



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 2018

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

	Group 3 Months Ended		
	31.3.18 ("1Q2018") RMB'000 (Unaudited)	31.3.17 ("1Q2017") RMB'000 (Unaudited)	Change %
Revenue	12,106	4,403	174.9
Cost of sales	(8,696)	(3,150)	176.1
Gross profit	3,410	1,253	172.1
Financial income	19	42	(54.8)
Other income	35	58	(39.7)
Selling and distribution expenses	(408)	(349)	16.9
Administrative expenses	(4,062)	(3,024)	34.3
Finance costs	(1,250)	(1,017)	22.9
Other expenses	(19)	-	100.0
Loss before taxation	(2,275)	(3,037)	(25.1)
Taxation	-	-	-
Loss after taxation	(2,275)	(3,037)	(25.1)
Other comprehensive loss after tax	-	-	-
Total comprehensive loss for the period	(2,275)	(3,037)	(25.1)
Loss attributable to:			
Owners of the Company	(2,275)	(3,022)	(24.7)
Non-controlling interest	-	(15)	(100.0)
	(2,275)	(3,037)	
Total comprehensive loss attributable to:			
Owners of the Company	(2,275)	(3,022)	(24.7)
Non-controlling interest	-	(15)	(100.0)
	(2,275)	(3,037)	

1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of immediately preceding year.

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

	Group		Change %
	3 Months Ended		
	31.3.18 RMB'000	31.3.17 RMB'000	
Depreciation of property, plant and equipment	215	216	(0.5)
Amortisation of intangible assets and club membership	344	362	(5.0)
Operating lease expenses	170	195	(12.8)
Interest expense	1,250	1,017	22.9
Interest income	(19)	(42)	(54.8)
Inventories recognised as an expense in cost of goods sold	6,389	51	12,427.5
Employees' compensations	2,345	1,625	44.3
Exchange loss/(gain)	19	(58)	(132.8)

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
	31.3.18	31.12.17	31.3.18	31.12.17
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	9,972	9,365	-	-
Intangible assets	2,481	2,825	-	-
Investment in subsidiaries	-	-	63,000	63,000
	12,453	12,190	63,000	63,000
Current assets				
Contract assets	95,985	59,165	-	-
Inventories	1,294	1,281	-	-
Trade and other receivables	56,756	48,096	45	-
Prepayments	92,213	95,134	10	14
Bank deposits pledged	-	1,650	-	-
Cash and cash equivalents	7,130	17,398	53	19
	253,378	222,724	108	33
Total assets	265,831	234,914	63,108	63,033
Equity attributable to owners of the Company				
Share capital	224,747	224,747	224,747	224,747
Reserves	31,124	31,124	-	-
Accumulated losses	(181,961)	(179,686)	(166,185)	(165,296)
	73,910	76,185	58,562	59,451
Non-controlling interests	-	-	-	-
Total equity	73,910	76,185	58,562	59,451
Current liabilities				
Contract liabilities	55,696	11,087	-	-
Trade and other payables	46,651	54,141	2,827	1,272
Loans and borrowings	65,000	60,000	-	-
Other liabilities	24,427	33,354	1,719	2,310
Income tax payable	147	147	-	-
	191,921	158,729	4,546	3,582
Total equity and liabilities	265,831	234,914	63,108	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 31.3.18	As at 31.12.17
	RMB'000	RMB'000
Amount repayable in one year or less, or on demand		
- secured	65,000	60,000
- unsecured	-	-
	<u>65,000</u>	<u>60,000</u>
Amount repayable after one year		
- secured	-	-
- unsecured	-	-
	<u>-</u>	<u>-</u>

Details of any collateral

As at 31 March 2018, short term loans and borrowings drawn down amounted to RMB65.0 million (31 December 2017: RMB60.0 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 RMB6.3 million as at 31 March 2018.

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	
	31.3.18	31.3.17
	RMB'000	RMB'000
Cash Flows from Operating activities		
Loss before taxation	(2,275)	(3,037)
<u>Adjustments for :</u>		
Depreciation of property, plant and equipment	215	216
Amortisation of intangible assets and club membership	344	362
Interest income	(19)	(42)
Interest expense	1,250	1,017
Unrealised exchange gain	-	(56)
Total adjustments	1,790	1,497
Operating loss before changes in working capital	(485)	(1,540)
Increase in contract assets	(36,820)	(8,106)
Increase in inventories	(13)	-
Increase in trade and other receivables	(8,660)	(11,479)
Decrease/(increase) in prepayments	2,921	(20,453)
Increase in contract liabilities	44,609	44,688
Decrease in trade and other payables	(6,670)	(5,874)
Decrease in other liabilities	(8,927)	(20,481)
Total changes in working capital	(13,560)	(21,705)
Cash used in operations	(14,045)	(23,245)
Interest income received	19	9
Interest paid	(1,250)	(1,017)
Net cash used in operating activities	(15,276)	(24,253)
Cash flows from investing activities		
Purchase of property, plant and equipment	(822)	(3)
Construction in progress on solar photovoltaic plant	-	(901)
Net cash flows used in investing activities	(822)	(904)
Cash Flows from Financing Activities		
Proceeds from loans and borrowings	12,000	35,000
Repayments of loans and borrowings	(7,000)	(30,000)
(Repayments)/proceeds from bills payable - net	(820)	11,810
Decrease/(increase) in bank deposits pledged	1,650	(11,930)
Net cash generated from financing activities	5,830	4,880
Net decrease in cash and cash equivalents	(10,268)	(20,277)
Exchange differences on translation of cash and cash equivalents	-	56
Cash and cash equivalents at 1 January	17,398	25,954
Cash and cash equivalents at 31 March (Note A)	7,130	5,733

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)

	Group As at	
	31.3.18	31.3.17
Note A: Cash and cash equivalents	2016	2015
Cash and bank balances	7,130	24,044
Less: bank deposits pledged	-	(18,311)
Cash and cash equivalents	<u>7,130</u>	<u>5,733</u>

As at 31 March 2018, there was no bills payable to suppliers (31 Mar 2017: RMB17.4 million) which are secured by bank deposits pledged and performance guarantee for contract (31 Mar 2017: RMB0.9 million).

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 losses 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
Balance at 1 January 2018	224,747	31,748	(454)	(179,686)	(170)	76,185	-	76,185
Loss for the period, representing total comprehensive loss for the period	-	-	-	(2,275)	-	(2,275)	-	(2,275)
Balance at 31 March 2018	224,747	31,748	(454)	(181,961)	(170)	73,910	-	73,910

	Share capital RMB'000	PRC statutory common reserve RMB'000	Merger reserve RMB'000	Accumulated losses RMB'000	Premium paid on acquisition of non-controlling interest RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance at 1 January 2017	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)
Balance at 31 March 2017	224,747	31,748	(454)	(196,074)	(170)	59,797	-	59,797

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

The Company

	Share capital RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2018	224,747	(165,296)	59,451
Loss for the period, representing total comprehensive expense for the period	-	(889)	(889)
At 31 March 2018	<u>224,747</u>	<u>(166,185)</u>	<u>58,562</u>

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

- 1(e) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares and subsidiary holdings, if any, against the total number of issued shares excluding treasury shares of the issuers, as at the end of the current financial period on and as at the end of the corresponding period of the immediately preceding financial year.

Not applicable.

The subsidiary did not hold any treasury shares or convertibles as at 31 December 2017 and 31 March 2018.

- 1(f) Number of shares that may be issued on conversion of all outstanding convertibles together with a statement for the corresponding period of immediately preceding year

Not applicable. The Company does not have any convertibles as at 31 March 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 Mar 2018	31 Dec 2017
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 2018 and 31 December 2017.

- 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.

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 quarter ended 31 March 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 all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group applies the 12 month expected credit losses on all trade receivables. The impairment calculated using the expected credit loss model does not have a significant impact on the financial statements.

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 financial statements.

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 2018 (1Q2017: 617,209,000 ordinary shares).

	Group	
	3 months	
	Jan to Mar 2018	Jan to Mar 2017
Loss after tax attributable to owners of the Company (RMB'000)	<u>(2,275)</u>	<u>(3,022)</u>
Basic loss per share (RMB cents per share)	<u>(0.37)</u>	<u>(0.49)</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.

	Group		Company	
	31 Mar 2018	31 Dec 2017	31 Mar 2018	31 Dec 2017
Net asset value (RMB'000)	73,910	76,185	58,562	59,451
Net asset value per share (RMB cents per share)	<u>11.97</u>	<u>12.34</u>	<u>9.49</u>	<u>9.63</u>

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

	1Q2018		1Q2017	
	RMB'000	%	RMB'000	%
Industrial wastegas treatment				
- Dust elimination	11,891	98.2	1,812	41.2
- Desulphurization	-	-	2,425	55.0
Sub-total	11,891	98.2	4,237	96.2
Industrial wastewater	-	-	166	3.8
Design, technical and others	215	1.8	-	-
	12,106	98.2	4,403	100.0

Revenue

Total revenue increased by 174.9% or RMB7.7 million, from RMB4.4 million in 1Q2017 to RMB12.1 million in 1Q2018. The revenue contributions came mainly from increased amount of uncompleted dust elimination contracts brought over from 2017, while the Group is still in the midst of tendering for desulphurization and industrial wastewater contracts.

Gross profit and gross profit margin

In line with the higher revenue, gross profit also increased by 172.1% or RMB2.1 million. However, the overall gross profit margin decreased marginally by 0.3%, from 28.5% in 1Q2017 to 28.2% in 1Q2018. The dust elimination contract performed in 1Q2017 generated higher gross profit margin (1Q2017: 59.0% vs 1Q2018: 27.2%) due to higher billing for its installation work, but it was dragged down by a small negative gross profit margin from desulphurization contract due to additional costs incurred from the outsourcing of work to sub-contractor.

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 RMB23,000 or 54.8%, from RMB42,000 in 1Q2017 to only RMB19,000 in 1Q2018 due mainly to the absence of bank deposits pledged in 1Q2018. Unlike 1Q2018, there was additional interest income derived from bank deposits pledged of RMB18.3 million to secure certain banking facilities in 1Q2017.

Other income

Other income decreased by RMB23,000, from RMB58,000 in 1Q2017 to RMB35,000 in 1Q2018 due mainly to the absence of exchange gain of RMB58,000, partly offset by an one-off unclaimed cash distribution received from CDP of RMB35,000 in 1Q2018.

Other items of expense

Selling and distribution expenses increased by RMB0.1 million or 16.9%, from RMB0.3 million in 1Q2017 to RMB0.4 million in 1Q2018 due mainly to headcount additions of RMB64,000 to support the increased business activities and higher entertainment and travelling expenses of RMB41,000 which were in line with the increase in revenue, partly offset by lower operating rental paid of RMB32,000 as certain leases relating to sales offices were terminated so that the Group can pooled its resources to better service its customers from certain geographical regions.

Administrative expenses also increased by 34.3% or RMB1.1 million, from RMB3.0 million in 1Q2017 to RMB4.1 million in 1Q2018 attributed to higher payroll and related costs of RMB0.3 million as a result of additions in headcount and normal pay was resumed for management in 1Q2018. Previously, in the same period of last year, 20% of managements' remunerations were withheld and were only paid at end of 2017 when certain performance targets were met. In addition, there was higher travelling and entertainment expenses of RMB0.6 million, which was in line with the increase in revenue and one-off consultancy fees relating to application for municipal qualification of RMB0.1 million

Higher finance costs were incurred of RMB0.2 million due to higher weighted average interest rate (1Q2018: 5.87% vs 1Q2017: 5.65%) despite a lower average loan quantum of RMB65.0 million obtained in 1Q2018 as opposed to RMB75.0 million in 1Q2017.

Income tax expense

There was no income tax expense in 1Q2017 and 1Q2018 as the holding company and its subsidiaries were in loss making positions.

Loss after taxation

In view of the above, loss after taxation improved by RMB0.7 million or 25.1%, from RMB3.0 million in 1Q2017 to RMB2.3 million in 1Q2018.

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 RMB12.4 million and comprised property, plant and equipment ("PPE") of RMB10.0 million and intangible assets of RMB2.4 million as at 31 March 2018. The increase in PPE of RMB0.6 million was attributed mainly to additions of a motor vehicle and mobile phone of RMB0.8 million in aggregate, partly offset by depreciation of RMB0.2 million during the financial period.

Intangible assets amounted to RMB2.4 million and comprised patents of RMB0.7 million and deferred development costs of RMB1.7 million as at 31 March 2018. The decrease in intangible assets of RMB0.4 million was attributed mainly to amortization in 1Q2018. The patent in relation to an internally developed new dust elimination technology with pulsating rotary positioning mechanism have a remaining tenure of 80 months (2017: 83 months) as at 31 March 2018 respectively. In the case of the deferred development costs, they have an average amortization period of 8 months (2017: 11 months) as at 31 March 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 RMB253.4 million and RMB222.7 million as at end of 31 March 2018 and 31 December 2017 respectively. Our current assets accounted for 95.3% and 94.8% of our total assets as at 31 March 2018 and 31 December 2017 respectively.

Contract assets amounted to RMB96.0 million and RMB59.2 million as at 31 March 2018 and 31 December 2017 respectively and accounted for 37.9% and 26.6% of our current assets as at 31 March 2018 and 31 December 2017 respectively. The increase of RMB36.8 million was mainly due to work performed in 1Q2018 which have not reached billing milestones.

Inventories were relatively unchanged at RMB1.3 million as at 31 March 2018 and 31 December 2017. 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 RMB56.8 million and RMB48.1 million as at 31 March 2018 and 31 December 2017 respectively, and accounted for approximately 22.4% and 21.6% of our current assets as at the respective balance sheet dates. Trade receivables and retention monies amounted to RMB15.0 million as at 31 March 2018, representing a decrease of RMB3.1 million due to collections from customers.

Bills receivable received from the customers for settlement of debts amounted to RMB1.0 million and nil as at 31 March 2018 and 31 December 2017 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 RMB40.8 million and RMB30.0 million as at 31 March 2018 and 31 December 2017 respectively. The increase of RMB10.8 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 2018 and procurement of raw materials for various project sites of RMB9.7 million. In addition, VAT receivables also increased by RMB1.0 million, which was in line with the increase in revenue.

Prepayments comprised prepaid operating expenses, advances to trade and non-trade suppliers amounted to RMB92.2 million and RMB95.1 million as at 31 March 2018 and 31 December 2017 respectively. The decrease of RMB2.9 million was due to refund from certain supplier of RMB15.0 million as a result of termination of a contract and offset against trade payables of RMB2.3 million due to receipt of raw materials and invoices, partly offset by procurement of raw materials of RMB14.4 million for contracts already secured and to be performed in 2Q2018 onwards. These advances will be offset against trade payables when certain performance milestones have been achieved.

Bank deposits pledged decreased by RMB1.6 million, from RMB1.6 million as at 31 December 2017 to nil as at 31 March 2018 due to full settlement of bills payable upon its maturity and released of performance guarantee for certain contract as it was no longer required. .

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)

Cash and cash equivalents amounted to RMB7.1 million and RMB17.4 million as at 31 March 2018 and 31 December 2017 respectively, and accounted for approximately 2.8% and 7.8% of our current assets as at the respective balance sheet dates. Operational cash outflows for 1Q2018 was RMB15.3 million as opposed to RMB24.3 million in the previous period as the total changes in working capital improved by RMB8.1 million due mainly to the increase in trade and other receivables and prepayments were lower by RMB2.8 million and RMB23.3 million respectively. In addition, the decrease in other liabilities was also lower by RMB11.6 million. The improvement in working capital of RMB37.7 million was partly offset by the increase in contract assets and the decrease in trade and other payables were both higher by RMB28.7 million and RMB0.8 million respectively. In addition, the decrease in contract liabilities was also lower by RMB0.1 million.

Net cash used in investing activities decreased to RMB0.1 million due to lower spending on capital expenditure in 1Q2018.

Net cash from financing activities was RMB5.8 million, an increase of RMB0.9 million over 1Q2017 due to no pledge of new bank deposit coupled by the previous year's bank deposits pledged for the bills payable and performance guarantee have expired and released, which resulted in a net decrease in bank deposit pledged of RMB13.5 million in 1Q2018, partly offset by net repayments from bills payable of RMB12.6 million as no new bills payable was taken up and the previous outstanding as at 31 December 2017 was fully settled in 1Q2018.

Our current liabilities comprised mainly contract liabilities, trade and other payables, loans and borrowings, other liabilities and income tax payable. Our current liabilities amounted to RMB191.9 million and RMB158.7 million as at 31 March 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 increased by RMB44.6 million or 100% as at 31 March 2018 relating to ongoing contracts because as at 31 December 2017, 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 RMB41.8 million, representing a decrease of RMB4.6 million over 31 December 2017 due to payments made to suppliers in 1Q2018, partly offset by procurement of raw materials, which was in line with the increase in business activities.

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.

The bills payable of RMB0.8 million as at 31 December 2017 was fully settled and no fresh bills payable was during the financial period which accounted for the nil balance in 1Q2018.

Loans and borrowings increased from RMB60.0 million as at 31 December 2017 to RMB65.0 million as at 31 March 2018 to fund the increase in business activities.

Other liabilities comprised accrued purchases, VAT, salaries and travelling expenses, other operating expenses, advances from customers and welfare expenses. Other liabilities amounted to RMB24.4 million and RMB33.4 million as at 31 March 2018 and 31 December 2017 respectively.

Accrued purchases, payroll and related expenses, operating expenses and welfare expenses amounted to RMB18.4 million and RMB19.6 million as at 31 March 2018 and 31 December 2017 respectively. The decrease of RMB1.2 million was attributed mainly to lower accrued purchases of RMB0.2 million due to receipt of actual invoices, so the amounts were transferred to trade payables and operating expenses of RMB1.0 million due to payments for the long overdue liabilities .

Advances from customers were RMB6.0 million and RMB13.8 million as at 31 March 2018 and 31 December 2017 respectively. Lower advances were received from customers of RMB7.8 million as the Group is still in the midst of tendering for industrial wastegas and wastewater contracts.

Income tax payable remained unchanged at RMB0.1 million each as at 31 March 2018 and 31 December 2017 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 common reserve, 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. Loss attributable to owners of the Company and non-controlling interests amounted to RMB2.3 million and nil in the current period respectively. Consequently, total equity decreased to RMB73.9 million as at 31 March 2018, 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 business outlook remains favourable as China's economy grew 6.8 percent in the first quarter of 2018, buoyed by strong consumer demand and robust property investment. Recently, the PRC government has established the new Ministry of Ecology and Environment, which has extensive powers to curb environmental pollution. Such development bodes well for the environmental industry and is testament to the PRC government's strong commitment to combat pollution and protect the environment. Going forward, further tightening of environmental laws is expected, which will culminate in increased business opportunities for environmental protection. On the business front, the Group has increased its participations in the tendering of industrial wastegas and wastewater contracts and has added new headcounts to support the potential increase in business activities in 2018. Notwithstanding the brighter business prospects, the Group still needs to maintain prudence in its spending to ensure that it has sufficient cash flows for its operations in the next twelve months.

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/recommendeded, a statement to that effect.**

No dividend for the three months ended 31 March 2018 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

11 May 2018

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 2018 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

11 May 2018

Goh Kay Seng Edwin
Independent Non-Executive Director

11 May 2018