



**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 First Quarter and the three Months Ended 31 March 2017**

**Unaudited Financial Statement and Dividend Announcement for the First Quarter (3 months) Ended 31 March 2017 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.

	<b>Group</b>		<b>Change %</b>
	<b>Unaudited 3 Months Ended</b>		
	<b>31.3.17</b>	<b>31.3.16</b>	
	<b>("1Q2017")</b>	<b>("1Q2016")</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	
Revenue	4,403	2,644	66.5
Cost of sales	(3,150)	(1,468)	114.6
<b>Gross profit</b>	<b>1,253</b>	<b>1,176</b>	6.5
Financial income	42	106	(60.4)
Other income	58	403	(85.6)
Selling and distribution expenses	(349)	(446)	(21.7)
Administrative expenses	(3,024)	(3,338)	(9.4)
Finance costs	(1,017)	(1,096)	(7.2)
<b>Loss before taxation</b>	<b>(3,037)</b>	<b>(3,195)</b>	(4.9)
Taxation	-	(1)	(100.0)
<b>Loss for the period and total comprehensive loss for the period*</b>	<b>(3,037)</b>	<b>(3,196)</b>	(5.0)
<b>Loss and total comprehensive loss for the period attributable to:</b>			
Owners of the Company	(3,022)	(3,178)	(4.9)
Non-controlling interest	(15)	(18)	(16.7)
	<b>(3,037)</b>	<b>(3,196)</b>	

\* There are no other comprehensive loss items for both financial periods.

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:

	<b>Group</b>		<b>change</b>
	<b>Unaudited 3 Months Ended</b>		
	<b>31.3.17</b>	<b>31.3.16</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
Depreciation of property, plant and equipment	216	220	(1.8)
Fixed asset written off	-	32	(100.0)
Amortisation of intangible assets and club membership	362	355	2.0
Operating lease expenses	195	259	(24.7)
Interest expense	1,017	1,096	(7.2)
Interest income	(42)	(106)	(60.4)
Inventories recognised as an expense in cost of goods sold	51	34	50.0
Employee compensations	1,625	1,866	(12.9)
Exchange gain	(58)	(367)	(84.2)

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

	Group		Company	
	Unaudited 31.3.17 RMB'000	Audited 31.12.16 RMB'000	Unaudited 31.3.17 RMB'000	Audited 31.12.16 RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	12,193	11,505	-	-
Intangible assets	3,855	4,206	-	-
Club membership	659	670	-	-
Investment in subsidiaries	-	-	63,000	63,000
	<b>16,707</b>	<b>16,381</b>	<b>63,000</b>	<b>63,000</b>
<b>Current assets</b>				
Gross amount due from customers for contract work-in-progress	26,279	18,173	-	-
Inventories	1,307	1,307	-	-
Trade and other receivables	38,418	27,092	-	-
Prepayments	117,535	97,082	69	39
Bank deposits pledged	18,311	6,381	-	-
Cash and cash equivalents	5,733	25,954	515	1,066
	<b>207,583</b>	<b>175,989</b>	<b>584</b>	<b>1,105</b>
<b>Total assets</b>	<b>224,290</b>	<b>192,370</b>	<b>63,584</b>	<b>64,105</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	224,747	224,747	224,747	224,747
Reserves	31,294	31,294	-	-
Accumulated loss	(196,244)	(193,052)	(162,978)	(162,171)
	<b>59,797</b>	<b>62,989</b>	<b>61,769</b>	<b>62,576</b>
<b>Non-controlling interest</b>	-	31	-	-
<b>Total equity</b>	<b>59,797</b>	<b>63,020</b>	<b>61,769</b>	<b>62,576</b>
<b>Current liabilities</b>				
Gross amount due to customers for contract work-in-progress	44,688	-	-	-
Trade and other payables	41,309	35,373	548	294
Loans and borrowings	75,000	70,000	-	-
Other liabilities	3,349	23,830	1,267	1,235
Income tax payable	147	147	-	-
	<b>164,493</b>	<b>129,350</b>	<b>1,815</b>	<b>1,529</b>
<b>Total equity and liabilities</b>	<b>224,290</b>	<b>192,370</b>	<b>63,584</b>	<b>64,105</b>

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

	<b>Group</b>	
	<b>As at 31.3.17</b>	<b>As at 31.12.16</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Amount repayable in one year or less, or on demand</b>		
- secured	75,000	70,000
- unsecured	-	-
	75,000	70,000
<b>Amount repayable after one year</b>		
- secured	-	-
- unsecured	-	-
	-	-
	-	-

**Details of any collateral**

As at 31 March 2017, short term loans and borrowings drawn down amounted to RMB75.0 million (31 December 2016: RMB70.0 million). The short term loans and borrowings are secured on the following:

1. a corporate guarantee from the Company;
2. personal guarantees by the Executive Chairman cum Chief Executive Officer of the Company and his spouse; and
3. pledge of 4 units of commercial properties with a net book value of RMB6.5 million as at 31 March 2017.

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 3 months ended	
	31.3.17	31.3.16
	RMB'000	RMB'000
<b>Cash Flows from Operating activities</b>		
Loss before taxation	(3,037)	(3,195)
<u>Adjustments for :</u>		
Depreciation of property, plant and equipment	216	220
Amortisation of intangible assets and club membership	362	355
Fixed asset written off	-	32
Interest income	(42)	(106)
Interest expense	1,017	1,096
Unrealised exchange gain	(56)	(367)
Total adjustments	1,497	1,230
<b>Operating loss before changes in working capital</b>	<b>(1,540)</b>	<b>(1,965)</b>
Increase in gross amount due from customers for contract work-in-progress	(8,106)	(2,917)
(Increase)/decrease in trade and other receivables	(11,479)	12,324
(Increase)/decrease in prepayments	(20,453)	12,465
Increase/(decrease) in gross amount due to customers for contract work-in-progress	44,688	(573)
Decrease in trade and other payables	(5,874)	(13,536)
Increase in other liabilities	(20,481)	4,835
Total changes in working capital	(21,705)	12,598
<b>Cash (used in)/generated from operations</b>	<b>(23,245)</b>	<b>10,633</b>
Interest income received	9	64
Interest paid	(1,017)	(1,096)
<b>Net cash (used in)/generated from operating activities</b>	<b>(24,253)</b>	<b>9,601</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(3)	-
Construction in progress on solar photovoltaic plant	(901)	-
<b>Net cash flows used in investing activities</b>	<b>(904)</b>	<b>-</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from loans and borrowings	35,000	30,000
Repayments of loans and borrowings	(30,000)	(47,000)
Repayments of third party loan	-	(20,000)
Proceeds from bills payable - net	11,810	78
(Increase)/decrease in bank deposits pledged	(11,930)	17,882
<b>Net cash generated from/(used in) financing activities</b>	<b>4,880</b>	<b>(19,040)</b>
Net decrease in cash and cash equivalents	(20,277)	(9,439)
Exchange differences on translation of cash and cash equivalents	56	367
Cash and cash equivalents at 1 January	<b>25,954</b>	<b>26,097</b>
<b>Cash and cash equivalents at 31 March (Note A)</b>	<b>5,733</b>	<b>17,025</b>

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

**Consolidated statement of cash flows (cont'd)**

	<b>Group</b>	
	<b>As at</b>	
	<b>31.3.17</b>	<b>31.3.16</b>
	<b>2016</b>	<b>2015</b>
<b>Note A: Cash and cash equivalents</b>		
Cash and bank balances	24,044	17,103
Less: bank deposits pledged	(18,311)	(78)
Cash and cash equivalents	<u>5,733</u>	<u>17,025</u>

As at 31 March 2017, the Group has RMB17.4 million (31 March 2016: RMB78,000) of bills payable to suppliers which are secured by bank deposits pledged. These bills payable have a maturity period of 180 days and are non-interest bearing. In addition, the remaining bank deposits pledged of RMB0.9 million (31 March 2016: nil) relate to performance guarantee for certain project.

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)

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	Premium paid on acquisition of non-controlling interest RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
<b>Balance at 1 January 2017</b>	224,747	31,748	(454)	(193,052)	-	62,989	31	63,020
Loss for the period, representing total comprehensive loss for the period	-	-	-	(3,022)	-	(3,022)	(15)	(3,037)
Change in interest in a subsidiary	-	-	-	-	(170)	(170)	(16)	(186)
<b>Balance at 31 March 2017</b>	<u>224,747</u>	<u>31,748</u>	<u>(454)</u>	<u>(196,074)</u>	<u>(170)</u>	<u>59,797</u>	<u>-</u>	<u>59,797</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-interest RMB'000	Total equity RMB'000
<b>Balance at 1 January 2016</b>	224,747	31,748	(454)	(195,453)	60,588	18	60,606
Profit for the period, representing total comprehensive profit for the period	-	-	-	(3,178)	(3,178)	(18)	(3,196)
<b>Balance at 31 March 2016</b>	<u>224,747</u>	<u>31,748</u>	<u>(454)</u>	<u>(198,631)</u>	<u>57,410</u>	<u>-</u>	<u>57,410</u>

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**

	<b>Share capital RMB'000</b>	<b>Accumulated loss RMB'000</b>	<b>Total RMB'000</b>
<b>At 1 January 2017</b>	224,747	(162,171)	62,576
Loss for the period, representing total comprehensive expense for the period	-	(807)	(807)
<b>At 31 March 2017</b>	<u>224,747</u>	<u>(162,978)</u>	<u>61,769</u>

	<b>Share capital RMB'000</b>	<b>Accumulated loss RMB'000</b>	<b>Total RMB'000</b>
<b>At 1 January 2016</b>	224,747	(141,891)	82,856
Loss for the period, representing total comprehensive expense for the period	-	(491)	(491)
<b>At 31 March 2016</b>	<u>224,747</u>	<u>(142,382)</u>	<u>82,365</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.

There were no subsidiary holdings as at 31 March 2017 and 31 December 2016.

**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 March 2017 and 31 December 2016.

**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 Mar 2017	31 Dec 2016
Total number of shares issued at end of period/year	<u>617,209,000</u>	<u>617,209,000</u>

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

The Company does not have any treasury shares as at 31 March 2017 and 31 December 2016.

**1(g)(iii) A statement showing all sales, transfers, cancellation, and/or use of subsidiary holdings as at the end of the current financial period reported on**

Not applicable.

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

The financial statements presented 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.**

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 2016 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 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.**

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 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 three-month ended 31 March 2017 (1Q2016: 617,209,000 ordinary shares).

	<b>Group</b>	
	<b>3 months</b>	
	<b>Jan to Mar 2017</b>	<b>Jan to Mar 2016</b>
Loss after tax attributable to owners of the Company (RMB'000)	<u>(3,022)</u>	<u>(3,178)</u>
Basic loss per share (RMB cents per share)	<u>(0.49)</u>	<u>(0.51)</u>

\* There were no potential dilutive options or instruments for both financial 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.**

	<b>Group</b>		<b>Company</b>	
	<b>31 Mar 2017</b>	<b>31 Dec 2016</b>	<b>31 Mar 2017</b>	<b>31 Dec 2016</b>
Net asset value (RMB'000)	59,797	62,989	61,769	62,576
Net asset value per share (RMB cents per share)	<u>9.69</u>	<u>10.21</u>	<u>10.01</u>	<u>10.14</u>

Net asset value for the Group and Company as at 31 March 2017 and 31 December 2016 was computed based on 617,209,000 shares in issue at the end of the financial period/year respectively.

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets and liabilities of the Group during the current financial period reported on.

#### Review of Group Performance

##### Consolidated Statement of Comprehensive Income

##### Revenue

	1Q2017		1Q2016	
	RMB'000	%	RMB'000	%
<b>Industrial wastegas treatment</b>				
- Dust elimination	1,812	41.2	738	27.9
- Desulphurization	2,425	55.0	1,906	72.1
Sub-total	4,237	96.2	2,644	100.0
<b>Industrial wastewater</b>	166	3.8	-	-
	4,403	100.0	2,644	100.0

##### Revenue

Total revenue increased by 66.6% or RMB1.8 million, from RMB2.6 million in 1Q2016 to RMB4.4 million in 1Q2017. In line with the improved economic data from the PRC economy, the Group secured and performed more works in 1Q2017 which contributed to higher revenue in the dust elimination, desulphurization and industrial wastewater segments of RMB1.1 million, RMB0.5 million and RMB0.2 million respectively.

##### Gross profit and gross profit margin

In line with the higher revenue, gross profit also increased, albeit marginally by RMB78,000 due to additional costs incurred from the outsourcing of a dust elimination project to a sub-contractor. Gross profit margin was lower by 16.0%, from 44.5% in 1Q2016 to 28.5% in 1Q2017 consequently.

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 60.4% from RMB0.1 million in 1Q2016 to only RMB42,000 in 1Q2017 as the interest generating on its average cash and cash equivalents in 1Q2017 was much lower than its average cash and cash equivalents in 1Q2016.

**Other income**

Other income decreased by RMB0.3 million, from RMB0.4 million in 1Q2016 to RMB0.1 million in 1Q2017 due to lower exchange gain derived from revaluation of the Group's SGD bank balances.

**Other items of expense**

Selling and distribution expenses decreased by RMB0.1 million or 21.7%, from RMB0.4 million in 1Q2016 to RMB0.3 million in 1Q2017 due to lower miscellaneous costs incurred.

Administrative expenses also decreased by RMB0.3 million, from RMB3.3 million in 1Q2016 to RMB3.0 million in 1Q2017 as a result of lower payroll and related costs incurred from the dismissal of two employees and pay cut taken by key executive officers of the Group.

Lower finance costs were incurred of RMB79,000 due to lower loan quantum obtained (1Q2017: RMB75.0 million vs 1Q2016: RMB80.0 million), partly offset by higher weighted average interest rate (1Q2017: 5.65% vs 1Q2016: 4.48%).

**Income tax expense**

There was no income tax expense in 1Q2017 as the subsidiaries were in loss making positions.

**Loss after taxation**

In view of the above, loss after taxation improved by RMB0.2 million or 4.9%, from RMB3.2 million in 1Q2016 to RMB3.0 million in 1Q2017.

**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**

Our non-current assets amounted to RMB16.7 million and comprised property, plant and equipment ("PPE") of RMB12.2 million, intangible assets of RMB3.8 million and club membership of RMB0.7 million as at 31 March 2017. The increase in PPE of RMB0.7 million was attributed mainly to additions of computers of RMB3,000 and civil construction cost incurred on photovoltaic plant of RMB0.9 million partly offset by depreciation of RMB0.2 million during the financial period.

Intangible assets amounted to RMB3.8 million and comprised patents of RMB2.0 million and deferred development costs of RMB1.8 million as at 31 March 2017. The decrease in intangible assets of RMB0.4 million was attributed mainly to amortization in 1Q2017. The patent in relation to an internally developed new dust elimination technology with pulsating rotary positioning mechanism have a remaining tenure of 92 months (2016: 95 months) as at 31 March 2017 respectively. In the case of the deferred development costs, they have an average amortization period of 20 months (2016: 23 months) as at 31 March 2017.

Club membership which has a remaining useful life of 170 months (2015: 173 months) amounted to RMB0.7 million each as at 31 March 2017 and as at 31 December 2016 respectively.

Our 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 RMB207.5 million and RMB176.0 million as at end of 31 March 2017 and 31 December 2016 respectively. Our current assets accounted for 92.6% and 91.5% of our total assets as at 31 March 2017 and 31 December 2016 respectively.

Gross amount due from customers for contract work-in-progress amounted to RMB26.3 million and RMB18.2 million as at 31 March 2017 and 31 December 2016 respectively and accounted for 12.7% and 10.3% of our current assets as at 31 March 2017 and 31 December 2016 respectively. The increase of RMB8.1 million was mainly due to commencement of new contracts in 1Q2017 which have not reached billing milestones.

Inventories were relatively unchanged at RMB1.3 million as at 31 March 2017 and 31 December 2016. 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 RMB38.4 million and RMB27.1 million as at 31 March 2017 and 31 December 2016 respectively, and accounted for approximately 18.5% and 15.4% of our current assets as at the respective balance sheet dates. Trade receivables and retention monies amounted to RMB10.8 million as at 31 March 2017, representing a decrease of RMB2.8 million as a result of collections during the period.

Bills receivable received from the customers for settlement of debts amounted to RMB1.2 million and RMB0.3 million as at 31 March 2017 and 31 December 2016 respectively. The increase was in line with the increase in revenue.

Other receivables comprised advances to employees for business purposes, bidding deposits and tax recoverable. Other receivables amounted to RMB26.4 million and RMB13.2 million as at 31 March 2017 and 31 December 2016 respectively. The increase of RMB13.2 million was mainly attributed to the placement of bidding deposits placed directly 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 RMB117.5 million and RMB97.1 million as at 31 March 2017 and 31 December 2016 respectively. The increase of RMB20.4 million was mainly for procurement of raw materials for contracts already secured and to be performed in 2Q2017 onwards. These advances will be offset against trade payables when certain performance milestones have been achieved.

**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)**

Bank deposits pledged increased by RMB11.6 million, from RMB18.0 million as at 31 March 2017 to RMB6.4 million as at 31 December 2016 for the purpose of utilizing the bills payable facility to pay suppliers.

Cash and cash equivalents amounted to RMB5.7 million and RMB26.0 million as at 31 March 2017 and 31 December 2016 respectively, and accounted for approximately 2.8% and 14.7% of our current assets as at the respective balance sheet dates. Operational cash outflow for the year was RMB24.3 million as opposed to cash inflow of RMB9.6 million in the previous period as the changes in working capital decreased by RMB34.3 million. With substantial amounts of advances received from customers on on-going contracts in 1Q2017, the Group is gearing up for increased business activities from 2Q2017 onwards which contributed to the operational cash outflow during the period.

Net cash used in investing activities was RMB0.9 million due to the purchase of computers and civil construction costs incurred on photovoltaic plant. There was no such expenditure in 1Q2016.

Net cash from financing activities was RMB4.9 million, an increase of RMB23.9 million over 1Q2016 due to the renewal of loans of RMB5.0 million and higher net proceeds from bills payable of RMB11.7 million as the Group increased its use of the bills payable facility to pay the suppliers. There was also lower repayment of loan of RMB17.0 million as the Group took a lower loan quantum after assessing its working capital requirements. In addition, there was no repayment of third party loan in 1Q2017 as opposed to a repayment of RMB20.0 million in 1Q2016 because there was no necessity for the Group to borrow from third party since it has sufficient funding to meet its operating requirements in 1Q2017. The cash inflow of RMB53.7 million was partly offset by an increase in fixed deposits pledged of RMB29.8 million for purpose of obtaining a higher bills payable facility.

Our 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 RMB164.5 million and RMB129.4 million as at 31 March 2017 and 31 December 2016 respectively, and accounted for 100.0% each of our total liabilities as at the respective balance sheet dates.

Gross amount due to customers for contract work-in-progress increased by RMB44.7 million or 100% as at 31 March 2017 because as at 31 December 2016, the advances received from customers were solely on signing of new contracts which were recorded in other liabilities.

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

Trade payables amounted to RMB22.1 million, representing a decrease of RMB6.2 million over 31 December 2016 due to payments and lower purchases of raw materials in 1Q2017.

Other payables comprised primarily VAT, other operating tax payables and other operating expenses. Other payables amounted to RMB1.8 million and RMB1.5 million as at 31 March 2017 and 31 December 2016 respectively. The increase of RMB0.3 million was in line with the increase in business activities.

New bills payable of RMB11.8 million was issued to suppliers for procurement of raw materials as at 31 March 2017, which accounted for the increase in bills payable from RMB5.6 million as at 31 December 2016 to RMB17.4 million as at 31 March 2017.

Loans and borrowings increased from RMB70.0 million as at 31 December 2016 to RMB75.0 million as at 31 March 2017 as a result of renewal of additional loan during the financial period.

Other liabilities comprised accrued purchases, VAT, salaries and travelling expenses, other operating expenses, advances from customers and welfare expenses. Other liabilities amounted to RMB3.3 million and RMB23.8 million as at 31 March 2017 and 31 December 2016 respectively.

Accrued purchases, payroll and related expenses, operating expenses and welfare expenses amounted to RMB3.3 million and RMB3.4 million as at 31 March 2017 and 31 December 2016 respectively. The decrease of RMB0.1 million was attributed mainly to lower accrued purchases as a result of lower purchases of raw materials in 1Q2017.

Advances from customers were nil and RMB20.4 million as at 31 March 2017 and 31 December 2016 respectively. The advances from customers were transferred to amount due to customers for contract work-in-progress as certain phases of the contract works have already started.

Income tax payable remained unchanged at RMB0.1 million each as at 31 March 2017 and 31 December 2016 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)**

**Shareholder's equity**

The Group's total shareholder's equity comprised share capital, PRC statutory reserve fund, merger reserve and accumulated profits. Total equity as at 1 January 2017 amounted to RMB63.0 million. Loss attributable to owners of the Company and non-controlling interest amounted to RMB3.0 million and RMB15,000 in the current period respectively. In addition, there was acquisition of additional interest in a subsidiary relating to owners of the Company and non-controlling interest of RMB170,000 and RMB16,000 respectively. Consequently, total equity decreased to RMB59.8 million as at 31 March 2017, of which the amount was mainly attributable to owners of the Company.

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 Chinese economy got off to a strong start in 2017, supported by strong bank lending, a government infrastructure spree and a re-surgence in private investment. The raft of positive economic data coupled with an improved economic outlook has prompted us to increase our tender for industrial wastegas and wastewater contracts in 2017. However, underlying concerns still remain as to whether the respite is short-lived as the central bank takes a tighter stance on credit which may lead to a less supportive fiscal and monetary policy this year. Hence, the Group will continue to take caution and not be overly aggressive in its pursuit of industrial wastegas and wastewater contracts. It is imperative that the Group avoids the recurrence of receivable defaults going forward. The Group has also embarked on a cost cutting initiative to reduce spending so as to conserve resources to meet its financial and operating commitments in the next twelve months. With an improved order book and barring any unforeseen circumstances, management is cautiously optimistic of delivering an improved performance in the coming quarters.

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 three months ended 31 March 2017 is declared or recommended.

**13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group has not obtained a general mandate from its shareholders for IPTs.

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

Lin Baiyin  
Executive Chairman and Chief Executive Officer

15 May 2017



**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 unaudited interim financial results for the first quarter ended 31 March 2017 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

Zang Linying  
Executive Director and Finance Director

15 May 2017