



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 Fourth Quarter and the Twelve Months Ended 31 December 2017

Unaudited Financial Statement and Dividend Announcement for the Financial Year Ended 31 December 2017 of Leader Environmental Technologies Limited (“Company”) and Its Subsidiaries (Collectively, “Group”)

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

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

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

Consolidated Statement of Comprehensive Income

	Group			Group		
	3 Months Ended		Change %	12 Months Ended		Change %
	31.12.17 ("4Q2017") RMB'000 (Unaudited)	31.12.16 ("4Q2016") RMB'000 (Unaudited)		31.12.17 ("FY2017") RMB'000 (Unaudited)	31.12.16 ("FY2016") RMB'000 (Audited)	
Revenue	48,090	14,154	239.8	119,838	43,790	173.7
Cost of sales	(36,254)	(11,335)	219.8	(96,285)	(36,434)	164.3
Gross profit	11,836	2,819	319.9	23,553	7,356	220.2
Financial income	(29)	11	(363.6)	127	93	36.6
Other income	8,163	539	1,414.5	10,310	10,873	(5.2)
Selling and distribution expenses	(729)	(257)	183.7	(2,311)	(1,347)	71.6
Administrative expenses	(3,922)	(1,669)	135.0	(13,820)	(13,311)	3.8
Finance costs	(1,086)	(1,172)	(7.3)	(4,139)	(4,105)	0.8
Other expenses	(10)	(41)	(75.6)	(299)	(104)	187.5
Profit/(loss) before income tax	14,223	230	6,083.9	13,421	(545)	(2,562.6)
Taxation	(31)	499	(106.2)	(70)	2,821	(102.5)
Profit and total comprehensive income for the period/year *	14,192	729	1,846.8	13,351	2,276	486.6
Profit and total comprehensive income for the year attributable to:						
Owners of the Company	14,193	757	1,774.9	13,366	2,401	456.7
Non-controlling interest	(1)	(28)	(96.4)	(15)	(125)	(88.0)
	14,192	729		13,351	2,276	

* There are no other comprehensive income and expense items for both financial years.

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 3 Months Ended			Group 12 Months Ended		
	31.12.17 RMB'000	31.12.16 RMB'000	Change %	31.12.17 RMB'000	31.12.16 RMB'000	Change %
Depreciation of property, plant and equipment	202	212	(4.7)	830	844	(1.7)
Gain on disposal of property, plant and equipment	-	(36)	(100.0)	(59)	(36)	63.9
Gain on disposal of equity interest in associate	-	-	-	-	(4,750)	(100.0)
Loss on disposal of club membership	-	-	100.0	197	-	100.0
Gain on disposal of subsidiary	(1,401)	-	100.0	(1,401)	-	100.0
Fixed asset written off	-	-	-	38	-	100.0
Amortization of intangible assets	344	(594)	(157.9)	1,404	1,414	(0.7)
Write-back of allowance for impairment of trade receivables	(6,649)	(1,095)	507.2	(8,663)	(5,445)	59.1
Bad debts recovered	(105)	-	100.0	(105)	-	100.0
Operating lease expenses	168	194	(13.4)	772	850	(9.2)
Finance costs	1,086	1,172	(7.3)	4,139	4,105	0.8
Interest income	29	(11)	(363.6)	(127)	(93)	36.6
Inventories recognised as an expense						
in cost of goods sold	20,044	4,965	303.7	61,141	15,171	303.0
Employee compensations	2,355	1,760	33.8	8,691	7,301	19.0
Exchange loss/(gain)*	-	96	(100.0)	(61)	(586)	(89.6)

1(b)(i) Statement of financial position (for the issuer and group) together with a comparative statement as at the end of the immediately preceding year.

	Group		Company	
	Unaudited 31.12.17 RMB'000	Audited 31.12.16 RMB'000	Unaudited 31.12.17 RMB'000	Audited 31.12.16 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	9,365	11,505	-	-
Intangible assets	2,825	4,205	-	-
Club membership	-	671	-	-
Investment in subsidiaries	-	-	63,000	63,000
	12,190	16,381	63,000	63,000
Current assets				
Gross amount due from customers for contract work-in-progress	59,165	18,173	-	-
Inventories	1,281	1,307	-	-
Trade and other receivables	48,096	27,093	14	-
Prepayments	95,134	97,082	-	39
Bank deposits pledged	1,650	6,381	-	-
Cash and cash equivalents	17,398	25,953	19	1,066
	222,724	175,989	33	1,105
Total assets	234,914	192,370	63,033	64,105
Equity attributable to owners of the Company				
Share capital	224,747	224,747	224,747	224,747
Reserves	31,124	31,294	-	-
Accumulated loss	(179,686)	(193,052)	(165,302)	(162,171)
	76,185	62,989	59,445	62,576
Non-controlling interests	-	31	-	-
Total equity	76,185	63,020	59,445	62,576
Current liabilities				
Gross amount due to customers for contract work-in-progress	11,087	-	-	-
Trade and other payables	54,141	35,373	1,278	294
Loans and borrowings	60,000	70,000	-	-
Other liabilities	33,354	23,830	2,310	1,235
Income tax payable	147	147	-	-
	158,729	129,350	3,588	1,529
Total equity and liabilities	234,914	192,370	63,033	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 31.12.2017 RMB'000	As at 31.12.2016 RMB'000
Amount repayable in one year or less, or on demand		
Bank loans		
- secured	60,000	70,000
- unsecured	-	-
	60,000	70,000
	60,000	70,000
 Amount repayable after one year		
- secured	-	-
- unsecured	-	-
	-	-
	-	-

Details of any collateral

As at 31 December 2017, short term loans and borrowings drawn down amounted to RMB60.0 million (31 December 2016: RMB70.0 million). The short term working capital loans are secured on the followings:

1. a corporate guarantee from the Company;
2. personal guarantees by the Executive Chairman cum Chief Executive Officer of the Company and his spouse;
and
3. pledge of 4 units of commercial properties with a net book value of RMB6.3 million as at 31 December 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	
	12 months Ended	
	31.12.17	31.12.16
	RMB'000 (Unaudited)	RMB'000 (Audited)
Cash Flows from Operating Activities		
Profit/(loss) before taxation	13,421	(545)
<u>Adjustments for:</u>		
Fixed asset written off	38	-
Depreciation of property, plant and equipment	830	844
Gain on disposal of property, plant and equipment	(59)	(36)
Amortization of intangible assets and club membership	1,404	1,414
Write-back of allowance for impairment of trade receivables	(2,664)	(1,000)
Gain on disposal of subsidiary	(1,401)	-
Finance costs	4,139	4,106
Interest income	(127)	(93)
Gain on disposal of equity interest in associate	-	(4,750)
Loss on disposal of club membership	197	-
Unrealised exchange gain	-	(46)
Total adjustments	2,357	439
Operating profit/(loss) before working capital changes	15,778	(106)
Changes in working capital		
(Increase)/decrease in gross amount due from customers for contract work-in-progress	(40,992)	20
Decrease in inventories	26	35
(Increase)/decrease in trade and other receivables	(23,732)	4,275
Decrease in prepayments	1,888	19,273
Increase/(decrease) in gross amount due to customers for contract work-in-progress	11,087	(573)
Increase/(decrease) in trade and other payables	28,560	(11,884)
Increase in other liabilities	9,524	16,492
Total changes in working capital	(13,639)	27,638
Cash generated from operations	2,139	27,532
Interest paid	(4,139)	(4,106)
Interest income received	127	93
Income tax (paid)/refunds - net	(70)	2,821
Net cash (used in)/generated from operating activities	(1,943)	26,340
Cash flows from investing activities		
Purchase of property, plant and equipment	(58)	(260)
Construction in progress on solar photovoltaic plant	(901)	(1,151)
Proceed from disposal of property, plant and equipment	238	-
Proceed from disposal of equity interest in associate	-	4,750
Proceed from disposal of club membership	450	-
Disposal of subsidiary (Note B)	3,660	-
Net cash flows generated from investing activities	3,389	3,339
Cash flows from financing activities		
(Repayments of)/proceeds from bills payable - net	(4,732)	5,552
Loan from third party	-	15,000
Repayment of third party loans	-	(35,000)
Proceeds from loans and borrowings	88,000	70,000
Repayments of loans and borrowings	(98,000)	(97,000)
Decrease in bank deposits pledged	4,731	11,579
Net cash flows used in financing activities	(10,001)	(29,869)
Net decrease in cash and cash equivalents	(8,555)	(190)
Exchange differences on translation of cash and cash equivalents	-	46
Cash and cash equivalents at the beginning of the year	25,953	26,097
Cash and cash equivalents at the end of the year (Note A)	17,398	25,953

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	
	31.12.17	31.12.16
	RMB'000	RMB'000
Note A: Cash and cash equivalents		
Cash at bank and on hand	19,048	32,334
Less: bank deposits pledged	(1,650)	(6,381)
Cash and cash equivalents	<u>17,398</u>	<u>25,953</u>

As at 31 December 2017, the Group has RMB820,000 (2016: RMB5.6 million) 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 RMB830,000 (2016: RMB0.8 million) relate to performance guarantee for certain project.

Note B: Disposal of subsidiary

During the financial year, the book values of net assets disposed were as follows:

	31.12.17
	RMB'000
Fixed asset - construction in progress	(2,052)
Other receivables	(5,207)
Prepayments	(60)
Other payables	5,060
Net assets disposed of	<u>(2,259)</u>
Net profit on disposal	(1,401)
Sales proceeds	<u>(3,660)</u>
Less: cash and bank balances disposed	-
Cash flow on disposal	<u><u>(3,660)</u></u>

The Group completed the divestment of the wholly owned subsidiary, Dunhuang Anjie New Energy Co., Ltd on 4Q2017.

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 RMB'000
Balance at 1 January 2017	224,747	31,748	(454)	(193,052)	-	62,989	31	63,020
Profit for the year, representing total comprehensive profit for the year	-	-	-	13,366	-	13,366	(15)	13,351
Change in interest in a subsidiary	-	-	-	-	(170)	(170)	(16)	(186)
Balance at 31 December 2017	224,747	31,748	(454)	(179,686)	(170)	76,185	-	76,185

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
Balance at 1 January 2016	224,747	31,748	(454)	(195,453)	60,588	18	60,606
Profit for the year, representing total comprehensive profit for the year	-	-	-	2,401	2,401	(125)	2,276
Issuance of new ordinary shares in subsidiary - unpaid	-	-	-	-	-	138	138
Balance at 31 December 2016	224,747	31,748	(454)	(193,052)	62,989	31	63,020

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

Company

Attributable to the owners of the 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 year, representing total comprehensive loss for the year	-	(3,125)	(3,125)
Balance at 31 December 2017	<u>224,747</u>	<u>(165,296)</u>	<u>59,451</u>

	Share capital RMB'000	Accumulated loss RMB'000	Total RMB'000
Balance at 1 January 2016	224,747	(141,891)	82,856
Loss for the year, representing total comprehensive loss for the year	-	(20,280)	(20,280)
Balance at 31 December 2016	<u>224,747</u>	<u>(162,171)</u>	<u>62,576</u>

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

Not applicable.

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

	Company	
	31.12.2017	31.12.2016
Total number of shares issued at end of year	<u>617,209,000</u>	<u>617,209,000</u>

The Company does not have any treasury shares as at 31 December 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 31 December 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.**

Except for the comparative balance sheets of the Group and of the Company as at 31 December 2016 and the comparative income statement of the Group for the year then ended, 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 method of computation as the issuer's most recently audited financial statements have been followed.

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 earnings per share is based on the Group's net profit attributable to owners of the Company for the respective periods divided by the weighted average of 617,209,000 ordinary shares for the year ended 31 December 2017 (2016: 617,209,000 ordinary shares).

	2017	2016
Profit after tax attributable to owners of the Company (RMB'000)	13,366	2,401
Basic earnings per share (RMB cents per share)	2.17	0.39

There are no potential dilutive options or instruments for both financial years.

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

(a) current financial period reported on; and

(b) immediately preceding financial year.

	Group		Company	
	31.12.17	31.12.16	31.12.17	31.12.16
Net asset value (RMB'000)	76,185	62,989	59,451	62,576
Net asset value per ordinary share (RMB cents per share)	12.34	10.21	9.63	10.14

Net asset value of the Group and Company as at 31 December 2017 and 31 December 2016 was computed based on 617,209,000 ordinary shares in issue at the end of the financial 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

INCOME STATEMENT/STATEMENT OF COMPREHENSIVE INCOME

Revenue

	4Q2017		4Q2016		FY2017		FY2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Industrial wastegas treatment								
- Dust elimination	46,344	96.4	8,339	58.9	53,614	44.7	30,963	70.7
- Desulphurization	1,466	3.0	855	6.0	64,321	53.7	2,761	6.3
Industrial wastewater	280	0.6	4,960	35.1	1,903	1.6	10,066	23.0
	48,090	100.0	14,154	100.0	119,838	100.0	43,790	100.0

Revenue

The Group has benefitted from the improvement in the Chinese economy coupled by a stricter enforcement of the environmental laws by the PRC government and posted strong revenue growth of 173.7% in FY2017, an increase of RMB76.0 million from revenue of RMB43.8 million in FY2016 to RMB119.8 million in current year.

The strong revenue growth was mainly driven by the dust elimination and desulphurization segments which saw an acceleration of work activities of dust elimination contracts in 4Q2017 amounting to RMB46.3 million as opposed to RMB8.3 million of the same period last year. The commencement of seven new dust elimination contracts in 4Q2017 contributed to the strong growth in this business segment. Majority of these contracts were successfully secured during March, June, July and September 2017 and they were scheduled to commence engineering, procurement and construction works in 4Q2017. Together with the tail end of the uncompleted dust elimination contract from last quarter relating to a customer from the aviation industry, they brought aggregate revenue of RMB53.6 million in FY2017, an increase of RMB22.6 million in comparison to FY2016. The robust growth in desulphurization activities slowed down in 4Q2017 as the contracts were at the tail end, which explained the lower revenue generated in 4Q2017 of RMB1.5 million, but still up by RMB0.6 million when compared against 4Q2016. Notwithstanding the slowdown in this business segment, overall revenue still came in at a high of RMB64.3 million in FY2017, an increase of RMB61.5 million when compared against previous financial year. The total revenue increase was partly dragged down by a decrease in revenue of RMB4.7 million and RMB8.2 million in the industrial wastewater segment in 4Q2017 and FY2017 respectively. The decrease is due mainly to tail end of the large scale contract which was substantially completed in FY2016 and there was no new contract secured in FY2017. Industrial waste water segment posted revenue of RMB0.3 million and RMB1.9 million in 4Q2017 and FY2017 respectively.

In line with the overall net increase in revenue, total gross profit improved by RMB16.3 million or 220.2%, from RMB7.3 million in FY2016 to RMB23.6 million in FY2017. The gross profits generated from the dust elimination, desulphurization, and industrial wastewater segments were RMB17.4 million, RMB5.2 million and RMB1.0 million respectively in FY2017 as opposed to gross profits generated of RMB3.3 million, RMB1.0 million and RMB3.0 million respectively in FY2016.

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)

The overall gross profit margin improved from 19.9% in 4Q2016 to 24.6% in 4Q2017 which lifted the overall gross profit margin from 16.8% in FY2016 to 19.7% in FY2017. The Group received a boost from the performance of seven dust elimination contracts scheduled on 4Q2017 which contributed to the higher gross profit margin of 26.8% in 4Q2017, up by 13.1% from the same period of last year. There were two contracts undertaken in FY2016 which were generally used as experimental basis to test the Group's newly developed dust elimination technology. Accordingly, lower contract prices were billed, which accounted for the lower gross profit margin of 9.7% in FY2016 against 29.6% in FY2017. The higher gross profit margin was pulled down by the desulphurization segment in 4Q2017 as higher costs were incurred due to outsourcing to sub-contractor which resulted in a negative gross profit margin of 46.2% in 4Q2017 as opposed to 16.9% in 4Q2016. If the gross profit margin from this segment were to be excluded in 4Q2017, it would have improved by another 2.2% to 26.8% in 4Q2017.

Financial income

The increase in financial income of RMB34,000 or 36.6%, from RMB93,000 in FY2016 to RMB127,000 in FY2017 because the bulk of the bank deposits pledged of RMB6.4 million in 2016 was placed on 29 December 2016. Accordingly, higher interest income was recognized in 2017. The higher financial income recognized was partly offset by lower interest income generated on the cash and cash equivalents, which fell from RMB25.9 million to RMB17.4 million. In addition, there was also an adjustment in 4Q2017 to reverse out the interest income of RMB29,000 that was inadvertently over accrued from the previous period.

Other income

Other income decreased by RMB0.6 million or 5.2%, from RMB10.9 million in FY2016 to RMB10.3 million in 2017 due to the absence of the gain on disposal of equity interest of RMB4.8 million in FY2016 and lower exchange gain of RMB0.6 million arising from the revaluation of SGD balances in FY2017. The decrease of RMB5.4 million was partly offset by higher impairment of trade receivables written back of RMB4.0 million, net of impairment of trade receivables of RMB0.7 million, one-off gain on disposal of subsidiary of RMB1.4 million and bad debts recovered of RMB0.1 million in FY2017.

Operating Expenses

For FY2017, selling and distribution expenses increased by RMB1.0 million or 71.6%, from RMB1.3 million in FY2016 to RMB2.3 million in FY2017 due to upward revisions of payroll and related costs and headcount addition of RMB0.6 million, higher travelling and entertainment expenses and others were incurred of RMB0.2 million and RMB0.3 million respectively, which were mainly in line with the increase in revenue.

Administrative expenses increased by RMB0.5 million or 3.8%, from RMB13.3 million in FY2016 to RMB13.8 million in FY2017 due to higher expenditure on travelling and entertainment expenses and office supplies of RMB1.1 million and RMB0.1 million respectively, which were in line with the increase in revenue. In addition, payroll and related costs also increased by RMB0.2 million as there were additions of a technical manager in 2Q2017 and two executive officers in 4Q2017, partly offset by dismissal of two employees and pay cut from certain key executive officers of the Group. The increase of RMB1.4 million was partly offset by lower professional and other expenses of RMB0.8 million in aggregate as the Group exercised stringent cost discipline coupled by lower depreciation of RMB0.1 million as a result of disposal and fixed asset written off during the year.

Finance costs were flat at RMB4.1 million each for the year ended 31 December 2016 and 2017. The finance costs incurred due to lower average loan quantum drawn down of RMB60.0 million in FY2017 against RMB70.0 million in the same corresponding period a year ago was neutralized by the higher weighted average interest rate (FY2017: 5.65% vs 2016: 4.48%).

Other expenses for FY2017 increased by RMB0.2 million or 187.5%, from RMB0.1 million in FY2016 to RMB0.3 million in FY2017 attributed mainly to a non-recurring loss arising from the sale of club membership of RMB0.2 million.

Taxation

In FY2016, tax refunds of RMB2.8 million were received from the PRC Tax Authority in respect of previous years' tax assessments coupled by no provision of corporate tax as the subsidiary was in a loss making position. In FY2017, the Group was not in receipt of any tax refund and tax expense of only RMB70,000 was provided because of the availability of the unutilized losses for offset against current year's taxable income. These resulted in a reversal of the Group's tax position, from tax credits to tax expense by RMB2.9 million or 102.5% in FY2017.

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)

Profit after taxation

The Group recorded a higher profit after taxation of RMB11.0 million or 486.3% in FY2017 due to higher gross profits generated and financial income, partly offset by lower other income, higher selling and distribution expenses, administrative expenses, finance costs and other expenses.

Balance sheet review

The Company

In view of the Group's improving business coupled by the renewed optimism that the growth momentum may continue into FY2018, hence, the Company will reverse its impairment in subsidiary of RMB4.0 million (2016: RMB22.1 million) provided in previous quarter.

The Group

Non-current assets amounted to RMB12.2 million and comprised property, plant and equipment ("PPE") of RMB9.4million and intangible assets of RMB2.8 million as at 31 December 2017. The decrease in PPE of RMB2.1 million was attributed mainly to depreciation of RMB0.8 million, fixed assets written off and disposal of net book value of motor vehicle of RMB0.2 million in aggregate during the financial year and disposal of a subsidiary consisting of construction in progress relating to photovoltaic plant of RMB2.1 million, partly offset by additions to computers, office equipment and construction in progress relating to photovoltaic plant of RMB58,000 and of RMB0.9 million respectively.

Intangible assets amounted to RMB2.8 million and comprised two patents and deferred development costs of RMB1.8 million and RMB1.0 million respectively as at 31 December 2017. The decrease in intangible assets of RMB1.4 million was attributed mainly to amortization in FY2017. The patent in relation to an internally developed new dust elimination technology with pulsating rotary positioning mechanism have a remaining tenure of 83 months (2016: 95 months) as at 31 December 2017. In the case of the deferred development costs, they have an average amortization period of 11 months (2016: 23 months) as at 31December 2017.

The golf club membership was sold to a third party for a cash consideration of RMB0.4 million on 30 June 2017. The accumulated amortization as at 30 Jun 2017 was RMB0.6 million and the loss arising from this disposal amounted to RMB0.2 million.

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 RMB222.7 million and RMB176.0 million as at end of 31 December 2017 and 31 December 2016 respectively. Our current assets accounted for 94.8% and 91.5% of our total assets as at 31 December 2017 and 31 December 2016 respectively.

Amount due from customers for contract work-in-progress relates to unbilled trade receivables and amounted to RMB59.2 million and RMB31.8 million as at 31 December 2017 and 31 December 2016 respectively, constituting 26.6% and 10.3% of our current assets as at the respective dates. The increase of RMB27.4 million was in line with the increase in revenue and mainly relate to certain work performed in FY2017 which have yet to reach the billing milestone.

Inventories were relatively unchanged at RMB1.3 million as at 31 December 2017 and 31 December 2016. The Group normally does not maintain substantial inventories due to relatively short purchasing lead time required.

Trade and other receivables comprised trade receivables, bills receivable, retention monies and other receivables amounted to RMB48.1 million and RMB27.1 million as at 31 December 2017 and 31 December 2016 respectively, and accounted for approximately 22.7% and 15.4% of our current assets as at the respective balance sheet dates. Trade receivables and retention monies amounted to RMB18.1 million as at 31 December 2017, representing an increase of RMB4.5 million which was in line with the increase in revenue.

Bills receivable received from the customers for settlement of debts amounted to nil and RMB0.3 million as at 31 December 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 year.

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)

Other receivables comprised advances to employees for business purposes, bidding deposits and tax recoverable. Other receivables amounted to RMB30.0 million and RMB13.2 million as at 31 December 2017 and 31 December 2016 respectively. The increase of RMB16.8 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 31 December 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 year coupled by certain work performed in FY2017 which have yet to reach the billing milestone.

Prepayments comprised prepaid operating expenses and advances to trade and non-trade suppliers of RMB95.1 million and RMB97.1 million as at 31 December 2017 and 31 December 2016 respectively. The decrease of RMB2.0 million was transferred for the use of the project.

Bank deposits pledged decreased by RMB4.8 million, from RMB6.4 million as at 31 December 2016 to RMB1.6 million as at 31 December 2017 as certain bills payable has matured during the financial year and there was no new bank deposits pledged to secure new bills payable facility.

Cash and cash equivalents amounted to RMB17.4 million and RMB25.9 million as at 31 December 2017 and 31 December 2016 respectively, and accounted for approximately 7.8% and 14.7% of our current assets as at the respective balance sheet dates. Operational cash outflows for the year was RMB1.9 million as opposed to cash inflows of RMB26.3 million in the previous year as the overall changes in working capital decreased by RMB41.3 million, which was in line with the increase in business activities in FY2017.

Net cash from investing activities was RMB3.4 million, and there was no material change in the cash flow in FY2017 when compared against the same period of last year. The cash inflows in FY2017 decreased by RMB0.5 million as the proceeds received from the disposal of subsidiary, club membership and fixed asset of RMB4.3 million was lower than the proceed received from the sale of equity interest in associate of RMB4.8 million in FY2016. The lower cash inflows of RMB0.5 million was offset by lower capital expenditure on fixed assets and construction in progress relating to photovoltaic plant of RMB0.5 million in FY2017.

Net cash used in financing activities was RMB10.0 million, an increase in cash inflows of RMB19.9 million over FY2016 due to additional net proceeds received of RMB17.0 million from the renewal of loans. In addition, there was no repayment of third party loan as opposed to a net repayment of RMB20.0 million in FY2016 because there was no necessity for the Group to borrow from third party since it has sufficient funding to meet its operating requirements in FY2017. The cash inflows of RMB37.0 million was partly offset by lower bank deposits pledged of RMB6.9 million as the Group utilized less bills payable facility in FY2017 to settle payments with suppliers and consequently, the cash inflows from bills payable in FY2017 decreased by RMB10.2 million when compared against FY2016.

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 RMB158.7 million and RMB129.4 million as at 31 December 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 RMB11.1 million or 100.0% as at 31 December 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 RMB46.4 million, representing an increase of RMB18.1 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 RMB6.9 million and RMB1.5 million as at 31 December 2017 and 31 December 2016 respectively. The increase of RMB5.4 million was mainly 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. It must include a discussion of the following:- (cont'd)

The maturity of certain bills payable as at 31 December 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 RMB0.8 million as at 31 December 2017.

Loans and borrowings decreased from RMB70.0 million as at 31 December 2016 to RMB60.0 million as at 31 December 2017 as a result of repayments made during the financial year. A higher loan quantum of RMB80.0 million was approved for FY2018, but as at 31 December 2017, the Group only repaid and drawn down RMB60.0 million and the remaining to be drawn down in FY2018.

Other liabilities comprised accrued purchases, VAT, salaries and travelling expenses, other operating expenses, advances from customers and welfare expenses. Other liabilities amounted to RMB33.4 million and RMB23.8 million as at 31 December 2017 and 31 December 2016 respectively.

Accrued purchases, payroll and related expenses, operating expenses and welfare expenses amounted to RMB19.6 million and RMB3.4 million as at 31 December 2017 and 31 December 2016 respectively. The increase of RMB16.2 million was attributed to increase in accrued purchases for raw materials of RMB14.7 million and operating expenses of RMB1.5 million, which were mainly in line with the increase in business activities.

Advances from customers were RMB13.8 million and RMB20.4 million as at 31 December 2017 and 31 December 2016 respectively. The decrease in advances from customers of RMB6.6 million was due to transfer of 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 31 December 2016 and 31 December 2017.

The Group's total shareholder's equity comprised share capital, PRC statutory reserve fund, merger reserve, accumulated profits and non-controlling interest. Total equity as at 1 January 2017 amounted to RMB63.0 million. Profit attributable to owners of the Company and non-controlling interests amounted to RMB13.4 million and (RMB15,000) in the current year respectively. The total equity of RMB76.4 million was partly offset by the acquisition of additional interest in a subsidiary relating to owners of the Company and non-controlling interests of RMB0.2 million and RMB16,000 respectively. Consequently, total equity increased to RMB76.2 million as at 31 December 2017, of which the amount was mainly attributable to owners of the Company.

9. Where a forecast or prospect statement ("Prospect Statement") has been made and disclosed to shareholders, any variances between the forecast and actual results has been explained.

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 Group has performed commendably in the fourth quarter of 2017. The PRC government has stepped up its efforts to tighten regulatory requirements on air pollution and more environmental bureaus were deployed to various parts of China to perform inspections of Chinese companies. With a stricter enforcement of environmental laws by the PRC government, more Chinese companies were subjected to fines and suspensions according to the severity of the breaches. These measures have benefitted the Group as more industrial wastegas and wastewater contracts were made available for tenders. Since the start of 2018, the Group has successfully tendered for two industrial wastewater contracts of RMB8.8 million in aggregate. In addition, the Group has on-going and soon to commence dust elimination projects which were secured in 2017 and scheduled for completion in 2018. The sales from these projects should amount to approximately RMB30.0 million. Apart from these contracts, management is also targeting larger scale industrial wastewater contracts in 2018 with a view to operate and maintain these systems so as to generate recurring income for the Group.

The Group's operating cash flow remains healthy as management continues to keep a tight rein on costs and maintain focus on collections from customers. Separately, management has renewed the bank loan from China Merchants Bank and a higher loan quantum of RMB80.0 million was obtained in preparation of the Group's increased tenders of industrial wastegas and wastewater contracts. Notwithstanding the improved business environment in the PRC, it is important that the Group maintains its prudent spending, stays vigilant to the external environment and focus on its contractual obligations. Barring unforeseen circumstances, management is hopeful that the growth momentum in fourth quarter of 2017 can continue into 2018.

11. Dividend

(a) Current Financial Period Reported On?

Not applicable.

(b) Corresponding Period of the Immediately Preceding Financial Year?

Any dividend declared for the corresponding period of the preceding financial year?

Not applicable.

(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 in respect of the year ended 31 December 2017 has been proposed by the Directors.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
 (This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Segmental information (RMB'000)	Dust elimination	Desulphurisation	Industrial wastewater	Total
2017				
Revenue				
Sales to external customers	53,614	64,321	1,903	119,838
Results				
Segment gross profit	17,385	5,167	1,001	23,553
2016				
Revenue				
Sales to external customers	30,963	2,761	10,066	43,790
Results				
Segment gross profit	3,016	1,032	3,308	7,356

The chief operating decision makers reviews the results of the segment using segment gross profit. Segment assets, liabilities and other expenses are not disclosed as they are not regularly provided to the chief operating decision maker.

Geographical information

There is no geographical segment information as the Group operates predominately in the PRC only.

Information about major customers

During the financial year ended 31 December 2017, revenue from three (2016: three) major customers amounted to RMB60.7 million, RMB12.5 million and RMB12.0 million (2016: RMB14.0 million, RMB9.8 million and RMB7.4 million), arising from sales by the desulphurization and dust elimination segments. In FY2016, the sales derived from these major customers were mainly from dust elimination and industrial wastewater segments.

14. **In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Refer to review of performance of the Group in para 8.

15. **A breakdown of sales**

	Group		
	2017	2016	change
	RMB'000	RMB'000	%
Sales reported for the first half year	27,644	8,558	223.0
Operating loss after tax reported for the first half year before non-controlling interest for the second half year	(4,124)	(669)	516.4
Sales reported for the second half year	92,195	35,252	161.5
Operating profit after tax before non-controlling interest for the second half year	17,475	2,945	493.4

16. **A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

Not applicable.

17. **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.

18. **14 Confirmation that the issuer has procured undertakings from all of its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).**

The Company hereby confirms that it has procured undertakings from all of its directors and executive officers under Rule 720(1) of the Listing Manual.

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(11) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Zhan Bijin	49	Cousin of Lin Baiyin *	<p>(1) Procurement Manager – Leader Environmental Technologies Limited</p> <p>Duties – Responsible for the procurement works, such as maintaining relationship with suppliers and ensure smooth coordination of projects with other departments.</p> <p>Position held since January 2006.</p> <p>(2) Director of Jilin Anjie Environmental Engineering Co., Ltd.</p> <p>Duties – same as above.</p> <p>Position held since November 2005.</p>	N.A

Note:

* Lin Baiyin (Executive Chairman cum Chief Executive Officer)

BY ORDER OF THE BOARD
Leader Environmental Technologies Limited

Lin Baiyin
 Executive Chairman and Chief Executive Officer

28 February 2018