



**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 2017**

**Unaudited Financial Statement and Dividend Announcement for the Half-year Ended 30 June 2017 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			Group		
	Unaudited 3 Months Ended		change	Unaudited 6 Months Ended		change
	30.6.17 ("2Q2017") RMB'000	30.6.16 ("2Q2016") RMB'000		30.6.17 ("HY2017") RMB'000	30.6.16 ("HY2016") RMB'000	
Revenue	23,241	5,914	293.0	27,644	8,558	223.0
Cost of sales	(20,010)	(4,604)	334.6	(23,160)	(6,072)	281.4
Gross profit	<b>3,231</b>	<b>1,310</b>	146.6	<b>4,484</b>	<b>2,486</b>	80.4
Financial income	114	-	100.0	156	79	97.5
Other income	64	5,127	(98.8)	122	5,530	(97.8)
Selling and distribution expenses	(528)	(385)	37.1	(877)	(831)	5.5
Administrative expenses	(2,841)	(4,776)	(40.5)	(5,865)	(8,114)	(27.7)
Finance costs	(1,096)	(943)	16.2	(2,113)	(2,012)	5.0
Other expenses	(10)	-	100.0	(10)	-	100.0
<b>(Loss)/profit before taxation</b>	<b>(1,066)</b>	<b>333</b>	(420.1)	<b>(4,103)</b>	<b>(2,862)</b>	43.4
Taxation	(21)	2,194	(101.0)	(21)	2,193	(101.0)
<b>(Loss)/profit for the period and total comprehensive (loss)/income for the period*</b>	<b>(1,087)</b>	<b>2,527</b>	(143.0)	<b>(4,124)</b>	<b>(669)</b>	516.4
<b>(Loss)/profit and total comprehensive (loss)/income for the period attributable to:</b>						
Owners of the Company	(1,087)	2,570	(142.3)	(4,109)	(608)	575.8
Non-controlling interest	-	(43)	(100.0)	(15)	(61)	(75.4)
	<b>(1,087)</b>	<b>2,527</b>		<b>(4,124)</b>	<b>(669)</b>	

\* 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
	30.6.17	30.6.16		30.6.17	30.6.16	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Depreciation of property, plant and equipment	211	207	1.9	427	427	-
Fixed asset written off	-	-	-	-	32	(100.0)
Gain on disposal of property, plant and equipment	(59)	-	100.0	(59)	-	100.0
Amortisation of intangible assets and club membership	355	983	(63.9)	717	1,338	(46.4)
Operating lease expenses	203	201	1.0	398	460	(13.5)
Interest expense	1,096	943	16.2	2,113	2,012	5.0
Interest income	(114)	27	(522.2)	(156)	(79)	97.5
Inventories recognised as an expense in cost of goods sold	24,573	3,903	529.6	24,624	3,937	525.5
Employee compensations	1,139	1,837	(38.0)	2,764	3,703	(25.4)
Exchange gain	(3)	(378)	(99.2)	(61)	(745)	(91.8)

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.**

	<b>Group As at</b>		<b>Company As at</b>	
	<b>30.6.17 RMB'000</b>	<b>31.12.16 RMB'000</b>	<b>30.6.17 RMB'000</b>	<b>31.12.16 RMB'000</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	11,803	11,505	-	-
Intangible assets	3,512	4,206	-	-
Club membership	647	670	-	-
Investment in subsidiaries	-	-	59,000	63,000
	<b>15,962</b>	<b>16,381</b>	<b>59,000</b>	<b>63,000</b>
<b>Current assets</b>				
Gross amount due from customers for contract work-in-progress	31,847	18,173	-	-
Inventories	1,452	1,307	-	-
Trade and other receivables	46,472	27,092	-	-
Prepayments	113,504	97,082	4	39
Bank deposits pledged	18,308	6,381	-	-
Cash and cash equivalents	2,163	25,954	20	1,066
	<b>213,746</b>	<b>175,989</b>	<b>24</b>	<b>1,105</b>
<b>Total assets</b>	<b>229,708</b>	<b>192,370</b>	<b>59,024</b>	<b>64,105</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	224,747	224,747	224,747	224,747
Reserves	31,294	31,294	-	-
Accumulated loss	(197,331)	(193,052)	(167,520)	(162,171)
	<b>58,710</b>	<b>62,989</b>	<b>57,227</b>	<b>62,576</b>
<b>Non-controlling interest</b>	-	31	-	-
<b>Total equity</b>	<b>58,710</b>	<b>63,020</b>	<b>57,227</b>	<b>62,576</b>
<b>Current liabilities</b>				
Gross amount due to customers for contract work-in-progress	33,584	-	-	-
Trade and other payables	47,599	35,373	843	294
Loans and borrowings	65,000	70,000	-	-
Other liabilities	24,668	23,830	954	1,235
Income tax payable	147	147	-	-
	<b>170,998</b>	<b>129,350</b>	<b>1,797</b>	<b>1,529</b>
<b>Total equity and liabilities</b>	<b>229,708</b>	<b>192,370</b>	<b>59,024</b>	<b>64,105</b>

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

	<b>Group</b>	
	<b>As at 30.6.17</b>	<b>As at 31.12.16</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Amount repayable in one year or less, or on demand</b>		
- secured	65,000	70,000
- unsecured	-	-
	<u>65,000</u>	<u>70,000</u>
 <b>Amount repayable after one year</b>		
- secured	-	-
- unsecured	-	-
	<u>-</u>	<u>-</u>

**Details of any collateral**

As at 30 June 2017, short term loans and borrowings drawn down amounted to RMB65.0 million (31 December 2016: RMB70.0 million). The short term loans and borrowings are secured on the following:

1. a corporate guarantee from the Company;
2. personal guarantees by the Executive Chairman cum Chief Executive Officer of the Company and his spouse; and
3. pledge of 4 units of commercial properties with a net book value of RMB6.4 million as at 30 June 2017.

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

**Consolidated statement of cash flows**

	Group	
	Unaudited 6 months ended	
	30.6.17	30.6.16
	RMB'000	RMB'000
<b>Cash Flows from Operating Activities</b>		
Loss before taxation	(4,213)	(2,862)
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	427	427
Amortisation of intangible assets and club membership	717	1,338
Fixed asset written off	-	32
Gain on disposal of property, plant and equipment	(59)	-
Finance costs	2,113	2,012
Interest income	(46)	(79)
Gain on disposal of equity interest in associate	-	(4,750)
Unrealised exchange gain	(20)	(875)
Total adjustments	3,132	(1,895)
<b>Operating loss before working capital changes</b>	(1,081)	(4,757)
Increase in gross amount due from customers for contract work-in-progress	(13,674)	(9,213)
Increase in inventories	(145)	(40)
(Increase)/decrease in trade and other receivables	(19,456)	501
(Increase)/decrease in prepayments	(16,422)	11,083
Increase in gross amount due to customers for contract work-in-progress	33,584	16,639
Increase/(decrease) in trade and other payables	416	(11,870)
Increase in other liabilities	838	12
Total changes in working capital	(14,859)	7,112
<b>Cash (used in)/from operations</b>	(15,940)	2,355
Interest paid	(2,113)	(2,012)
Interest income received	46	79
Income tax (paid)/refund	(21)	2,193
<b>Net cash (used in)/from operating activities</b>	(18,028)	2,615
<b>Cash flows from investing activities</b>		
Proceeds from disposal of equity interest in associate company	-	4,750
Construction in progress on solar photovoltaic plant	(901)	-
Proceed from disposal of property, plant and equipment	238	-
Purchase of property, plant and equipment	(3)	-
<b>Net cash (used in)/from investing activities</b>	(666)	4,750
<b>Cash flows from financing activities</b>		
Proceeds from bills payable - net	11,810	78
Repayment of loan to third party	-	(20,000)
Proceeds from loans and borrowings	35,000	30,000
Repayments of loans and borrowings	(40,000)	(47,000)
(Increase)/decrease in bank deposits pledged	(11,927)	17,882
<b>Net cash used in financing activities</b>	(5,117)	(19,040)
Net decrease in cash and cash equivalents	(23,811)	(11,675)
Exchange differences on translation of cash and cash equivalents	20	875
<b>Cash and cash equivalents at beginning of period</b>	25,954	26,097
<b>Cash and cash equivalents at end of period (Note A)</b>	<b>2,163</b>	<b>15,297</b>

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)**

	<b>Group</b>	
	<b>As at</b>	
	<b>30.6.17</b>	<b>30.6.16</b>
	<b>2016</b>	<b>2015</b>
<b>Note A: Cash and cash equivalents</b>		
Cash and bank balances	20,471	15,375
Less: bank deposits pledged	(18,308)	(78)
Cash and cash equivalents	<u>2,163</u>	<u>15,297</u>

As at 30 June 2017, the Group has RMB17.4 million (30 June 2016: RMB78,000) of bills payable to suppliers which are secured by bank deposits pledged. These bills payable have a maturity period of 180 days and are non-interest bearing. In addition, the remaining bank deposits pledged of RMB0.9 million (30 June 2016: nil) relate to performance guarantee for certain project.

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

Group

Attributable to the owners of the Company

	Share capital RMB'000	PRC statutory common reserve RMB'000	Merger reserve RMB'000	Accumulated loss RMB'000	Premium paid on acquisition of non-controlling interest RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
<b>Balance at 1 January 2017</b>	224,747	31,748	(454)	(193,052)	-	62,989	31	63,020
Loss for the period, representing total comprehensive loss for the period	-	-	-	(4,109)	-	(4,109)	(15)	(4,124)
Change in interest in a subsidiary	-	-	-	-	(170)	(170)	(16)	(186)
<b>Balance at 30 June 2017</b>	<u>224,747</u>	<u>31,748</u>	<u>(454)</u>	<u>(197,161)</u>	<u>(170)</u>	<u>58,710</u>	<u>-</u>	<u>58,710</u>

Group

Attributable to the owners of the Company

	Share capital RMB'000	PRC statutory common reserve RMB'000	Merger reserve RMB'000	Accumulated loss RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
<b>Balance at 1 January 2016</b>	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)
<b>Balance at 30 June 2016</b>	<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>

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
<b>At 1 January 2017</b>	224,747	(162,171)	62,576
Loss for the period, representing total comprehensive loss for the period	-	(5,349)	(5,349)
<b>At 30 June 2017</b>	<u>224,747</u>	<u>(167,520)</u>	<u>57,227</u>

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



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

Not applicable.

There were no subsidiary holdings as at 30 June 2017 and 31 December 2016.

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

Not applicable. The Company does not have any convertibles as at 30 June 2017 and 31 December 2016.

- 1(g)(i) **Number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer together with a statement for the corresponding period of immediately preceding year**

	30 Jun 2017	31 Dec 2016
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 2017 and 31 December 2016.

- 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 2017 and 31 December 2016.

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 2016 except for the adoption of Financial Reporting Standards ("FRSs") which are relevant to the Group's operations and became effective for the financial years beginning on or after 1 January 2017.

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

Nil.

6. **Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding year, after deducting any provision for preference dividends.**

The calculation of 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 2017 (HY2016: 617,209,000 ordinary shares).

	<b>Group</b>	
	<b>Jan to Jun 2017</b>	<b>Jan to Jun 2016</b>
Loss after tax attributable to owners of the Company (RMB'000)	<u>(4,109)</u>	<u>(608)</u>
Basic loss per share (RMB cents per share)	<u>(0.67)</u>	<u>(0.10)</u>

\*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.**

	<b>Group</b>		<b>Company</b>	
	<b>30 June 2017</b>	<b>31 Dec 2016</b>	<b>30 Jun 2017</b>	<b>31 Dec 2016</b>
Net asset value (RMB'000)	<u>58,710</u>	<u>62,989</u>	<u>57,227</u>	<u>62,576</u>
Net asset value per share (RMB cents per share)	<u>9.51</u>	<u>10.21</u>	<u>9.27</u>	<u>10.14</u>

Net asset value for the Group and Company as at 30 June 2017 and 31 December 2016 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

	2Q2017		2Q2016		HY2017		HY2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
<b>Industrial wastegas treatment</b>								
- Dust elimination	1,662	7.2	3,801	64.3	3,474	12.6	4,539	53.0
- Desulphurization	20,560	88.5	-	-	22,985	83.1	1,906	22.3
<b>Sub-total</b>	<b>22,222</b>	<b>95.7</b>	<b>3,801</b>	<b>64.3</b>	<b>26,459</b>	<b>95.7</b>	<b>6,445</b>	<b>75.3</b>
<b>Industrial wastewater</b>	<b>1,019</b>	<b>4.3</b>	<b>2,113</b>	<b>35.7</b>	<b>1,185</b>	<b>4.3</b>	<b>2,113</b>	<b>24.7</b>
	<b>23,241</b>	<b>100.0</b>	<b>5,914</b>	<b>100.0</b>	<b>27,644</b>	<b>100.0</b>	<b>8,558</b>	<b>100.0</b>

#### Revenue

The Group recorded revenue of RMB27.6 million, an increase of RMB19.1 million or 223.0% against HY2016. The increase was mainly due to contribution from the desulphurization segment of RMB20.6 million in 2Q2017. There was no such contribution in 2Q2016. The desulphurization related work performed for a steel maker for a key contract alone contributed RMB23.0 million in revenue for HY2017.

The increase was however partly offset by lesser activities in the dust elimination and industrial wastewater segments in 2Q2017, with both segments recording lower revenue by RMB2.2 million and RMB1.1 million respectively in 2Q2017.

#### Gross profit and gross profit margin

In line with the overall net increase in revenue, total gross profit improved by RMB2.0 million or 80.4%, from RMB2.5 million in HY2016 to RMB4.5 million in HY2017. The gross profits generated from the desulphurization, dust elimination and industrial wastewater segments were RMB2.1 million, RMB1.9 million and RMB0.5 million respectively in HY2017 as opposed to gross profits generated of RMB0.9 million, RMB0.7 million and RMB0.9 million respectively in HY2016.

The desulphurization segment could only generate a gross profit margin of 9.8% in 2Q2017 because the bulk of the engineering, procurement and construction work has been outsourced to a sub-contractor. In addition, the industrial wastewater segment also recorded lower gross profit margin of 30.3% in 2Q2017 as compared to 40.6% in 2Q2016. The higher gross profit margin in 2Q2016 was due to one of the industrial wastewater contracts undertaken were solely at the design phase where minimal cost was incurred.

The lower gross profit margins generated by the above-mentioned business segments were partly offset by the higher gross profit margin generated from the dust elimination segment of 35.1% in 2Q2017 against 11.3% of the same corresponding period last year. There were two contracts undertaken in 2Q2016 which were generally used as experimental basis to test the Group's newly developed dust elimination technology. Accordingly lower contract prices were billed which translated to lower gross margins for this business segment. All in all, overall gross profit margin was pulled down by 8.3%, from 22.2% in 2Q2016 to 13.9% in 2Q2017, which further impacted the total gross profit margin by 12.8%, from 29.0% in HY2016 to 16.2% HY2017.

**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 increase in financial income of RMB77,000, or 97.5% from RMB79,000 in HY2016 to RMB156,000 in HY2017 was in line with the increase in bank deposits pledged and higher average cash and cash equivalents.

**Other income**

Other income for HY2017 decreased by RMB5.4 million or 97.8%, from RMB5.5 million in HY2016 to RMB0.1 million in HY2017 due to the absence of disposal of equity interest in associate of RMB4.8 million and lower exchange gain of RMB0.6 million.

For HY2016, selling and distribution expenses increased by RMB0.1 million or 5.5%, from RMB0.8 million in HY2016 to RMB0.9 million in HY2017 due to payroll and related costs adjustments in 2Q2017.

Administrative expenses decreased by RMB2.2 million or 27.7%, from RMB8.1 million in HY2016 to RMB5.9 million in HY2017 due to dismissal of two employees and pay cut from key executive officers of the Group, partly offset by the addition of a technical manager which amounted to RMB0.5 million in aggregate. In addition, the Group also exercised stringent cost discipline; hence, travelling, entertainment expenses, professional fees and others were lower by RMB0.7 million. Taxes paid on the issuance of tax invoices were also lower by RMB0.4 million as transactions have not reached billing milestones; hence, fewer invoices were issued when compared against HY2016. The amortization was also lower by RMB0.6 million as we had reinstated the acceleration of amortization back to its normal useful life only at the end of FY2016.

Finance costs increased by RMB0.1 million or 5.0%, from RMB2.0 million in HY2016 to RMB2.1 million in HY2017 due to higher weighted average interest rate (HY2017: 5.65% vs HY2016: 4.48%) despite the lower average loan quantum of RMB65 million in HY2017 against RMB80 million in the same corresponding period a year ago .

Other expenses for HY2017 mainly relate to contributions to flood prevention fund. There was no such expense in HY2016.

**Income tax expense**

Income tax expense decreased by RMB2.2 million in HY2017 because there were no tax credits recognized in HY2017 as opposed to RMB2.2 million of tax refunds received from the PRC tax authority in HY2016 in respect of finalized tax assessments for YA2013 and YA2015.

**Loss after taxation**

The absence of other income from disposal of equity interest in associate, higher selling and distribution expenses and lower exchange gain were not enough to mitigate the increase in revenue, gross profit and lower administrative expenses, which resulted in higher loss after taxation of RMB3.4 million to RMB4.1 million in HY2017.

**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**

**The Company**

The Company charged an additional impairment of RMB4.0 million (2016: RMB22.1 million) on the carrying amount of its investment in the subsidiary, Jilin Anjie Engineering Co., Ltd as at 30 June 2017. The impairment was made in view of the Anjie's continuing lacklustre performance and uncertain economic prospects during the current period. Management is in the process of performing a detailed assessment of the recoverable amount of the investment in subsidiary and will provide a full assessment of its operation before the end of the year.

**The Group**

Our non-current assets amounted to RMB15.9 million and comprised property, plant and equipment ("PPE") of RMB11.8 million, intangible assets of RMB3.5 million and club membership of RMB0.6 million as at 30 June 2017. The increase in PPE of RMB0.3 million was attributed mainly to additions of computers of RMB3,000 and civil construction cost incurred on photovoltaic plant of RMB0.9 million partly offset by depreciation and disposal of net book value of motor vehicle of RMB0.6 million in aggregate during the financial period.

Intangible assets amounted to RMB3.5 million and comprised patents of RMB1.9 million and deferred development costs of RMB1.6 million as at 30 June 2017. The decrease in intangible assets of RMB0.7 million was attributed mainly to amortization in HY2017. The patent in relation to an internally developed new dust elimination technology with pulsating rotary positioning mechanism have a remaining tenure of 89 months (2016: 95 months) as at 30 June 2017. In the case of the deferred development costs, they have an average amortization period of 17 months (2016: 23 months) as at 30 June 2017.

Club membership which has a remaining useful life of 167 months (2016: 173 months) amounted to RMB0.6 million and RMB0.7 million as at 30 June 2017 and as at 31 December 2016 respectively.

Our current assets comprised gross amount due from customers for contract work-in-progress, inventories, trade and other receivables, prepayments, bank deposits pledged and cash and cash equivalents. Current assets amounted to RMB213.7 million and RMB176.0 million as at end of 30 June 2017 and 31 December 2016 respectively. Our current assets accounted for 93.1% and 91.5% of our total assets as at 30 June 2017 and 31 December 2016 respectively.

Amount due from customers for contract work-in-progress relates to unbilled trade receivables and amounted to RMB31.8 million and RMB18.2 million as at 30 June 2017 and 31 December 2016 respectively, constituting 14.9% and 8.7% of our current assets as at the respective dates. The increase of RMB13.6 million was in line with the increase in revenue and mainly relate to work performed in HY2017 which have yet to reach the billing milestone.

Inventories increased by RMB0.1 million, from RMB1.3 million as at 31 December 2016 to RMB1.4 million as at 30 June 2017 as the Group maintained higher amount of inventories to meet the increase in sales.

Trade and other receivables comprised trade receivables, bills receivable, retention monies and other receivables amounted to RMB46.5 million and RMB27.1 million as at 30 June 2017 and 31 December 2016 respectively, and accounted for approximately 21.7% and 15.4% of our current assets as at the respective balance sheet dates. Trade receivables and retention monies amounted to RMB9.8 million as at 30 June 2017, representing a decrease of RMB3.8 million as a result of collections during the period.

Bills receivable received from the customers for settlement of debts amounted to RMB0.2 million and RMB0.3 million as at 30 June 2017 and 31 December 2016 respectively. The decrease was due to one of the bills receivable had matured and was presented to the bank for payment during financial period.

Other receivables comprised advances to employees for business purposes, bidding deposits and tax recoverable. Other receivables amounted to RMB36.5 million and RMB13.2 million as at 30 June 2017 and 31 December 2016 respectively. The increase of RMB23.3 million was mainly attributed to the placement of bidding deposits placed directly with the customers for the tender of industrial wastegas and wastewater contracts in 2017.

Prepayments comprised prepaid operating expenses, advances to trade and non-trade suppliers amounted to RMB113.5 million and RMB97.1 million as at 30 June 2017 and 31 December 2016 respectively. The increase of RMB16.4 million was mainly for procurement of raw materials for contracts already secured and to be performed in 3Q2017 onwards. These advances will be offset against trade payables when certain performance milestones have been achieved.

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

Bank deposits pledged increased by RMB11.9 million, from RMB18.3 million as at 30 June 2017 to RMB6.4 million as at 31 December 2016 for the purpose of utilizing the bills payable facility to pay suppliers.

Cash and cash equivalents amounted to RMB2.2 million and RMB25.9 million as at 30 June 2017 and 31 December 2016 respectively, and accounted for approximately 1.0% and 14.7% of our current assets as at the respective balance sheet dates. Operational cash outflow for the year was RMB18.0 million as opposed to cash inflow of RMB2.6 million in the previous period as the changes in working capital decreased by RMB22.0 million. With higher amounts of advances received from customers on on-going contracts in HY2017, the Group is gearing up for increased business activities from 3Q2017 onwards which contributed to the operational cash outflow during the period.

Net cash used in investing activities was RMB0.9 million due to the purchase of computers and civil construction costs incurred on photovoltaic plant, partly offset by proceeds received for the disposal of motor vehicle of RMB0.2 million. There was no such expenditure and disposal of motor vehicle in HY2016. The Group disposed of its equity interest in an associate in HY2016 for a cash consideration of RMB4.8 million. There was no disposal in HY2017.

Net cash used in financing activities was RMB5.1 million, a decrease of RMB13.9 million over HY2016 due to additional proceeds of RMB5.0 million from the renewal of loans and higher net proceeds from bills payable of RMB11.7 million as the Group increased its use of the bills payable facility to pay the suppliers. There was also lower repayment of loan of RMB7.0 million as the Group took a smaller loan quantum after assessing its working capital requirements. In addition, there was no repayment of third party loan in HY2017 as opposed to a repayment of RMB20.0 million in HY2016 because there was no necessity for the Group to borrow from third party since it has sufficient funding to meet its operating requirements in HY2017. The cash inflow of RMB43.7 million was partly offset by an increase in fixed deposits pledged of RMB29.8 million for purpose of obtaining a higher bills payable facility

Our current liabilities comprised mainly gross amount due to customers for contract work-in-progress, trade and other payables, loans and borrowings, other liabilities and income tax payable. Our current liabilities amounted to RMB171.0 million and RMB129.4 million as at 30 June 2017 and 31 December 2016 respectively, and accounted for 100.0% each of our total liabilities as at the respective balance sheet dates.

Gross amount due to customers for contract work-in-progress increased by RMB33.6 million or 100% as at 30 June 2017 because as at 31 December 2016, the advances received from customers were solely on signing of new contracts which were recorded in other liabilities because no work has been performed.

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

Trade payables amounted to RMB23.2 million, representing a decrease of RMB5.1 million over 31 December 2016 as the Group has not received the actual invoices from suppliers, hence, majority of the purchases are still recorded under accrued purchases.

Other payables comprised primarily VAT, other operating tax payables and other operating expenses. Other payables amounted to RMB7.0 million and RMB1.5 million as at 30 June 2017 and 31 December 2016 respectively. The increase of RMB5.5 million was mainly attributed to the performance bond received from a vendor in relation to the construction of photovoltaic plant. There was no such receipt as at 31 December 2016.

New bills payable of RMB11.8 million was issued to suppliers for procurement of raw materials as at 30 June 2017, which accounted for the increase in bills payable from RMB5.6 million as at 31 December 2016 to RMB17.4 million as at 30 June 2017.

Loans and borrowings decreased from RMB70.0 million as at 31 December 2016 to RMB65.0 million as at 30 June 2017 as a result of repayments made during the financial period, coupled with no drawn down of fresh loan as the Group took a lower loan quantum after assessing its working capital requirements.

Other liabilities comprised accrued purchases, VAT, salaries and travelling expenses, other operating expenses, advances from customers and welfare expenses. Other liabilities amounted to RMB24.7 million and RMB23.8 million as at 30 June 2017 and 31 December 2016 respectively.

Accrued purchases, payroll and related expenses, operating expenses and welfare expenses amounted to RMB24.7 million and RMB3.4 million as at 30 June 2017 and 31 December 2016 respectively. The increase of RMB21.3 million was attributed mainly to increase in accrued purchases which was in line with the increase in revenue.

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

Advances from customers were nil and RMB20.4 million as at 30 June 2017 and 31 December 2016 respectively. The advances from customers were transferred to amount due to customers for contract work-in-progress as certain phases of the contract works have already started.

Income tax payable remained flat at RMB0.1 million each as at 30 June 2017 and 31 December 2016.

The Group's total shareholder's equity comprised share capital, PRC statutory reserve fund, merger reserve and accumulated profits. Total equity as at 1 January 2017 amounted to RMB63.0 million. Loss attributable to owners of the Company and non-controlling interest amounted to RMB4.1 million and RMB15,000 in the current period respectively. In addition, there was acquisition of additional interest in a subsidiary relating to owners of the Company and non-controlling interest of RMB170,000 and RMB16,000 respectively. Consequently, total equity decreased to RMB58.7 million as at 30 June 2017, of which the amount was mainly attributable to owners of the Company.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

**10. A commentary of the competitive conditions of the industry in which the group operates and any known factors that might affect the group in the next reporting period and the next 12 months has been provided.**

The Chinese economy has sustained its momentum and posted a GDP growth of 6.9% in 2Q2017. In particular, its manufacturing activity has accelerated more than expected in June 2017. The Group is a beneficiary of this positive momentum as evidenced by its revenue surge of 223% to RMB27.6 million in HY2017. While these positive data have brought cheers to the economy, the underlying challenges still remain as the recovery is not consistent across all sectors. Risks also grew in some parts of the economy due to over-leveraged investments and borrowings. Against this backdrop, the management will continue to tread carefully in its execution of contracts and cash flow management. The Group has further trimmed its borrowings to RMB65.0 million despite the approved loan quantum being RMB80.0 million. In anticipation of an increase in business activities in second half of the year, it is imperative that the management evaluates its cash flow position periodically to ensure the Group can continue to meet its financial commitments and has sufficient funds to sustain its operational needs. The management hopes that the adoption of a more prudent approach will yield positive results for the Group for the current financial year.

**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 2017 is declared or recommended.

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

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

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

Lin Baiyin  
Executive Chairman and Chief Executive Officer

8 August 2017



**Confirmation that the issuer has procured undertakings from all its Directors and Executive Officers (in the format set out in appendix 7.7) under Rule 720(1)**

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

**Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual**

On behalf of the Board of Directors of the Company, we confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the second quarter and the six months' financial results for the period ended 30 June 2017 to be false or misleading in any material aspect.

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

Lin Baiyin  
Executive Chairman and Chief Executive Officer

8 August 2017

Zang Linying  
Executive Director and Finance Director