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 2017

Unaudited Financial Statement and Dividend Announcement for the Third Quarter Ended 30 September 2017 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**		
	30.9.17 ("3Q2016") RMB'000	**30.9.16 ("3Q2015") RMB'000**	**Change %**	**30.9.17 ("9M2016") RMB'000**	**30.9.16 ("9M2015") RMB'000**	**Change %**
Revenue	44,104	21,078	109.2	71,748	29,636	142.1
Cost of sales	(36,871)	(19,027)	93.8	(60,031)	(25,099)	139.2
Gross profit	**7,233**	**2,051**	252.7	**11,717**	**4,537**	158.3
Financial income	-	3	(100.0)	156	82	90.2
Other income	2,025	4,804	(57.8)	2,147	10,334	(79.2)
Selling and distribution expenses	(705)	(259)	172.2	(1,582)	(1,090)	45.1
Administrative expenses	(4,033)	(3,528)	14.3	(9,898)	(11,642)	(15.0)
Finance cost	(940)	(921)	2.1	(3,053)	(2,933)	4.1
Other expenses	(279)	(63)	342.9	(289)	(63)	358.7
Profit/(loss) before tax	**3,301**	**2,087**	58.2	**(802)**	**(775)**	3.5
Taxation	(18)	129	(114.0)	(39)	2,322	(101.7)
Profit/(loss) for the period representing total comprehensive profit/(loss)	**3,283**	**2,216**	48.1	**(841)**	**1,547**	(154.4)
attributable to owners of the Company	**3,283**	**2,216**	48.1	**(841)**	**1,547**	(154.4)
Profit/(loss) and total comprehensive profit/(loss) for the period attributable to:						
Owners of the Company	3,282	2,252	45.7	(827)	1,644	(150.3)
Non-controlling interest	1	(36)	(102.8)	(14)	(97)	(85.6)
	3,283	2,216		(841)	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			Unaudited 9 Months Ended		
	30.9.17 RMB'000	30.9.16 RMB'000	Change %	30.9.17 RMB'000	30.9.16 RMB'000	Change %
Depreciation of property, plant and equipment	201	205	(2.0)	628	632	(0.6)
Fixed asset written off	38	-	100.0	38	32	18.8
Amortisation of intangible assets	343	670	(48.8)	1,060	2,008	(47.2)
Gain on disposal of equity interest in associate	-	-	-	-	(4,750)	(100.0)
Gain on disposal of property, plant and equipment	-	-	-	(59)	-	100.0
Loss on sale of club membership	197	-	100.0	197	-	100.0
Write-back of allowance for impairment of trade receivables	(2,014)	(4,350)	53.7%	(2,014)	(4,350)	(53.7)
Bad debts recovered	(10)	-	(100.0)	(10)	-	100.0
Amount recovered from non-trade supplier	-	(503)	(100.0)	-	(503)	(100.0)
Operating lease expenses	206	196	5.1	604	656	(7.9)
Interest expense	940	921	2.1	3,053	2,933	4.1
Interest income	-	(3)	(100.0)	(156)	(82)	90.2
Inventories recognised as an expense in cost of goods sold	16,473	6,269	162.8	41,097	10,206	302.7
Employee compensations	2,929	1,838	59.4	6,336	5,541	14.3
Exchange gain	-	63	(100.0)	(61)	(682)	(91.1)

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	
	30.9.17 RMB'000	**31.12.16 RMB'000**	**30.9.17 RMB'000**	**31.12.16 RMB'000**
ASSETS				
Non-current assets				
Property, plant and equipment	21,504	11,505	-	-
Intangible assets	3,169	4,206	-	-
Club membership	-	670	-	-
Investment in subsidiary	-	-	59,000	63,000
	24,673	**16,381**	**59,000**	**63,000**
Current assets				
Gross amount due from customers for contract work-in-progress	69,403	18,173	-	-
Inventories	1,286	1,307	-	-
Trade and other receivables	49,328	27,092	68	-
Prepayments	102,695	97,082	1	39
Bank deposits pledged	2,440	6,381	-	-
Cash and cash equivalents	7,836	25,954	19	1,066
	232,988	**175,989**	**88**	**1,105**
Total assets	**257,661**	**192,370**	**59,088**	**64,105**
Equity attrubutable to owners of the Company				
Share capital	224,747	224,747	224,747	224,747
Reserves	31,294	31,294	-	-
Accumulated loss	(194,049)	(193,052)	(168,390)	(162,171)
	61,992	**62,989**	**56,357**	**62,576**
Non-controlling interest	1	31	-	-
Total equity	**61,993**	**63,020**	**56,357**	**62,576**
Current liabilities				
Gross amount due to customers for contract work-in-progress	59,196	-	-	-
Trade and other payables	48,691	35,373	1,093	294
Loans and borrowings	65,000	70,000	-	-
Other liabilities	22,634	23,830	1,638	1,235
Income tax payable	147	147	-	-
	195,668	**129,350**	**2,731**	**1,529**
Total liabilities and equity	**257,661**	**192,370**	**59,088**	**64,105**

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 30.9.17 RMB'000	As at 31.12.16 RMB'000
Amount repayable in one year or less, or on demand		
- secured	65,000	70,000
- unsecured	-	-
	65,000	70,000
Amount repayable after one year		
- secured	-	-
- unsecured	-	-
	-	-

Details of any collateral

As at 30 September 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 September 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 9 months ended	
	30.9.17	30.9.16
	RMB'000	RMB'000
Cash Flows from Operating Activities		
Loss before tax	(802)	(775)
Adjustments for :		
Depreciation of property, plant and equipment	628	632
Amortisation of intangible assets	1,060	2,008
Fixed assets written off	38	32
Gain on disposal of property, plant and equipment	(59)	-
Loss on sale of club membership	197	-
Interest income	(156)	(82)
Finance costs	3,053	2,933
Gain on disposal of equity interest in associate	-	(4,750)
Write-back of allowance for impairment of trade receivables	(2,014)	(4,350)
Bad debts recovered	(10)	-
Unrealised exchange gain	(14)	(682)
Total adjustments	2,723	(4,259)
Operating profit/(loss) before working capital changes	1,921	(5,034)
Increase in gross amount due from customers for contract work-in-progress	(51,230)	(1,890)
Decrease/(increase) in inventories	21	(2)
(Increase)/decrease in trade and other receivables	(20,363)	7,573
(Increase)/decrease in prepayments	(5,613)	13,799
Increase in gross amount due to customers for contract work-in-progress	59,196	7,517
Increase/(decrease) in trade and other payables	7,320	(11,901)
Decrease in other liabilities	(1,196)	(2,612)
Total changes in working capital	(11,865)	12,484
Cash flows (used in)/from operations	(9,944)	7,450
Interest income received	121	82
Interest expenses paid	(3,053)	(2,933)
Refund of prior years' income taxes	-	2,828
Income taxes paid	(39)	(507)
Net cash (used in)/from operating activities	(12,915)	6,920
Cash Flows from Investing Activities		
Proceeds from disposal of equity interest in associate	-	4,750
Purchase of property, plant and equipment	(3)	(142)
Construction in progress on solar photovoltaic plant	(901)	(370)
Proceeds from disposal of property, plant and equipment	238	-
Proceeds from sale of club membership	450	-
Net cash (used in)/from investing activities	(216)	4,238
Cash Flows from Financing Activities		
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)
(Repayments of)/proceeds from bills payable - net	(3,942)	78
Decrease in bank deposits pledged	3,941	17,882
Net cash used in financing activities	(5,001)	(19,040)
Net decrease in cash and cash equivalents	(18,132)	(7,882)
Exchange differences on translation of cash and cash equivalents	14	682
Cash and cash equivalents at 1 January	25,954	26,097
Cash and cash equivalents as at 30 September (Note A)	**7,836**	**18,897**

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)

Note A: Cash and cash equivalents	**Group As at 30.9.17 RMB'000**	**Group As at 30.9.16 RMB'000**
Cash and bank balances	10,276	18,975
Less: bank deposits pledged	(2,440)	(78)
Cash and cash equivalents	7,836	18,897

As at 30 September 2017, the Group has RMB1.6 million (30 September 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 RMB0.8 million (30 September 2016: nil) relate to performance guarantee for certain project.

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

	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 RMB'000**
Balance at 1 January 2017	224,747	31,748	(454)	(193,052)	-	62,989	31	63,020
Loss for the period, representing total comprehensive						-		
loss for the period	-	-	-	(827)	-	(827)	(14)	(841)
Change in interest in a subsidiary	-	-	-	-	(170)	(170)	(16)	(186)
Balance at 30 September 2017	224,747	31,748	(454)	(193,879)	(170)	61,992	1	61,993

	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'001**	**Total equity RMB'001**
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

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 2017	224,747	(162,171)	62,576
Loss for the period, representing comprehensive loss for the period	-	(6,219)	(6,219)
Balance at 30 September 2017	224,747	(168,390)	56,357

	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

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 September 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 September 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

	30.9.2017	**31.12.2016**
Total number of shares issued at end of period/year	617,209,000	617,209,000

The Company does not have any treasury shares as at 30 September 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 September 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)/earnings per share is based on the Group's net (loss)/profit 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 September 2017 (9M2016: 617,209,000 ordinary shares).

	Group	
	Jan to Sep 2017	**Jan to Sep 2016**
(Loss)/earnings after tax attributable to owners of the Company (RMB'000)	(827)	1,644
Basic (loss)/earnings per share (RMB cents per share)	(0.13)	0.27

* There were no potential dilutive 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 2017	**31 Dec 2016**	**30 Jun 2017**	**31 Dec 2016**
Net asset value (RMB'000)	61,992	62,989	56,357	62,576
Net asset value per share (RMB cents per share)	10.04	10.21	9.13	10.14

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

	3Q2017 RMB'000	%	3Q2016 RMB'000	%	9M2017 RMB'000	%	9M2016 RMB'000	%
Industrial wastegas treatment								
- Dust elimination	3,796	8.6	18,085	85.8	7,270	10.1	22,624	76.4
- Desulphurization	39,870	90.4	-	-	62,855	87.6	1,906	6.4
Industrial wastewater	438	1.0	2,993	14.2	1,623	2.3	5,106	17.2
	44,104	100.0	21,078	100.0	71,748	100.0	29,636	100.0

Revenue

The Group has benefitted from the improvement in the Chinese economy and posted strong revenue growth of 142.1% in 9M2017, an increase of RMB42.1 million from revenue of RMB29.6 million in 9M2016 to RMB71.2 million in current period.

The strong revenue growth was mainly driven by the industrial wastegas treatment segment which saw an acceleration of work activities of desulphurization contracts in 3Q2017 amounting to RMB39.9 million. There was no such contribution in the prior period. This brought aggregate revenue of RMB62.8 million in 9M2017, an increase of RMBB60.9 million in comparison to 9M2016. The revenue increase in this segment was partly dragged down by a decrease in revenue of RMB14.3 million and RMB15.3 million in the dust elimination segment in 3Q2017 and 9M2017 respectively. The decrease is due to the Group's strategy to focus its resources on increasing desulphurization contracts which are usually more lucrative than dust elimination contracts. Industrial waste water segment posted revenue of RMB0.4 million and RMB1.6 million in 3Q2017 and 9M2017 respectively.

In line with the overall net increase in revenue, total gross profit improved by RMB7.2 million or 158.3%, from RMB4.5million in 9M2016 to RMB11.7 million in 9M2017. The gross profits generated from the desulphurization, dust elimination and industrial wastewater segments were RMB7.3 million, RMB3.5 million and RMB0.9 million respectively in 9M2017 as opposed to gross profits generated of RMB0.9 million, RMB1.9 million and RMB1.7 million respectively in 9M2016.

The gross profit margin from the desulphurization segment improved from 9.0% in 2Q2017 to 13.2% in 3Q2017 notwithstanding that the gross profit margin in this business segment still declined from 46.6% in 9M2016 to 11.7% in 9M2017. The Group received a boost from the performance of a desulphurization contract which enjoyed gross profit margin of 48.1% in 3Q2017. This high gross margin desulphurization contract contributed an additional 1.5% to the Group's gross profit margin in 9M2017.

The increase in gross profit margin was also due in part to the higher gross profit margin generated from the dust elimination segment of 40.4% in 3Q2017 as compared to 6.3% in the same corresponding period last year. There were two contracts undertaken in 3Q2016 which were generally used as experimental basis to test the Group's newly developed dust elimination technology. Accordingly, lower contract prices were billed, which resulted in a lower gross profit margin of 8.3% in 9M2016 against 47.7% in 9M2017.

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 industrial wastewater segment also recorded higher gross profit margin of 99.9% in 3Q2017 as compared to 30.6% in 3Q2016. The higher gross profit margin in 3Q2017 can be attributed to one of the industrial wastewater which was at the design phase where minimal cost was incurred. Consequently, the gross profit margin in 9M2017 improved to 56.1%, up from 40.6% in 9M2016.

With better gross profit margins derived from the two business segments coupled by the high margin desulphurization contract performed in 3Q2017, the overall gross profit margin in 9M2017 improved by 1 percentage point, from 15.3% in 9M2016 to 16.3% in 9M2017. The higher gross profit margin of 6.7% generated in 3Q2017 (3Q2017: 16.4% vs 3Q2016: 9.7%) lifted the overall gross profit margin in 9M2017 as the gross profit margin for the last two quarters were in decline.

<u>Financial income</u>

The increase in financial income of RMB74,000, or 90.2%, from RMB82,000 in 9M2016 to RMB156,000 in 9M0217 was in line with the increase in bank deposits pledged to secure the increase in bills payable facilities.

<u>Other income</u>

Other income comprised impairment allowance on trade receivables written back of RMB2.0 million, gain on disposal of motor vehicle and exchange gain of RMB0.1 million in aggregate in 9M2017. Other income decreased by RMB8.2 million or 79.2%, from RMB10.3 million in 9M2016 to RMB2.1 million in 9M2017 due to lower impairment allowance on trade receivables written back and exchange gain recognized of RMB2.3 million and RMB0.6 million respectively. In 9M2016, the Group also recorded other income from the disposal of equity interest in associate and recovery of non-trade receivable written off amounting to RMB4.8 million and RMB0.5 million respectively. These incomes did not recur in 9M2017.

<u>Operating expenses</u>

For 9M2017, selling and distribution expenses increased by RMB0.5 million or 45.1%, from RMB1.1 million in 9M2016 to RMB1.6 million in 9M2017 due to upward revisions of payroll and related costs of RMB0.3 million, higher travelling and entertainment expenses and others of RMB0.1 million each were incurred, which were mainly in line with the increase in revenue.

Administrative expenses decreased by RMB1.7 million or 15.0%, from RMB11.6 million in 9M2016 to RMB9.9 million in 9M2017 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, professional fees and others were reduced by RMB0.9 million in aggregate. 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 9M2016. The amortization was also lower by RMB0.9 million as we had reinstated the acceleration of amortization back to its normal useful life only at the end of FY2016. The decrease of RMB2.7 million was partly offset by the increase in payroll and related costs of RMB0.5 million due to headcount additions and entertainment expenses of RMB0.5 million, which was in line with the increase in revenue.

Finance costs increased by RMB0.2 million or 4.1%, from RMB2.9 million in 9M2016 to RMB3.1 million in 9M2017 due to higher weighted average interest rate (9M2017: 5.65% vs 9M2016: 4.48%) despite the lower average loan quantum of RMB65.0 million in 9M2017 against RMB80.0 million in the same corresponding period a year ago .

Other expenses for 9M2017 mainly relate to a loss arising from the sale of club membership of RMB0.2 million. There was no such expense in 9M2016.

<u>Income tax expense</u>

Income tax expense decreased by RMB2.3 million or 101.7% in 9M2017 because there were no tax credits recognized in 9M2017 as opposed to tax refunds of RMB2.2 million received from the PRC tax authority in 2Q2016 in respect of finalized tax assessments for YA2013 and YA2015.

<u>(Loss)/profit after taxation</u>

The higher selling and distribution expenses, finance costs and other expenses, coupled by lower other income and the absence of tax credits more than offset the higher revenue and interest income and lower administrative expenses incurred, which resulted in a loss after taxation of RMB0.8 million in 9M2017 as compared to a profit after tax of RMB1.5 million in the same period of last year.

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

Notwithstanding the improvement in the Group's net assets, the Company will maintain the impairment of RMB4.0 million (2016: RMB22.1 million), provided in last quarter, on the carrying amount of its investment in the subsidiary, Jilin Anjie Engineering Co., Ltd as at 30 September 2017. Management took a more conservative approach in spite of the improvement in the external environment as uncertainty still persists. The Group 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 RMB24.7 million and comprised property, plant and equipment ("PPE") of RMB21.5 million, intangible assets of RMB3.2 million as at 30 September 2017. The increase in PPE of RMB10.0 million was attributed mainly to additions of computers of RMB3,000 and construction costs incurred on photovoltaic plant of RMB10.8 million, partly offset by depreciation of RMB0.6 million, fixed assets written off and disposal of net book value of motor vehicle of RMB0.2 million in aggregate during the financial period.

Intangible assets amounted to RMB3.2 million and comprised patents of RMB1.9 million and deferred development costs of RMB1.3 million as at 30 September 2017. The decrease in intangible assets of RMB1.0 million was attributed mainly to amortization in 9M2017. The patent in relation to an internally developed new dust elimination technology with pulsating rotary positioning mechanism have a remaining tenure of 86 months (2016: 95 months) as at 30 September 2017. In the case of the deferred development costs, they have an average amortization period of 14 months (2016: 23 months) as at 30 September 2017.

The club membership, with a net book value of RMB647,000 as at 30 June 2017, was sold to a third party for a cash consideration of RMB450,000.

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 RMB232.9 million and RMB176.0 million as at end of 30 September 2017 and 31 December 2016 respectively. Our current assets accounted for 90.4% and 91.5% of our total assets as at 30 September 2017 and 31 December 2016 respectively.

Amount due from customers for contract work-in-progress relates to unbilled trade receivables and amounted to RMB69.4 million and RMB31.8 million as at 30 September 2017 and 31 December 2016 respectively, constituting 29.8% and 10.3% of our current assets as at the respective dates. The increase of RMB51.2 million was in line with the increase in revenue and mainly relate to work performed in 9M2017 which have yet to reach the billing milestone.

Inventories remained relatively unchanged at RMB1.3 million as at 31 December 2016 and 30 September 2017 respectively. 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 RMB49.3 million and RMB27.1 million as at 30 September 2017 and 31 December 2016 respectively, and accounted for approximately 21.2% and 15.4% of our current assets as at the respective balance sheet dates. Trade receivables and retention monies amounted to RMB10.9 million as at 30 September 2017, representing a decrease of RMB2.7 million as a result of collections during the period, partly offset by tax invoices raised for work performed during the period.

Bills receivable received from the customers for settlement of debts amounted to nil and RMB0.3 million as at 30 September 2017 and 31 December 2016 respectively. The decrease was attributed to maturity of bills receivable which 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 RMB38.4 million and RMB13.2 million as at 30 September 2017 and 31 December 2016 respectively. The increase of RMB25.2 million was mainly attributed to the increased placements of bidding deposits directly with the customers for the tender of industrial wastegas and wastewater contracts in 2017. In addition, there was also net VAT receivables as at 30 September 2017 as opposed to net VAT payables as at 31 December 2016 because of increased purchases of raw materials to be utilised at the various construction sites during the financial period.

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

Prepayments comprised prepaid operating expenses and advances to trade and non-trade suppliers of RMB102.7 million and RMB97.1 million as at 30 September 2017 and 31 December 2016 respectively. The increase of RMB5.6 million was mainly for procurement of raw materials for contracts already secured and to be performed in 4Q2017 onwards. These advances will be offset against trade payables when certain performance milestones have been achieved.

Bank deposits pledged decreased by RMB4.0 million, from RMB6.4 million as at 31 December 2016 to RMB2.4 million as at 30 September 2017 as certain bills payable has matured during the financial period and there was no new bank deposits pledged to secure new bills payable facility.

Cash and cash equivalents amounted to RMB7.8 million and RMB25.9 million as at 30 September 2017 and 31 December 2016 respectively, and accounted for approximately 3.4% and 14.7% of our current assets as at the respective balance sheet dates. Operational cash outflows for the year was RMB12.9 million as opposed to cash inflows of RMB6.9 million in the previous period as the changes in working capital decreased by RMB24.3 million. With the increase in advances received from customers of RMB51.7 million for on-going contracts in 9M2017, the Group is gearing up for increased business activities which contributed to the higher operational cash outflows during the financial period.

Net cash used in investing activities was RMB0.2 million, an increase in cash outflows of RMB4.4 million in 9M2017 when compared against the same period of last year. This was due to the absence of proceeds received from the disposal of equity interest in associate of RMB4.7 million, increased construction costs on photovoltaic plant of RMB0.5 million, partly offset by proceeds received for the disposal of club membership and motor vehicle of RMB0.5 million and RMB0.2 million respectively in 9M2017 and less purchases of office equipment amounting to RMB0.1 million.

Net cash used in financing activities was RMB5.0 million, an increase in cash inflows of RMB14.0 million over 9M2016 due to additional proceeds of RMB5.0 million from the renewal of loans There was a decrease in 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 9M2017 as opposed to a repayment of RMB20.0 million in 9M2016 because there was no necessity for the Group to borrow from third party since it has sufficient funding to meet its operating requirements in 9M2017. The cash inflow of RMB32.0 million was partly offset by the quantum of the decrease in bank deposits pledged was much lower by RMB14.0 million and repayments of bills payable of RMB4.0 million as a result of maturity.

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 RMB195.6 million and RMB129.4 million as at 30 September 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 RMB59.2 million or 100.0% as at 30 September 2017 because as at 31 December 2016, the advances received from customers were solely on signing of new contracts and 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 RMB29.0 million, representing an increase of RMB0.7 million over 31 December 2016, which was in line with the increase in business activities.

Other payables comprised primarily VAT, other operating tax payables and other operating expenses. Other payables amounted to RMB18.1 million and RMB1.5 million as at 30 September 2017 and 31 December 2016 respectively. The increase of RMB16.6 million was mainly attributed to the performance bond of RMB5.0 million received from a vendor in relation to the construction of photovoltaic plant. There was no such receipt as at 31 December 2016. The piling and construction works on the photovoltaic plant also contributed to the increase in other payables of RMB9.9 million. The other operating expenses also increased by RMB1.7 million which was in line with the increase in business activities.

The maturity of certain bills payable as at 30 September 2017 and no issuance of new bills payable accounted mainly for the decrease in bills payable from RMB5.6 million as at 31 December 2016 to RMB1.6 million as at 30 September 2017.

Loans and borrowings decreased from RMB70.0 million as at 31 December 2016 to RMB65.0 million as at 30 September 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.

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

Other liabilities comprised accrued purchases, VAT, salaries and travelling expenses, other operating expenses, advances from customers and welfare expenses. Other liabilities amounted to RMB22.6 million and RMB23.8 million as at 30 September 2017 and 31 December 2016 respectively.

Accrued purchases, payroll and related expenses, operating expenses and welfare expenses amounted to RMB22.6 million and RMB3.4 million as at 30 September 2017 and 31 December 2016 respectively. The increase of RMB19.2 million was attributed mainly to increase in accrued purchases for raw materials of RMB17.6 million in preparation for construction and installation works scheduled in 4Q2017 and operating expenses of RMB1.6 million, which were mainly in line with the increase in business activities.

Advances from customers were nil and RMB20.4 million as at 30 September 2017 and 31 December 2016 respectively. The advances received 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 September 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 RMB0.8 million and RMB14,000 in the current period respectively. In addition, there was also acquisition of additional interest in a subsidiary relating to owners of the Company and non-controlling interest of RMB0.2 million and RMB16,000 respectively. Consequently, total equity decreased to RMB62.0 million as at 30 September 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 is on track to meet its full year's economic growth target of 6.5%. Its third–quarter GDP grew by 6.8% in line with general expectations. The construction sector in particular has benefitted greatly from favourable PRC government policies to promote heavy infrastructure spending as well as to boost lending to small businesses by requiring banks to maintain a lower cash reserve ratio. The Group is currently undertaking various engineering, procurement and engineering projects and intends to increase its order book with new tenders for more contracts. The Group's cash flows remain healthy. Its cash and cash equivalents were augmented by the additional recovery of bad debts previously written off amounting to RMB2.0 million in the current quarter. A total sum of RMB7.5 million has been recovered from this default steel making customer to date and management is optimistic that a further RMB4.0 million can be recovered by the end of the year.

Our Group had intended to venture into the photovoltaic industry in Dunhuang city through the establishment of a wholly-owned subsidiary, Dunhuang Anjie New Energy Co., Ltd. ("Duhuang Anjie New Energy"), on 29 June 2015. However, management is cognizant of a recent and adverse change in the State Grid Corporation ("SGC") of China's policy which affects the said industry. The sluggish demand for electricity by industries and households ("consumers") in Dunhuang city outstrips the electricity output produced by the photovoltaic plants. Consequently, the SGC is being forced to review its procurement policy of acquiring electricity from operators of photovoltaic plants in Dunhuang city to be supplied to the consumers. Unless a sustained recovery from the demand condition can be observed, SGC is not prepared to increase its purchased quantum from existing operators and incoming new operators, and such a situation may last for a long period of time. The Group has commenced on the construction of its photovoltaic plant since October 2016, amassing approximately RMB12.0 million in project cost as at 30 September 2017. An estimated RMB108.0 million will be required to complete the construction of the plant. The construction was intended to be funded by external borrowings. In the wake of the recent development which has cast much uncertainty over the operational viability and economic prospects of the Group's new venture, management has decided to dispose of its entire interest in Dunhuang Anjie New Energy to a third party who is already an existing provider in the photovoltaic industry. Accordingly, the Group has entered into a sale and purchase agreement with the buyer on 25 September 2017. Notwithstanding this, the eventual consideration for the sale can only be ascertained upon the finalization of the liabilities relating to Dunhuang Anjie New Energy to be assumed by each party. Verification and certification of ongoing construction works relating to the photovoltaic plant are still in progress and are expected to be concluded in the fourth quarter, after which the parties shall enter into a supplemental agreement to conclude the terms relating to the disposal. Management expects the disposal to be completed and accounted for in the last quarter of FY2017. Accordingly, the Group will make the necessary announcement on the details relating to the disposal when the supplemental agreement is finalized and executed.

Shareholders may also be interested to note the Group's impending change in stewardship amongst its senior management. Against a more conducive economic backdrop, it is an opportune time for the Group to bring in new and suitable personnel to reshape our operating framework and to chart the new growth path for the Group in the medium to long term. In connection therewith, some of the Group's existing senior executives may step down as the Group seeks a more diverse and dynamic talent pool of professionals to helm the various key functions across the operating entities.

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 nine months ended 30 September 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

10 November 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 third quarter and the nine months' financial results for the period ended 30 September 2017 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD
Leader Environmental Technologies Limited

Lin Baiyin
Executive Chairman and Chief Executive Officer

Zang Linying
Executive Director and Finance Director

10 November 2017