



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 Second Quarter and the Six Months Ended 30 June 2016

Unaudited Financial Statement and Dividend Announcement for the Half-year Ended 30 June 2016 of Leader Environmental Technologies Limited (the “Company” or “LET”) 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.

	Group Unaudited 3 Months Ended			Group Unaudited 6 Months Ended		
	30.6.16 ("2Q2016") RMB'000	30.6.15 ("2Q2015") RMB'000	change %	30.6.16 ("HY2016") RMB'000	30.6.15 ("HY2015") RMB'000	change %
Revenue	5,914	14,327	(58.7)	8,558	24,344	(64.8)
Cost of sales	(4,604)	(9,429)	(51.2)	(6,072)	(13,584)	(55.3)
Gross profit	1,310	4,898	(73.3)	2,486	10,760	(76.9)
Financial income	-	79	NM	79	1,125	(93.0)
Other income	5,127	143	3,485.3	5,530	143	3,767.1
Selling and distribution expenses	(385)	(477)	(19.3)	(831)	(990)	(16.1)
Administrative expenses	(4,776)	(3,321)	43.8	(8,114)	(6,345)	27.9
Finance costs	(943)	(1,938)	(51.3)	(2,012)	(3,826)	(47.4)
Other expenses	-	-	NM	-	(125)	NM
Share of results of associate company	-	(58)	NM	-	(275)	NM
(Loss)/profit before taxation	333	(674)	NM	(2,862)	467	NM
Taxation	2,194	(14)	NM	2,193	(634)	NM
(Loss)/profit for the period and total comprehensive (expense)/income for the period*	2,527	(688)	NM	(669)	(167)	NM
(Loss)/profit and total comprehensive (loss)/profit for the period attributable to:						
Owners of the Company	2,570	(688)	NM	(608)	(167)	264.1
Non-controlling interest	(43)	-	NM	(61)	-	NM
	2,527	(688)		(669)	(167)	

* There are no other comprehensive income and expense 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)/profit before income tax is arrived at after charging/(crediting) the following:

	Group			Group		
	Unaudited 3 Months Ended		change	Unaudited 6 Months Ended		change
	30.6.16	30.6.15		30.6.16	30.6.15	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Depreciation of property, plant and equipment	207	209	(1.0)	427	409	4.4
Fixed asset written off	-	-	-	32	-	NM
Amortisation of intangible assets and club membership	983	363	170.8	1,338	729	83.5
Operating lease expenses	201	256	(21.5)	460	512	(10.2)
Interest expense	943	1,938	(51.3)	2,012	3,826	(47.4)
Interest income	-	79	NM	(79)	(1,125)	(93.0)
Inventories recognised as an expense in cost of goods sold	3,903	2,285	70.8	3,937	2,422	62.6
Employee compensations	1,837	1,853	(0.9)	3,703	3,749	(1.2)
Exchange (gain)/loss	(378)	(41)	822.0	(745)	125	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 As at		Company As at	
	30.6.16 RMB'000	31.12.15 RMB'000	30.6.16 RMB'000	31.12.15 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	10,511	10,970	1	2
Intangible assets	4,258	5,573	-	-
Club membership	694	717	-	-
Investment in subsidiaries	-	-	85,112	75,000
	15,463	17,260	85,113	75,002
Current assets				
Gross amount due from customers for contract work-in-progress	27,406	18,193	-	-
Inventories	1,382	1,342	-	-
Trade and other receivables	29,729	30,230	145	-
Prepayments	105,272	116,355	43	69
Bank deposits pledged	78	17,960	-	-
Cash and cash equivalents	15,297	26,097	3,301	9,371
	179,164	210,177	3,489	9,440
Total assets	194,627	227,437	88,602	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	(196,061)	(195,453)	(138,237)	(141,891)
	59,980	60,588	86,510	82,856
Non-controlling interest	(43)	18	-	-
Total equity	59,937	60,606	86,510	82,856
Current liabilities				
Gross amount due to customers for contract work-in-progress	17,212	573	-	-
Trade and other payables	29,980	61,772	949	421
Loans and borrowings	80,000	97,000	-	-
Other liabilities	7,350	7,338	1,143	1,165
Income tax payable	148	148	-	-
	134,690	166,831	2,092	1,586
Total equity and liabilities	194,627	227,437	88,602	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 30.6.16 RMB'000	As at 31.12.15 RMB'000
Amount repayable in one year or less, or on demand		
- secured	-	17,000
- unsecured	80,000	80,000
	80,000	97,000
	80,000	97,000
 Amount repayable after one year		
- secured	-	-
- unsecured	-	-
	-	-
	-	-

Details of any collateral

As at 30 June 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 HY2016.

The loan amount of RMB17.0 million 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	
	30.6.16	30.6.15
	RMB'000	RMB'000
Cash Flows from Operating Activities		
(Loss)/profit before tax	(2,862)	467
<u>Adjustments for :</u>		
Depreciation of property, plant and equipment	427	408
Amortisation of intangible assets and club membership	1,338	729
Fixed asset written off	32	-
Finance costs	2,012	3,826
Interest income	(79)	(1,125)
Share of results of associate	-	276
Gain on disposal of equity interest in associate	(4,750)	-
Unrealised exchange (gain)/loss	(875)	27
Total adjustments	<u>(1,895)</u>	<u>4,141</u>
Operating (loss)/profit before working capital changes	(4,757)	4,608
<u>Changes in working capital</u>		
Increase in gross amount due from customers for contract work-in-progress	(9,213)	(17,840)
(Increase)/decrease in inventories	(40)	309
Decrease in trade and other receivables	501	14,867
Decrease/(increase) in prepayments	11,083	(21,210)
Increase/(decrease) in gross amount due to customers for contract work-in-progress	16,639	(1,772)
Decrease in trade and other payables	(11,870)	(6,772)
Increase in other liabilities	12	7,910
Cash from/(used in) operations	2,355	(19,900)
Interest income received	79	1,125
Interest paid	(2,012)	(3,826)
Income tax refund/(paid)	2,193	(1,733)
Net cash from/(used in) operating activities	<u>2,615</u>	<u>(24,334)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(19)
Proceeds from disposal of equity interest in associate company	4,750	-
Net cash used in investing activities	<u>4,750</u>	<u>(19)</u>
Cash flows from financing activities		
Proceeds from bills payable	78	553
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)
Decrease in bank deposits pledged	17,882	39,433
Net cash used in financing activities	<u>(19,040)</u>	<u>(5,614)</u>
Net decrease in cash and cash equivalents	(11,675)	(29,967)
Exchange differences on translation of cash and cash equivalents	875	(27)
Cash and cash equivalents at beginning of period	26,097	75,051
Cash and cash equivalents at end of period (Note A)	<u><u>15,297</u></u>	<u><u>45,057</u></u>

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	
	30.6.16	30.6.15
	2016	2015
Note A: Cash and cash equivalents		
Cash and bank balances	15,375	67,796
Less: bank deposits pledged	(78)	(22,739)
Cash and cash equivalents	<u>15,297</u>	<u>45,057</u>

As at 30 June 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 June 2015, comprised placement of RMB18.0 million to secure additional loan amount of RMB17.0 million from China Merchants Bank, performance guarantee on certain industrial wastegas contracts of RMB4.0 million and bills payable of RMB0.8 million.

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

Group

	<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'000	Total equity RMB'000
Balance at 1 January 2016	224,747	31,748	(454)	(195,453)	60,588	18	60,606
Loss for the period, representing total comprehensive loss for the period	-	-	-	(608)	(608)	(61)	(669)
Balance at 30 June 2016	<u>224,747</u>	<u>31,748</u>	<u>(454)</u>	<u>(196,061)</u>	<u>59,980</u>	<u>(43)</u>	<u>59,937</u>

	<u>Attributable to the owners of the Company</u>				
	Share capital RMB'000	PRC statutory common reserve RMB'000	Merger reserve RMB'000	Accumulated profits RMB'001	Total equity RMB'001
Balance at 1 January 2015	211,449	31,748	(454)	77,110	319,853
Loss for the period, representing total comprehensive loss for the period	-	-	-	(167)	(167)
Balance at 30 June 2015	<u>211,449</u>	<u>31,748</u>	<u>(454)</u>	<u>76,943</u>	<u>319,686</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

	Share capital RMB'000	Accumulated loss RMB'000	Total RMB'000
At 1 January 2016	224,747	(141,891)	82,856
Profit for the period, representing total comprehensive profit for the period	-	3,654	3,654
At 30 June 2016	<u>224,747</u>	<u>(138,237)</u>	<u>86,510</u>

	Share capital RMB'000	Accumulated loss RMB'000	Total RMB'000
At 1 January 2015	211,449	(12,270)	199,179
Loss for the period, representing total comprehensive loss for the period	-	(1,771)	(1,771)
At 30 June 2015	<u>211,449</u>	<u>(14,041)</u>	<u>197,408</u>

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 June 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 Jun 2016	31 Dec 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 June 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 June 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 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 six month ended 30 June 2016 (HY2015: 551,959,000 ordinary shares).

	Group	
	Jan to Jun 2016	Jan to Jun 2015
Loss after tax attributable to owners of the Company (RMB'000)	(669)	(167)
Basic loss per share (RMB cents per share)	(0.11)	(0.03)

*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 June 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
Net asset value (RMB'000)	59,980	60,588	86,510	82,856
Net asset value per share (RMB cents per share)	9.72	9.82	14.02	13.42

Net asset value for the Group and Company as at 30 June 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

	2Q2016		2Q2015		HY2016		HY2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Industrial wastegas treatment								
- Dust elimination	3,801	64.3	4,774	33.4	4,539	53.0	7,976	32.8
- Desulphurization	-	-	6,853	47.8	1,906	22.3	11,665	47.9
- Denitrification	-	-	1,118	7.8	-	-	1,118	4.6
Sub-total	3,801	64.3	12,745	89.0	6,445	75.3	20,759	85.3
Industrial wastewater	2,113	35.7	202	1.4	2,113	24.7	202	0.8
Operation and maintenance	-	-	1,380	9.6	-	-	3,383	13.9
	5,914	100.0	14,327	100.0	8,558	100.0	24,344	100.0

Revenue

Total revenue decreased by RMB15.7 million or 64.8%, from RMB24.3 million in HY2015 to RMB8.6 million in HY2016. Extending the declining trend in 1Q2016, the Group recorded another drop in revenue of RMB8.4 million to RMB5.9 million in 2Q2016, albeit representing an improvement of 123.7% over the preceding quarter due to increased work activities in dust elimination and the commencement of engineering, procurement and engineering ("EPC") works in industrial wastewater. Current quarter sales represent a decrease of 58.7% when compared against 2Q2015.

The absence of EPC works relating to desulphurization and denitrification in 2Q2016 also contributed to the decrease in revenue of both segments of RMB9.8 million and RMB1.1 million respectively in HY2016.

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 HY2016.

The increased work activities in dust elimination in 2Q2016 were not enough to improve the Group's revenue as the revenue in this segment also decreased by RMB3.5 million because relatively small amount of works were performed in 1Q and 2Q2016 when compared against the same period of last year.

The overall decrease in revenue of RMB17.8 million was partly offset by the increase in revenue from industrial wastewater segment of RMB2.1 million as the contracts were scheduled to commence works in 2Q2016.

Gross profit and gross profit margin

Total gross profit decreased by RMB8.3 million or 76.9%, from RMB10.8 million in HY2015 to RMB2.5 million in HY2016. The lower gross profit was generally in line with the above-mentioned explanations for the decrease in revenue, which resulted in decrease in gross profit from dust elimination segment of RMB3.7 million, desulphurization segment of RMB2.9 million, denitrification segment of RMB0.7 million and O&M segment of RMB1.8 million. The overall decrease in gross profit of RMB9.1 million in HY2016 was partly offset by higher gross profit derived from industrial wastewater segment of RMB0.8 million in 2Q2016.

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

Total gross profit margin decreased from 34.2% in 2Q2015 to 22.2% in 2Q2016, which pulled down the overall gross profit margin to 29.0% in HY2016 and comparing against the overall gross profit margin derived in HY2015, there was a decrease of 15.2%.

The dust elimination segment recorded relatively low gross profit margins for the projects in HY2016, hence adversely affected the overall Group's gross profit margin. Two contracts undertaken at the initial phase of the projects with minimal work performed in 2Q2016; only generated an average gross profit margin of 11.3%. The better gross margins for both contracts are at the installation stage.

Financial income

Higher financial income was derived in HY2015 of RMB1.0 million when compared against HY2016 because interest income of RMB1.0 million relating to FY2014 was inadvertently recognized in HY2015.

Other income

Other income for HY2016 increased by RMB5.4 million or 3,767.1%, from RMB0.1 million in HY2015 to RMB5.5 million in HY2016 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. An exchange gain of RMB0.7 million was also derived from the translation of SGD bank balances. The increase of RMB5.5 million was partly offset by the absence of non-recurring income of RMB1.0 million from the liquidation of Pioneer Membrane Pte Ltd in HY2015.

For HY2016, selling and distribution expenses decreased by RMB0.2 million or 16.1%, from RMB1.0 million in HY2015 to RMB0.8 million in HY2016 due to the resignation of sales manager and lower office expenses of RMB0.2 million in aggregate.

Administrative expenses increased by RMB1.8 million or 27.9%, from RMB6.3 million in HY2015 to RMB8.1 million in HY2016 due to new payroll and other operating expenses incurred of RMB1.3 million in aggregate, relating to the new subsidiaries set up in 4Q2015 for the photovoltaic businesses, partly offset by the decrease in staff payroll and related costs of RMB0.7 million. Unlike HY2015, certain technical consultants engaged on contract basis were not paid as they did not perform any advisory works in HY2016. Amortization expenses of patent relating to dust elimination technology and deferred development cost also increased by RMB0.6 million in HY2016 because of the acceleration in the amortization from 10 years and 6 years respectively to 60 months and 18 months respectively after a review of their useful life. In addition, there was an increase in tax paid of RMB0.5 million in HY2016 relating to the issuance of official tax invoices on transactions that have reached billing milestones and others of RMB.01 million.

Lower finance costs of RMB2.0 million were incurred in HY2016 against RMB3.8 million in the same corresponding period of last year due to lower loan quantum obtained and interest rate offered by China Merchants Bank.

Other expenses for HY2015 relate to exchange loss of RMB0.1 million arising from the translation of Singapore dollar bank balances. There was no such expense in HY2016.

The share of results of associate decreased by RMB0.3 million, from RMB0.3 million in HY2015 to nil in HY2016 because the investment was fully impaired in FY2015.

Income tax expense

The tax assessments for both financial years ended 31 December 2012 and 2014 respectively were finalized by the PRC Tax Authority. They have agreed to recognize the tax losses suffered by Jilin Anjie Engineering Co., Ltd. and tax refunds amounted to RMB2.2 million were paid to the subsidiary during the current quarter and hence the tax income in HY2016 of RMB2.2 million.

Loss after taxation

In line with the overall decline in the revenue, gross profit and higher administrative expenses for HY2016, partly offset by increase in other income and lower finance costs incurred, the Group recorded a higher loss after taxation of RMB0.7 million as opposed to a loss after taxation of RMB0.2 million.

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 RMB15.5 million and comprised property, plant and equipment ("PPE") of RMB10.5 million, intangible assets of RMB4.3 million and club membership of RMB0.7 million as at 30 June 2016. The decrease in PPE of RMB0.5 million was attributed mainly to depreciation charge and fixed asset written off during the financial period. In HY2016, 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 RMB4.3 million and comprised patents of RMB2.3 million and deferred development costs of RMB2.0 million as at 30 June 2016. The decrease in intangible assets of RMB1.3 million was attributed mainly to amortization in HY2016. 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 RMB0.6 million to RMB971,000 in 2Q2016, up from RMB0.4 million in 1Q2016. 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 54 months (2015: 107 months) as at 30 June 2016. In the case of the deferred development costs, they have an average amortization period of 12 months (2015: 35 months) as at 30 June 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 June 2016, the club membership has a remaining useful life of 179 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 RMB179.2 million and RMB210.2 million as at end of 30 June 2016 and 31 December 2015 respectively. Our current assets accounted for 92.1% and 92.4% of our total assets as at 30 June 2016 and 31 December 2015 respectively. The decrease in current assets was attributed to decreases in trade and other receivables of RMB0.5 million, prepayments of RMB11.1 million, bad deposits pledged of RMB17.9 million and cash and cash equivalents of RMB10.8 million, partly offset by increases in gross amount due from customers for contract work-in-progress of RMB9.2 million and inventories of RMB0.1 million.

Amount due from customers for contract work-in-progress relates to unbilled trade receivables and amounted to RMB27.4 million and RMB18.2 million as at 30 June 2016 and 31 December 2015 respectively, constituting 15.2% and 8.7% of our current assets as at the respective dates. The increase of RMB9.2 million was mainly due to new work performed in HY2016 which have yet to reach billing milestone.

Inventories increased marginally from RMB1.3 million as at 31 December 2015 to RMB1.4 million as at 30 June 2016. We normally do 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 RMB29.7 million and RMB30.2 million as at 30 June 2016 and 31 December 2015 respectively, and accounted for 16.4% and 14.4% of our current assets as at the respective balance sheet dates. Trade receivables and retention monies amounted to RMB11.3 million as at 30 June 2016, representing a decrease of RMB9.2 million from 31 December 2015. The decrease was attributed to collections and also in line with the decrease in revenue.

Bills receivable received from the customers for settlement of debts amounted to RMB2.5 million and RMB3.5million as at 30 June 2016 and 31 December 2015 respectively. The decrease of RMB1.0 million was in line with the decrease in revenue and settlements during the financial period.

Other receivables comprised advances to employees for business purposes, bidding deposits and tax recoverable. Other receivables amounted to RMB15.9 million and RMB6.2 million as at 30 June 2016 and 31 December 2015 respectively. The increase of RMB9.7 million was attributed mainly 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 RMB105.3 million and RMB116.4 million as at 30 June 2016 and 31 December 2015 respectively. The decrease of RMB11.1 million was in line with the slowdown in operations.

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

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

Cash and cash equivalents amounted to RMB15.3 million and RMB26.1 million as at 30 June 2016 and 31 December 2015 respectively, and accounted for 8.5% 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 RMB134.7 million and RMB166.8 million as at 30 June 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 RMB32.1 million was attributed to decreases in trade and other payables of RMB31.8 million and loans and borrowings of RMB17.0 million, partly offset by increase in gross amount due to customers for contract work-in-progress of RMB16.6 million and other liabilities of RMB0.1 million.

Gross amount due to customers for contract work-in-progress amounted to RMB17.2 million and RMB0.6 million as at 30 June 2016 and 31 December 2015 respectively. The increase was attributed to increase in advances for industrial wastegas and wastewater contracts which have commenced work during the financial period.

Trade payables amounted to RMB27.7 million, representing a decrease of RMB11.9 million over FY2015. The decrease was in line with the decrease in revenue during the financial period.

Other payables comprised primarily VAT and other operating tax payables and accruals of other operating expenses. Other payables amounted to RMB2.2 million and RMB22.1 million as at 30 June 2016 and 31 December 2015 respectively. The decrease of RMB19.9 million was attributed to repayments of third party loan.

New bills payable of RMB78,000 was issued to supplier as at 30 June 2016 which accounted mainly for the increase.

Loans and borrowings decreased from RMB97.0 million as at 31 December 2015 to RMB80.0 million as at 30 June 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 RMB7.4 million and RMB7.3 million as at 30 June 2016 and 31 December 2015 respectively.

Accrued output VAT, purchases, salaries and related expenses, operating expenses and welfare expenses amounted to RMB7.4 million and RMB6.9 million as at 30 June 2016 and 31 December 2015 respectively. The increase of RMB0.5 million was due to higher accrued purchases for which the invoices have yet to be received from suppliers.

Advances from customers amounted to nil and RMB0.4 million as at 30 June 2016 and 31 December 2015 respectively. These advances were transferred to gross amount due to customers for contract work-in-progress since design and fabrication works have already started on all the new contracts signed during the financial period.

Income tax payable remained flat at RMB0.1 million each as at 30 June 2016 and 31 December 2015.

The Group's total equity comprised share capital, PRC statutory reserve fund, merger reserve, accumulated loss and non-controlling interests. Total equity as at 1 January 2016 amounted to RMB60.6 million. Loss attributable to owners of the Company and non-controlling interests amounted to RMB0.6 million and RMB61,000 in the current period respectively. Consequently, total equity decreased to RMB59.9 million as at 30 June 2016, of which RMB60.0 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 HY2016, operating loss before changes in working capital amounted to RMB4.8 million. Net cash from operating activities amounted to RMB7.4 million attributed mainly to:

- (i) a decrease in prepayments of RMB11.1 million;
- (ii) a decrease in trade receivables and other receivables of RMB0.5 million;
- (iii) a decrease in gross amount due to customers for work-in-progress of RMB16.6 million;
- (iv) an increase in other liabilities of RMB12,000;
- (v) refund of past years income taxes from Tax Authority of RMB2.2 million; and
- (vi) interest income received of RMB79,000.

The increase was partly offset by:

- (i) an increase in gross amount due from customers for work-in-progress of RMB9.2 million;
- (ii) an increase in inventories of RMB40,000;
- (iii) a decrease in trade and other payables of RMB11.9 million; and
- (iv) payments of finance costs of approximately RMB2.0 million incurred on the loans and borrowings.

Net cash inflow from investing activities of RMB4.8 million, attributed mainly from the disposal of 20% equity interest in associate.

Net cash outflows from financing activities of RMB19.1 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 and a decrease in bank deposits pledged of RMB17.9 million which was in line with the decrease in bank loans and borrowings.

Overall cash and cash equivalents decreased by RMB11.7 million in HY2016; partly offset by RMB0.9 million as a result of exchange loss from translation of cash and cash equivalents. As a result of the foregoing, overall cash and cash equivalent decreased from RMB26.1 million as at 31 December 2015 to RMB15.3 million as at 30 June 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.**

The business outlook remains challenging in the next twelve months notwithstanding the PRC government's favourable policies in support of the water treatment and environmental protection sector. The Group will maintain its focus on the environmental business and exercise prudence to avoid the recurrence of collectibility issues. With more engineering, procurement and construction works expected to commence from 3Q2016 onwards, management is cautiously optimistic that the Group's business will improve in the second half of 2016.

- 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 six months ended 30 June 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 private placement proceeds

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

<u>Usage of private placement proceeds</u>	RMB'000	RMB'000
Total net proceeds earmarked for		
- working capital of the Company	4,214	
- construction and operation of new energy generation *	<u>6,286</u>	
Total net proceeds from the private placement on 22 June 2015		10,500
Less amount utilised for working capital of the Company:		
Directors' remunerations, Directors' fees and staff payroll and related costs	(1,456)	
Compliance costs	(869)	
Legal fees incurred for the loan renewal, private placement and advisory work	(183)	
Printing and courier charges	(270)	
Intercompany settlement	(92)	
Corporate income tax	(1)	
Others **	<u>(450)</u>	
		<u>(3,321)</u>
Balance as at 30 June 2016		<u><u>7,179</u></u>

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

* The proceeds of RMB6,286,000 which had been earmarked for use in construction and operation of new energy generation (solar photovoltaic, wind and hydro, water management and other related environmental projects), will be re-allocated to the purchase of raw materials and other operating expenses relating to industrial wastegas and wastewater contracts. As at 30 June 2016, the above-mentioned proceeds remained unused.

The revised use of placement proceeds took into consideration the recent change in the PRC government's policy to withhold the award of photovoltaic ("PV") licenses to new entrants into the photovoltaic industry. The PRC government had performed a detailed review of existing companies which were previously awarded the licenses to construct and operate solar photovoltaic plants. Thus far, most of these photovoltaic plants constructed are yet to be grid connected, raising an element of uncertainty over the timing of their operations, and these delays prompted the PRC government to suspend the issuing of new licenses until further notice. With delays to the Group's plan to expand its revenue streams, the management has decided to tweak its strategy to focus on the delivery of more industrial wastegas and wastewater contracts and will be deploying resources to tender for more contracts in the second half of FY2016. The Group intends to utilize the proceeds to procure raw materials and incur related operating expenses for the industrial wastegas and wastewater contracts which the Group has successfully secured.

BY ORDER OF THE BOARD
Leader Environmental Technologies Limited

Lin Baiyin
Executive Chairman and Chief Executive Officer

12 August 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 second quarter and the six months' financial results for the period ended 30 June 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

12 August 2016

Zang Linying
Executive Director and Finance Director