



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 Third Quarter and the Nine Months Ended 30 September 2016

Unaudited Financial Statement and Dividend Announcement for the Third Quarter Ended 30 September 2016 of Leader Environmental Technologies Limited ("Company") and Its Subsidiaries (Collectively, the "Group")

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) Income statement and statement of comprehensive income, or a statement of comprehensive income, for the group together with a comparative statement for the corresponding period of immediately preceding year.

The Group's operations are principally conducted in the People's Republic of China ("PRC"). Accordingly, the consolidated financial statements have been prepared in Chinese Renminbi ("RMB"), being the functional currency of the Group.

Consolidated Statement of Comprehensive Income

	Group Unaudited 3 Months Ended			Group Unaudited 9 Months Ended		
	30.9.16 ("3Q2016") RMB'000	30.9.15 ("3Q2015") RMB'000	Change %	30.9.16 ("9M2016") RMB'000	30.9.15 ("9M2015") RMB'000	Change %
Revenue	21,078	7,073	198.0	29,636	31,417	(5.7)
Cost of sales	(19,027)	(5,279)	260.4	(25,099)	(18,863)	33.1
Gross profit	2,051	1,794	14.3	4,537	12,554	(63.9)
Financial income	3	41	(92.7)	82	1,166	(93.0)
Other income	4,804	5	NM	10,334	148	NM
Selling and distribution expenses	(259)	(389)	(33.4)	(1,090)	(1,379)	(21.0)
Administrative expenses	(3,528)	(6,451)	(45.3)	(11,642)	(12,796)	(9.0)
Finance cost	(921)	(1,911)	(51.8)	(2,933)	(5,737)	(48.9)
Other expenses	(63)	(250,354)	NM	(63)	(250,479)	NM
Share of results of associate company	-	-	-	-	(275)	NM
Profit/(loss) before tax	2,087	(257,265)	NM	(775)	(256,798)	(99.7)
Taxation	129	4,643	(97.2)	2,322	4,009	(42.1)
Profit/(loss) for the period representing total comprehensive profit/(loss) attributable to owners of the Company	2,216	(252,622)	NM	1,547	(252,789)	NM
Profit/(loss) and total comprehensive profit/(loss) for the period attributable to:						
Owners of the Company	2,252	-	NM	1,644	-	NM
Non-controlling interest	(36)	-	NM	(97)	-	NM
	2,216	-		1,547	-	

There are no comprehensive income 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) Profit/(loss) before income tax is arrived at after charging/(crediting) the following:

	Group			Group		
	Unaudited 3 Months Ended		Change	Unaudited 9 Months Ended		Change
	30.9.16 RMB'000	30.9.15 RMB'000		30.9.16 RMB'000	30.9.15 RMB'000	
Depreciation of property, plant and equipment	205	208	(1.4)	632	617	2.4
Fixed asset written off	-	-	-	32	-	NM
Amortisation of intangible assets and club membership	670	355	88.7	2,008	1,084	85.2
Impairment loss on investment in associate	-	3,440	NM	-	3,440	NM
Gain on disposal of equity interest in associate	-	-	-	(4,750)	-	NM
Allowance for impairment of trade receivables	-	161,213	NM	-	161,213	NM
Allowance for impairment of advances to supplier	-	84,743	NM	-	84,743	NM
Other non-trade supplier written off	-	503	NM	-	503	NM
Write-back of allowance for impairment of trade receivables	(4,350)	-	-	(4,350)	-	NM
Amount recovered from non-trade supplier	(503)	-	-	(503)	-	NM
Operating lease expenses	196	264	(25.8)	656	776	(15.5)
Interest expense	921	1,911	(51.8)	2,933	5,737	(48.9)
Interest income	(3)	(41)	(92.7)	(82)	(1,166)	(93.0)
Inventories recognised as an expense in cost of goods sold	6,269	5,299	18.3	10,206	7,721	32.2
Employee compensations	1,838	1,527	20.4	5,541	5,276	5.0
Fair value of shares issued pursuant to LET Performance Share scheme	-	2,798	NM	-	2,798	NM
Exchange loss/(gain)	63	396	NM	(682)	521	NM

NM: Not meaningful

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	Unaudited	Unaudited	Unaudited
	30.9.16	31.12.15	30.9.16	31.12.15
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	10,818	10,970	1	2
Intangible assets	3,600	5,573	-	-
Club membership	682	717	-	-
Investment in subsidiary	-	-	85,112	75,000
	15,100	17,260	85,113	75,002
Current assets				
Gross amount due from customers for contract work-in-progress	20,083	18,193	-	-
Inventories	1,344	1,342	-	-
Trade and other receivables	27,027	30,230	46	-
Prepayments	102,556	116,355	110	69
Bank deposits pledged	78	17,960	-	-
Cash and cash equivalents	18,897	26,097	2,271	9,371
	169,985	210,177	2,427	9,440
Total assets	185,085	227,437	87,540	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	(193,809)	(195,453)	(139,222)	(141,891)
	62,232	60,588	85,525	82,856
Non-controlling interest	(59)	18	-	-
Total equity	62,173	60,606	85,525	82,856
Current liabilities				
Gross amount due to customers for contract work-in-progress	8,090	573	-	-
Trade and other payables	29,949	61,772	680	421
Loans and borrowings	80,000	97,000	-	-
Other liabilities	4,726	7,338	1,335	1,165
Income tax payable	147	148	-	-
	122,912	166,831	2,015	1,586
Total liabilities and equity	185,085	227,437	87,540	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 30.9.2016	As at 31.12.2015
	RMB'000	RMB'000
Amount repayable in one year or less, or on demand		
- secured	-	17,000
- unsecured	80,000	80,000
	<u>80,000</u>	<u>97,000</u>
Amount repayable after one year		
- secured	-	-
- unsecured	-	-
	<u>-</u>	<u>-</u>

Details of any collateral

As at 30 September 2016, RMB80.0 million (31 December 2015: RMB80.0 million) of the short term loans and borrowings were guaranteed by way of a corporate guarantee from the Company and personal guarantees by the Executive Chairman cum Chief Executive Officer of the Company and his spouse. No new loan was obtained during the financial period in 9M2016.

The additional loan of RMB17.0 million obtained as at 31 December 2015, which was secured by bank deposits pledged of RMB18.0 million, was fully repaid on 29 January 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	
	Unaudited 9 months ended	
	30.9.16	30.9.15
	RMB'000	RMB'000
Cash Flows from Operating Activities		
Loss before tax	(775)	(256,798)
<u>Adjustments for :</u>		
Fair value of shares issued pursuant to LET Performance Share Scheme	-	2,798
Depreciation of property, plant and equipment	632	617
Amortisation of intangible assets	2,008	1,084
Fixed assets written off	32	-
Interest income	(82)	(1,166)
Finance costs	2,933	5,737
Share of results of associate	-	275
Impairment loss on investment in associate	-	3,440
Allowance for impairment of trade receivables	-	161,213
Allowance for impairment of advances to supplier	-	84,743
Write-back of allowance for impairment of trade receivables	(4,350)	-
Other non-trade supplier written off	-	503
Gain on disposal of equity interest in associate	(4,750)	-
Unrealised exchange (gain)/loss	(682)	521
Total adjustments	(4,259)	259,765
Operating (loss)/profit before working capital changes	(5,034)	2,967
Increase in gross amount due from customers for contract work-in-progress	(1,890)	(23,453)
(Increase)/decrease in inventories	(2)	407
Decrease in trade and other receivables	7,573	6,242
Decrease/(increase) in prepayments	13,799	(41,569)
Increase in gross amount due to customers for contract work-in-progress	7,517	43,141
Decrease in trade and other payables	(11,901)	(8,890)
Decrease in other liabilities	(2,612)	(15,584)
Cash flows generated from/(used in) operations	7,450	(36,739)
Interest income received	82	1,166
Interest expenses paid	(2,933)	(5,737)
Refund of prior years' income taxes	2,828	-
Income taxes paid	(507)	(1,748)
Net cash generated from/(used in) operating activities	6,920	(43,058)
Cash Flows from Investing Activities		
Proceeds from disposal of equity interest in associate	4,750	-
Purchase of property, plant and equipment	(142)	(1,350)
Construction in progress on solar photovoltaic plant	(370)	-
Net cash generated from/(used in) investing activities	4,238	(1,350)
Cash Flows from Financing Activities		
Proceeds from issuance of new shares pursuant to the private placement	-	10,749
Share issuance expenses	-	(249)
Repayment of loan to third party	(20,000)	-
Proceeds from loans and borrowings	30,000	47,000
Repayments of loans and borrowings	(47,000)	(92,600)
Proceeds from/(repayments of) bills payable - net	78	(232)
Decrease in bank deposits pledged	17,882	44,212
Net cash (used in)/generated from financing activities	(19,040)	8,880
Net decrease in cash and cash equivalents	(7,882)	(35,528)
Exchange differences on translation of cash and cash equivalents	682	(521)
Cash and cash equivalents at 1 January	26,097	75,051
Cash and cash equivalents as at 30 September (Note A)	18,897	39,002

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

Consolidated statement of cash flows (cont'd)

	Group	
	As at	
	30.9.16	30.9.15
	RMB'000	RMB'000
Note A: Cash and cash equivalents		
Cash and bank balances	18,975	56,962
Less: bank deposits pledged	(78)	(17,960)
Cash and cash equivalents	<u>18,897</u>	<u>39,002</u>

As at 30 September 2016, bank deposits pledged of RMB78,000 relate solely to bills payable to suppliers. These bills payable have a maturity period of 180 days and are non-interest bearing. Conversely, the bank deposits pledged as at 30 September 2015, comprised placement of RMB18.0 million to secure additional loan amount of RMB17.0 million from China Merchants Bank.

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

Group

Group	<u>Attributable to the owners of the Company</u>						Total RMB'000
	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	
Balance at 1 January 2016	224,747	31,748	(454)	(195,453)	60,588	18	60,606
Profit/(loss) for the period, representing total comprehensive profit/(loss) for the period	-	-	-	1,644	1,644	(97)	1,547
Issuance of new ordinary shares in subsidiary - unpaid	-	-	-	-	-	20	20
Balance at 30 September 2016	224,747	31,748	(454)	(193,809)	62,232	(59)	62,173

	<u>Attributable to the owners of the Company</u>						
	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'001	Total equity RMB'001
Balance at 1 January 2015	211,449	31,748	(454)	77,110	319,853	-	319,853
Loss for the period, representing comprehensive loss for the period	-	-	-	(252,789)	(252,789)	-	(252,789)
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
	224,747	31,748	(454)	(175,679)	80,362	-	80,362
Incorporation of new subsidiary	-	-	-	-	-	6	6
Balance at 30 September 2015	224,747	31,748	(454)	(175,679)	80,362	6	80,368

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

Company

	Share capital RMB'000	Accumulated loss RMB'000	Total RMB'000
Balance at 1 January 2016	224,747	(141,891)	82,856
Profit for the period, representing comprehensive profit for the period	-	2,669	2,669
Balance at 30 September 2016	224,747	(139,222)	85,525

	Share capital RMB'000	Accumulated loss RMB'000	Total RMB'000
Balance at 1 January 2015	211,449	(12,270)	199,179
Loss for the period, representing comprehensive loss for the period	-	(132,115)	(132,115)
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 30 September 2015	224,747	(144,385)	80,362

- 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 30 September 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**

	30.9.2016	31.12.2015
Total number of shares issued at end of period/year	<u>617,209,000</u>	<u>617,209,000</u>

The Company does not have any treasury shares as at 30 September 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 30 September 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.**

The financial statements presented above have not been audited or reviewed by the Company's auditors.

3. **Where the figures have been audited or reviewed, please provide a statement on whether there are any qualifications or emphasis of matter.**

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

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 periods divided by the weighted average of 617,209,000 ordinary shares for the nine month ended 30 September 2016 (9M2015: 567,799,269 ordinary shares).

	Group	
	Jan to Sep 2016	Jan to Sep 2015
Profit/(loss) after tax attributable to owners of the Company (RMB'000)	1,644	(252,789)
Basic earnings/(loss) per share (RMB cents per share)	0.27	(44.52)

There were no potential dilutive options for the periods.

7. **Net asset value (for the issuer and Group) per ordinary share based on issued share capital of the issuer at the end of the:-**

- (a) **current financial period reported on; and**
(b) **immediately preceding financial year.**

	Group		Company	
	30.9.16	31.12.15	30.9.16	31.12.15
Net asset value (RMB'000)	62,232	60,588	85,525	82,856
Net asset value per share (RMB cents per share)	10.08	9.82	13.86	13.42

Net asset value for the Group and Company as at 30 September 2016 and 31 December 2015 were computed based on 617,209,000 ordinary shares in issue at the end of the financial period/year respectively.

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

- (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

	3Q2016 RMB'000	%	3Q2015 RMB'000	%	9M2016 RMB'000	%	9M2015 RMB'000	%
Industrial wastegas treatment								
- Dust elimination	18,085	85.8	5,362	75.8	22,624	76.4	13,338	42.4
- Desulphurization	-	-	335	4.8	1,906	6.4	12,000	38.2
- Denitrification	-	-	1,204	17.0	-	-	2,322	7.4
Industrial wastewater	2,993	14.2	172	2.4	5,106	17.2	374	1.2
Operation and maintenance	-	-	-	-	-	-	3,383	10.8
	21,078	100.0	7,073	100.0	29,636	100.0	31,417	100.0

Revenue

Total revenue decreased by RMB1.8 million or 5.7%, from RMB31.4 million in 9M2015 to RMB29.6 million in 9M2016. The revenue decline was narrowed to only 5.7% in 9M2016 as opposed to 64.8% in HY2016 because of increased work activities in dust elimination and industrial wastewater contracts in 3Q2016. Current quarter's revenue represents an increase of 198.0% when compared against 3Q2015.

The absence of engineering, procurement and engineering works relating to desulphurization and denitrification in 3Q2016 contributed to the decrease in revenue of both segments by RMB10.1 million and RMB2.3 million respectively in 9M2016.

The termination of the operation and maintenance ("O&M") contract after 2Q2015, which the Group could not find suitable replacement, also accounted for the decrease in revenue of RMB3.4 million in 9M2016.

The decrease in revenue was partly offset by the increase in revenue from dust elimination and industrial wastewater segment of RMB9.3 million and RMB4.7 million respectively in 9M2016 because of increased work activities in 3Q2016.

Total gross profit decreased by RMB8.1 million or 63.9%, from RMB12.6 million in 9M2015 to RMB4.5 million in 9M2016. The lower gross profit was generally in tandem with the above-mentioned explanations for the decrease in revenue, which resulted in decrease in gross profit from desulphurization segment of RMB3.1 million, denitrification segment of RMB1.5 million and O&M segment of RMB1.8 million. In the case of dust elimination segment, notwithstanding the increase in revenue of RMB9.3 million in 9M2016, gross profit decreased by RMB4.3 million instead because the contract sizes were smaller. In addition, premium was charged on a customer from the oil and gas industry in 9M2015 for applying the Group's latest patented dust elimination technology. There was no such premium in 9M2016. The overall decrease in gross profit of RMB10.7 million in 9M2016 was partly offset by higher gross profit derived from industrial wastewater segment of RMB2.6 million in 9M2016, in line with the increased work activities in 2Q and 3Q2016.

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

Overall gross profit margin decreased from 22.5% in 3Q2015 to 9.7% in 3Q2016, which impacted the overall gross profit margin to 15.3% in 9M2016 and comparing against the overall gross profit margin derived in 9M2015 of 40.0%, there was a decrease of 24.7%.

The dust elimination segment was the main reason for the relatively low gross profit margin. It only generated an average gross profit margin of 8.3% in 9M2016, down from 16.3% in HY2016 as the gross margin was dragged down by two new contracts undertaken in 3Q2016 with an average gross profit margin of only 4.8%. These contracts were used as experimental basis for testing of the Group's newly developed technology and if the results are proven to be positive, the Group could start to bid for bigger contracts and to charge higher premium. In addition, extension of work activities on two previous dust elimination contracts in 2Q2016, which generated an average gross profit margin of 11.9% in 9M2016, also contributed to the overall decrease in gross profit margin in 9M2016.

Financial income

Higher financial income was derived in 9M2015 of RMB1.2 million when compared against 9M2016 because interest income of RMB1.0 million relating to FY2014 was inadvertently recognized in 9M2015.

Other income

Other income for 9M2016 increased by RMB10.2 million from RMB0.1 million in 9M2015 to RMB10.3 million in 9M2016 due to the disposal of equity interest in 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 RMB0.7 million derived from the translation of SGD bank balances. In addition, the Group wrote-back allowance for impairment of trade receivables of RMB4.3 million and recovered a written off receivable of RMB0.5 million from the tax authority. 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 RMB10.0 million by end of next financial year. On prudent ground, no write-back of the allowance for impairment for RMB10.0 million has been made. In the case of the amount recovered from the tax authority of RMB0.5 million, the corporate tax paid was initially assessed to be non-recoverable after the tax authority repeatedly disputed on the tax loss for FY2012. A subsequent tax review was performed recently and the tax authority approved the tax loss amount and refunded the Group the tax paid amount of RMB0.5 million.

For 9M2016, selling and distribution expenses decreased by RMB0.3 million or 21.0%, from RMB1.4 million in 9M2015 to RMB1.1 million in 9M2016 due to lower payroll and related costs of RMB0.2 million as a result of resignation of sales manager, office expenses and travelling and entertainment expenses of RMB0.1 million each as the sales team worked on fewer tenders of contracts in 9M2016 as substantial part of the works were already performed in FY2015 relating to 2016's tenders. The decrease of RMB0.4 million was partly offset by higher miscellaneous expenses of RMB0.1 million.

Administrative expenses decreased by RMB1.2 million or 9.0%, from RMB12.8 million in 9M2015 to RMB11.6 million in 9M2016 due to the absence of issuance of LET performance shares of RMB2.8 million in 3Q2015, decrease in staff payroll and related costs of RMB1.2 million. Unlike 9M2015, certain technical consultants engaged on contract basis were not paid as they did not perform any advisory works in 9M2016. In addition, travelling and entertainment expenses and others also decreased by RMB0.2 million and RMB0.3 million respectively in 9M2016. Management incurred less airfares relating to due diligence on potential acquisition targets in 9M2016. The decrease of RMB4.5 million was partly offset by new payroll and other operating expenses incurred of RMB2.0 million in aggregate, relating to the new subsidiaries set up in 4Q2015 for the photovoltaic business. Amortization expenses of patents relating to dust elimination technology and deferred development cost also increased by RMB0.9 million in 9M2016 because of the acceleration in the amortization from 10 years and 6 years respectively to 36 months and 18 months respectively after a review of their useful life. There was also an increase in tax paid of RMB0.4 million relating to the issuance of official tax invoices on transactions that have reached billing milestones in 9M2016.

Lower finance costs of RMB2.9 million were incurred in 9M2016 against RMB5.7 million in the same corresponding period of last year due to lower loan quantum obtained and interest rate offered by China Merchants Bank.

Higher other expenses of RMB250.4 million were incurred in 9M2015 due to the impairment charges recognized mainly on the investment in associate, trade receivables and advances to supplier. There was no such expense in 9M2016.

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

The share of results of associate decreased by RMB0.3 million, from RMB0.3 million in 9M2015 to nil in 9M2016 because the investment was fully impaired in FY2015.

Income tax expense

The tax assessments for financial years ended 31 December 2012, 2014 and 2015 respectively were finalized by the PRC Tax Authority in 9M2016. 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 RMB3.3 million in aggregate were paid to the Anjie in 9M2016, of which RMB0.5 million was recorded as amount recovered from non-trade supplier under other income instead of tax credit because the amount was previously recognized as non-trade supplier written off in FY2015 (please refer to other income for explanations). The tax credits of RMB2.8 million were partly offset by tax expense of RMB0.5 million in 3Q2016.

Profit/(loss) after taxation

In line with the absence of impairment charges, higher other income, lower selling and distribution expenses and administrative expenses partly offset by decrease in revenue and gross profit and tax credits, the Group recorded profit after taxation of RMB1.5 million in 9M2016 against loss after taxation of RMB252.8 million in 9M2015.

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

Balance sheet review

Non-current assets amounted to RMB15.1 million and comprised property, plant and equipment ("PPE") of RMB10.8 million, intangible assets of RMB3.6 million and club membership of RMB0.7 million as at 30 September 2016. The decrease in PPE of RMB0.2 million was attributed mainly to depreciation charge and fixed asset written off of RMB0.7 million in aggregate, partly offset by construction in progress on solar photovoltaic plant of RMB0.4 million as this is still under the exploratory stage and purchase of furniture of RMB0.1 million. In 9M2016, 4 units of commercial properties with a net book value of RMB6.7 million were pledged to the China Merchants bank for RMB5.0 million for purpose of issuing performance guarantees directly to customers on the contracts secured. As of to-date, performance guarantees of RMB3.3 million had been issued to the customer from the aviation industry.

Intangible assets amounted to RMB3.6 million and comprised patents of RMB2.0 million and deferred development costs of RMB1.6 million as at 30 September 2016. The decrease in intangible assets of RMB2.0 million was attributed mainly to amortization in 9M2016. The Group had performed a review of the useful life in 2Q2016 and accelerated the amortization of the patents and deferred development costs from 120 months and 72 months respectively to 60 months and 18 months respectively, which resulted in an increase in amortization by RMB0.9 million to RMB2.0 million in 9M2016. With the revision in the amortization rates, the patents in relation to an internally developed new dust elimination technology with pulsating rotary positioning mechanism have a remaining tenure of 51 months (2015: 107 months) as at 30 September 2016. In the case of the deferred development costs, they have an average amortization period of 9 months (2015: 35 months) as at 30 September 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 30 September 2016, the club membership has a remaining useful life of 176 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 RMB170.0 million and RMB210.2 million as at end of 30 September 2016 and 31 December 2015 respectively. Our current assets accounted for 91.8% and 92.4% of our total assets as at 30 September 2016 and 31 December 2015 respectively. The decrease in current assets of RMB40.2 million was attributed to decreases in trade and other receivables of RMB3.2 million, prepayments of RMB13.8 million, bank deposits pledged of RMB17.9 million and cash and cash equivalents of RMB7.2 million, partly offset by increases in gross amount due from customers for contract work-in-progress of RMB1.9 million.

Amount due from customers for contract work-in-progress relates to unbilled trade receivables and amounted to RMB20.1 million and RMB18.2 million as at 30 September 2016 and 31 December 2015 respectively, constituting 11.8% and 8.7% of our current assets as at the respective dates. The increase of RMB1.9 million was mainly due to new work performed in 9M2016 which has yet to reach billing milestone.

Inventories were relatively flat at RMB1.3 million as at 30 September 2016 and 31 December 2015. The Group normally does not maintain high level of inventories in the warehouse due to relatively short purchasing lead time.

Trade and other receivables comprised trade receivables, bills receivable, retention monies and other receivables amounted to RMB27.0 million and RMB30.2 million as at 30 September 2016 and 31 December 2015 respectively, and accounted for 15.9% and 14.4% of our current assets as at the respective balance sheet dates. Trade receivables and retention monies amounted to RMB12.1 million as at 30 September 2016, representing a decrease of RMB8.4 million from 31 December 2015. The decrease was attributed to collections during the financial period.

Bills receivable received from the customers for settlement of debts amounted to RMB4.0 million and RMB3.5 million as at 30 September 2016 and 31 December 2015 respectively. The increase of RMB0.5 million was due to higher bills receivable obtained from certain customer to repay its debt.

Other receivables comprised advances to employees for business purposes, bidding deposits and tax recoverable. Other receivables amounted to RMB10.9 million and RMB6.2 million as at 30 September 2016 and 31 December 2015 respectively. The increase of RMB4.7 million was mainly attributed to the placement of bidding deposits placed with the customers for the tender of industrial wastegas and wastewater contracts for second half of FY2016.

Prepayments comprised prepaid operating expenses, advances to trade and non-trade suppliers amounted to RMB102.6 million and RMB116.4 million as at 30 September 2016 and 31 December 2015 respectively. The decrease of RMB13.8 million was attributed to refund of advances from suppliers due to delays in certain contracts.

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

Bank deposits pledged decreased by RMB17.9 million, from RMB18.0 million as at 31 December 2015 to RMB0.1 million as at 30 September 2016 which was in line with the decrease in loans and borrowings.

Cash and cash equivalents amounted to RMB18.9 million and RMB26.1 million as at 30 September 2016 and 31 December 2015 respectively, and accounted for 11.1% and 12.4% of our current assets as at the respective balance sheet dates.

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 RMB122.9 million and RMB166.8 million as at 30 September 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 RMB43.9 million was attributed to decreases in trade and other payables of RMB31.8 million, loans and borrowings of RMB17.0 million and other liabilities of RMB2.6 million, partly offset by increase in gross amount due to customers for contract work-in-progress of RMB7.5 million.

Gross amount due to customers for contract work-in-progress amounted to RMB8.1 million and RMB0.6 million as at 30 September 2016 and 31 December 2015 respectively. The increase was attributed to increase in advances received from customers relating to on-going contracts.

Trade payables amounted to RMB26.7 million, representing a decrease of RMB12.9 million over FY2015 as a result of payments made during the financial period coupled by fewer purchases of raw materials for the contracts undertaken in 9M2016 as they were mostly procured in FY2015.

Other payables comprised primarily VAT and other operating tax payables and accruals of other operating expenses. Other payables amounted to RMB3.2 million and RMB22.1 million as at 30 September 2016 and 31 December 2015 respectively. The decrease of RMB18.8 million was attributed to repayments of third party loan of RMB20.0 million, partly offset by higher VAT accrued of RMB0.8 million as a result of more tax billings raised in 3Q2016 and others of RMB0.3 million as settlements of professional fees and other operating expenses were deferred to a later period.

New bills payable of RMB78,000 was issued to supplier as at 30 September 2016 which accounted mainly for the increase. There was no such bills payable as at 31 December 2015.

Loans and borrowings decreased from RMB97.0 million as at 31 December 2015 to RMB80.0 million as at 30 September 2016 as a result of repayments made during the period.

Other liabilities comprised accrued purchases, salaries and travelling expenses and advances from customers. Other liabilities amounted to RMB4.7 million and RMB7.3 million as at 30 September 2016 and 31 December 2015 respectively.

Accrued output VAT, purchases, salaries and related expenses, operating expenses and welfare expenses amounted to RMB4.7 million and RMB6.9 million as at 30 September 2016 and 31 December 2015 respectively. The decrease of RMB2.2 million was mainly due to decrease in accrued purchases due to payments and fewer purchases of raw materials for the contracts undertaken in 9M2016 as they were mostly procured in FY2015.

Advances from customers amounted to nil and RMB0.4 million as at 30 September 2016 and 31 December 2015 respectively as there was no new contract signed during the financial period coupled by work has already commenced in this financial period on the advances received in 2015.

Income tax payable remained flat at RMB0.1 million each as at 30 September 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 RMB1.6 million and RMB97,000 in the current period respectively. Consequently, total equity increased to RMB62.1 million as at 30 September 2016, of which RMB62.2 million is attributable to owners of the Company.

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

CASHFLOWS

In 9M2016, operating loss before working capital changes amounted to RMB5.0 million. Net cash flows generated from operating activities amounted to RMB11.9 million attributed mainly to:

- (i) a decrease in trade and other receivables of RMB7.6 million;
- (ii) a decrease in prepayments of RMB13.8 million;
- (iii) a decrease in gross amount due to customers for contract work-in-progress of RMB7.5 million; and
- (iv) Refunds of prior years' income taxes paid of RMB2.8 million.

These were partly offset by:

- (i) a decrease in trade and other payables of RMB11.9 million;
- (ii) a decrease in other liabilities of RMB2.6 million;
- (iii) an increase in gross amount due from customers for work-in-progress of RMB1.9 million;
- (iv) payments of interest expenses of approximately RMB2.9 million incurred on the loans mainly from China Merchant Bank; and
- (v) Income taxes paid of RMB0.5 million.

Net cash inflow from investing activities of RMB4.2 million, attributed mainly from the disposal of 20% equity interest in associate of RMB4.7 million, partly offset by solar photovoltaic plant under construction of RMB0.4 million and purchase of office furniture of RMB0.1 million.

Net cash outflows from financing activities of RMB19.0 million, attributed to repayments of bank loans and borrowings, and third party loan of RMB47.0 million and RMB20.0 million respectively. The decrease of RMB67.0 million was partly offset by fresh loans obtained from China Merchants Bank of RMB30.0 million, a decrease in bank deposits pledged of RMB17.9 million which was in line with the decrease in bank loans and borrowings and proceeds from bills payable of RMB78,000.

Overall our cash and cash equivalents decreased by RMB7.9 million in 9M2016 partly offset by RMB0.7 million as a result of exchange gain from translation of cash and cash equivalents. In the light of the foregoing, overall cash and cash equivalents decreased from RMB26.1 million as at 31 December 2015 to RMB18.9 million as at 30 September 2016.

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.**

With its continuing emphasis on trade collections, the Group has made some headway in recovering RMB4.4 million of its long overdue trade receivables which were previously impaired in FY2015. The Group shall remain steadfast in its cash flow management to ensure there is sufficient working capital to finance its operations and meet capital commitments. The business environment is expected to remain challenging in the near term. Nonetheless, management is cautiously optimistic that given its healthy pipeline of contracts, the improved financial performance in the current quarter can be extended into the next quarter.

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/recommendedd, a statement to that effect.**

No dividend for the nine months ended 30 September 2016 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.

14. Update of usage of IPO and placement proceeds

As at 30 September 2016, the net proceeds from the Company's private placement have been utilised as follows:

Private placement on 22 June 2015

<u>Usage of private placement proceeds</u>	Net proceeds earmarked for working capital of the Company RMB'000	Net proceeds re-allocated from construction and operation of new energy to working capital of the subsidiary RMB'000	Group Total RMB'000
Balance as at 1 July 2016	893	6,286	7,179
Less amount utilised for working capital during the financial period:			
Directors' remunerations, fees and staff payroll and related costs	(469)	(442)	(911)
Compliance costs	(424)	-	(424)
Legal fees incurred for the loan renewal, private placement and advisory work	-	-	-
Printing and courier charges	-	-	-
Intercompany settlement	-	-	-
Corporate income tax	-	-	-
Payments of suppliers for raw materials	-	(4,601)	(4,601)
Others *	-	(1,243)	(1,243)
Balance as at 30 September 2016	<u>-</u>	<u>-</u>	<u>-</u>

* Others comprised office rental, travelling, promotional expenses and miscellaneous expenses.

BY ORDER OF THE BOARD
Leader Environmental Technologies Limited

Lin Baiyin
 Executive Chairman and Chief Executive Officer

14 November 2016

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 third quarter and the nine months' financial results for the period ended 30 September 2016 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD
Leader Environmental Technologies Limited

Lin Baiyin
Executive Chairman and Chief Executive Officer

14 November 2016

Zang Linying
Executive Director and Finance Director