borrowings of RMB27.0 million and gross amount due to customers for contract work-in-progress of RMB0.6 million, partly offset by increase in other liabilities of RMB16.5 million.

Gross amount due to customers for contract work-in-progress amounted to nil and RMB0.6 million as at 31 December 2016 and 31 December 2015 respectively. The decrease was due to billings raised and no new advances received for on-going contracts which were in line with the decrease in revenue.

Trade payables amounted to RMB28.3 million, representing a decrease of RMB11.3 million over FY2015 as a result of payments made during the financial year coupled by lower purchases of raw materials which were in line with the decrease in business activities.

Other payables comprised primarily VAT and other operating tax payables and accruals of other operating expenses. Other payables amounted to RMB1.5 million and RMB22.1 million as at 31 December 2016 and 31 December 2015 respectively. The decrease of RMB20.6 million was attributed to repayments of third party loan of RMB20.0 million.

New bills payable of RMB5.6 million was issued to suppliers for procurement of raw materials as at 31 December 2016 which accounted mainly for the increase. There was no such bills payable as at 31 December 2015.

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)

Loans and borrowings decreased from RMB97.0 million as at 31 December 2015 to RMB70.0 million as at 31 December 2016 as a result of repayments made during the financial year.

Other liabilities comprised accrued purchases, salaries and travelling expenses and advances from customers. Other liabilities amounted to RMB23.8 million and RMB7.3 million as at 31 December 2016 and 31 December 2015 respectively.

Accrued output VAT, purchases, salaries and related expenses, operating expenses and welfare expenses amounted to RMB3.4 million and RMB6.9 million as at 31 December 2016 and 31 December 2015 respectively. The decrease of RMB3.5 million was mainly due to decrease in accrued purchases as a result of payments and lower purchases of raw materials which were in line with the decrease in business activities.

Advances from customers amounted to RMB20.4 million and RMB0.4 million as at 31 December 2016 and 31 December 2015 respectively as a result of new contracts signed in 4Q2016 which have yet to commence work.

Income tax payable remained relatively unchanged at RMB0.1 million each as at 31 December 2016 and 31 December 2015.

The Group's total equity comprised share capital, PRC statutory reserve fund, merger reserve, accumulated loss and non-controlling interest. Total equity as at 1 January 2016 amounted to RMB60.6 million. Profit/(loss) attributable to owners of the Company and non-controlling interest amounted to RMB2.4 million and RMB0.1 million in the current year respectively. Consequently, total equity increased to RMB63.0 million as at 31 December 2016, of which RMB63.0 million is attributable to owners of the Company.

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.

The Group has delivered an improved performance in the second half of FY2016 despite the subdued economic outlook in the PRC. This is encouraging for the Group as it enters into the new financial year in 2017. The macro-economic environment remains challenging and the Group expects more financial headwinds going forward. On a brighter note, the perennial air pollution problem in China has presented an excellent opportunity for environmental companies to partake in projects to be rolled out by the PRC government. Against this backdrop, the Group intends to tender for more industrial wastegas and wastewater contracts in FY2017 so as to add onto its existing order book of RMB81.6 million. We will continue to leverage on our technical expertise to deliver more quality contracts. In order to maintain our competitive edge, more resources will be dedicated to R&D activities to develop new technologies to serve and meet market requirements. While the Group will be more fervent to pursue industrial wastegas and wastewater contracts, we continue to exercise financial prudence and manage our external debt cautiously. The Group has sufficient working capital to fund its operating cash flow requirements as well as to fulfill its financial obligations and commitments in the next twelve months. The recent spate of more positive data from China bodes well for our industry and barring any unforeseen circumstances, management remains cautiously optimistic on FY2017.

11. Dividend

(a) Current Financial Period Reported On?

Not applicable.

(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/recommendeded, a statement to that effect.

No dividend in respect of the year ended 31 December 2016 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	Desulphurisation	Industrial wastewater	Operation and maintenance	De-nitrification	Total
2016						
Revenue						
Sales to external customers	30,963	2,761	10,066	-	-	43,790
Results						
Segment gross profit	3,016	1,032	3,308	-	-	7,356
Segmental information (RMB'000)	Dust elimination	Desulphurisation	Industrial wastewater	Operation and maintenance	Design, Technical services & Others	Total
2015						
Revenue						
Sales to external customers	15,700	29,215	374	3,383	2,515	51,187
Results						
Segment gross profit	6,368	5,802	136	1,811	1,544	15,661

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 2016, revenue from three (2015: three) major customers amounted to RMB14.0 million, RMB9.8 million and RMB7.4 million (2015: RMB21.7 million, RMB11.8 million and RMB4.8 million), arising from sales by the dust elimination and industrial wastewater segments. In FY2015, the sales derived from these major customers were mainly from dust elimination and desulphurization 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		
	2016 RMB'000	2015 RMB'000	change %
Sales reported for the first half year	8,558	24,344	(64.8)
Operating loss after tax reported for the first half year	(669)	(167)	300.6
Sales reported for the second half year	35,232	26,843	31.3
Operating profit/(loss) after tax before deducting non-controlling interest for the second half year	2,945	(272,430)	NM

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	48	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

28 February 2017