



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 2018

Unaudited Financial Statement and Dividend Announcement for the Half-year Ended 30 June 2018 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
	30.6.18 ("2Q2018") RMB'000	30.6.17 ("2Q2017") RMB'000		30.6.18 ("HY2018") RMB'000	30.6.17 ("HY2017") RMB'000	
Revenue	16,808	23,241	(27.7)	28,914	27,644	4.6
Cost of sales	(11,866)	(20,010)	(40.7)	(20,562)	(23,160)	(11.2)
Gross profit	4,942	3,231	53.0	8,352	4,484	86.3
Financial income	3	114	100.0	22	156	(85.9)
Other income	1	64	(98.4)	36	122	(70.5)
Selling and distribution expenses	(534)	(528)	1.1	(942)	(877)	7.4
Administrative expenses	(3,339)	(2,841)	17.5	(7,401)	(5,865)	26.2
Finance costs	(1,547)	(1,096)	41.1	(2,797)	(2,113)	32.4
Other expenses	(1,660)	(10)	100.0	(1,679)	(10)	100.0
Loss before taxation	(2,134)	(1,066)	100.2	(4,409)	(4,103)	7.5
Taxation	-	(21)	(100.0)	-	(21)	(100.0)
Loss after taxation	(2,134)	(1,087)	96.3	(4,409)	(4,124)	6.9
Other comprehensive loss after tax	-	-	-	-	-	-
Total comprehensive loss for the period	(2,134)	(1,087)	96.3	(4,409)	(4,124)	6.9
Loss attributable to:						
Owners of the Company	(2,133)	(1,087)	96.2	(4,408)	(4,109)	7.3
Non-controlling interests	(1)	-	100.0	(1)	(15)	(93.3)
	(2,134)	(1,087)		(4,409)	(4,124)	
Total comprehensive loss attributable to:						
Owners of the Company	(2,133)	(1,087)	96.2	(4,408)	(4,109)	7.3
Non-controlling interest	(1)	-	100.0	(1)	(15)	100.0
	(2,134)	(1,087)		(4,409)	(4,124)	

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 before income tax is arrived at after charging/(crediting) the following:

	Group			Group		
	Unaudited 3 Months Ended		change	Unaudited 6 Months Ended		change
	30.6.18	30.6.17		30.6.18	30.6.17	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Depreciation of property, plant and equipment	221	211	4.7	436	427	2.1
Gain on disposal of property, plant and equipment	-	(59)	(100.0)	-	(59)	(100.0)
Allowance for impairment of trade receivables	1,651	-	100.0	1,651	-	100.0
Amortisation of intangible assets and club membership	343	355	(3.4)	687	717	(4.2)
Operating lease expenses	169	203	(16.7)	339	398	(14.8)
Interest expense	1,547	1,096	41.1	2,797	2,113	32.4
Interest income	(3)	(114)	(97.4)	(22)	(156)	(85.9)
Inventories recognised as an expense in cost of goods sold	6,870	24,573	(72.0)	13,259	24,624	(46.2)
Employee compensations	3,161	1,139	177.5	5,506	2,764	99.2
Exchange loss/(gain)	8	(3)	(366.7)	27	(61)	(144.3)

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 30.6.18 RMB'000	Audited 31.12.17 RMB'000	Unaudited 30.6.18 RMB'000	Audited 31.12.17 RMB'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	9,751	9,365	-	-
Intangible assets	2,138	2,825	-	-
Investment in subsidiaries	-	-	63,000	63,000
	11,889	12,190	63,000	63,000
Current Assets				
Gross amount due from customers for contract work-in-progress	112,834	59,165	-	-
Inventories	1,435	1,281	-	-
Trade and other receivables	34,694	48,096	-	-
Prepayments	94,354	95,134	2	14
Bank deposits pledged	810	1,650	-	-
Cash and cash equivalents	21,475	17,398	54	19
	265,602	222,724	56	33
Total assets	277,491	234,914	63,056	63,033
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	224,747	224,747	224,747	224,747
Reserves	31,294	31,124	-	-
Accumulated loss	(184,264)	(179,686)	(166,776)	(165,296)
	71,777	76,185	57,971	59,451
Non-controlling interests	(1)	-	-	-
Total equity	71,776	76,185	57,971	59,451
Current Liabilities				
Gross amount due to customers for contract work-in-progress	68,265	11,087	-	-
Trade and other payables	53,303	54,141	3,318	1,272
Loans and borrowings	65,000	60,000	-	-
Other liabilities	19,000	33,354	1,767	2,310
Income tax payable	147	147	-	-
	205,715	158,729	5,085	3,582
Total equity and liabilities	277,491	234,914	63,056	63,033

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

	Group	
	As at 30.6.18	As at 31.12.17
	RMB'000	RMB'000
Amount repayable in one year or less, or on demand		
- secured	65,000	60,000
- unsecured	-	-
	<u>65,000</u>	<u>60,000</u>
 Amount repayable after one year		
- secured	-	-
- unsecured	-	-
	<u>-</u>	<u>-</u>

Details of any collateral

As at 30 June 2018, short term loans and borrowings drawn down amounted to RMB65.0 million (31 December 2017: RMB60.0 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 RMB6.2 million as at 30 June 2018.

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	
	30.6.18	30.6.17
	RMB'000	RMB'000
Cash Flows from Operating Activities		
Loss before taxation	(4,409)	(4,103)
<u>Adjustments for :</u>		
Depreciation of property, plant and equipment	436	427
Amortisation of intangible assets and club membership	687	717
Gain on disposal of property, plant and equipment	-	(59)
Allowance for impairment of trade receivables	1,651	-
Finance costs	2,797	2,113
Interest income	(22)	(156)
Unrealised exchange gain	-	(20)
Total adjustments	5,549	3,022
Operating profit/(loss) before working capital changes	1,140	(1,081)
Increase in contract assets	(53,669)	(13,674)
Increase in inventories	(154)	(145)
Decrease/(increase) in trade and other receivables	11,751	(19,456)
Decrease/(increase) in prepayments	780	(16,422)
Increase in contract liabilities	57,178	33,584
(Decrease)/increase in trade and other payables	(828)	416
(Decrease)/increase in other liabilities	(14,354)	838
Total changes in working capital	704	(14,859)
Cash from/(used in) operations	1,844	(15,940)
Interest paid	(2,797)	(2,113)
Interest income received	22	46
Income tax paid	-	(21)
Net cash used in operating activities	(931)	(18,028)
Cash flows from investing activities		
Construction in progress on solar photovoltaic plant	-	(901)
Proceed from disposal of property, plant and equipment	-	238
Purchase of property, plant and equipment	(822)	(3)
Net cash used in investing activities	(822)	(666)
Cash flows from financing activities		
(Repayments of)/proceeds from bills payable - net	(10)	11,810
Proceeds from loans and borrowings	12,000	35,000
Repayments of loans and borrowings	(7,000)	(40,000)
Decrease/(increase) in bank deposits pledged	840	(11,927)
Net cash from/(used in) financing activities	5,830	(5,117)
Net increase/(decrease) in cash and cash equivalents	4,077	(23,811)
Exchange differences on translation of cash and cash equivalents	-	20
Cash and cash equivalents at beginning of period	17,398	25,954
Cash and cash equivalents at end of period (Note A)	21,475	2,163

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	
Note A: Cash and cash equivalents	30.6.18	30.6.17
	RMB'000	RMB'000
Cash and bank balances	22,285	20,471
Less: bank deposits pledged	(810)	(18,308)
Cash and cash equivalents	<u>21,475</u>	<u>2,163</u>

As at 30 June 2018, the Group has RMB0.8 million (30 June 2017: RMB17.4 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. There was no (30 June 2017: RMB0.9 million) bank deposit pledged as performance guarantee for certain contract as at 30 June 2018.

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 equity holders of the Company →							Total equity RMB'000
	Share capital RMB'000	PRC statutory common reserve RMB'000	Merger reserve RMB'000	Accumulated losses RMB'000	Premium paid on acquisition of non-controlling interest RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	
At 1 January 2018	224,747	31,748	(454)	(179,686)	(170)	76,185	-	76,185
Loss for the period	-	-	-	(4,408)	-	(4,408)	(1)	(4,409)
Other comprehensive loss	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(4,408)	-	(4,408)	(1)	(4,409)
At 30 June 2018	224,747	31,748	(454)	(184,094)	(170)	71,777	(1)	71,776

Group	← Attributable to the equity holders of the Company →							Total equity RMB'000
	Share capital RMB'000	PRC statutory common reserve RMB'000	Merger reserve RMB'000	Accumulated losses RMB'000	Premium paid on acquisition of non-controlling interest RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	
At 1 January 2017	224,747	31,748	(454)	(193,052)	-	62,989	31	63,020
Loss for the period	-	-	-	(4,109)	-	(4,109)	(15)	(4,124)
Other comprehensive loss	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(4,109)	-	(4,109)	(15)	(4,124)
Change in interest in a subsidiary	-	-	-	-	(170)	(170)	(16)	(186)
At 30 June 2017	224,747	31,748	(454)	(197,161)	(170)	58,710	-	58,710

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 losses RMB'000	Total RMB'000
At 1 January 2018	224,747	(165,296)	59,451
Loss for the period	-	(1,480)	(1,480)
Other comprehensive loss	-	-	-
Total comprehensive loss for the period	-	(1,480)	(1,480)
At 30 June 2018	<u>224,747</u>	<u>(166,776)</u>	<u>57,971</u>

	Share capital RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2017	224,747	(162,171)	62,576
Loss for the period	-	(5,349)	(5,349)
Other comprehensive loss	-	-	-
Total comprehensive loss for the period	-	(5,349)	(5,349)
At 30 June 2017	<u>224,747</u>	<u>(167,520)</u>	<u>57,227</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 30 June 2018.

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 2018 and 31 December 2017.

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 2018	31 Dec 2017
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 2018 and 31 December 2017.

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 2018 and 31 December 2017.

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.

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 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.**

The Group has adopted a new financial reporting framework, Singapore Financial Reporting Standards (International) (SFRS(I)s), on 1 January 2018 and has prepared its first set of financial information under SFRS(I)s for the quarter ended 30 June 2018.

The adoption of SFRS(I)s requires the Group to apply all of the specific transition requirements in SG-IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

The following are amendments of SG-IFRS that are relevant to the Group and the Company's operations and are effective for the annual periods beginning on or after 1 January 2018:

SFRS(I)s 1 *First time Adoption of International Financial Reporting Standards*

SFRS(I)s 9 *Financial Instruments*

SFRS(I)s 15 *Revenue from Contracts with Customers*

SFRS(I)s 1 First time Adoption of International Financial Reporting Standards

The adoption of SFRS(I) 1 has no significant impact on the financial statements.

SFRS(I) 9 Financial Instruments

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Overall, the Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under SFRS(I) 9.

SFRS(I) 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The impairment calculated using the expected credit loss model has no significant impact on the financial statements.

SFRS(I) 15 Revenue from Contracts with Customers

The Group has adopted SFRS(I) 15 using the full retrospective approach and applies all of the requirements of SFRS(I) 15 retrospectively, except for the practical expedients used for completed contracts. Under these practical expedients, completed contracts that began and ended in the same comparative reporting period, as well as completed contracts at the beginning of the earliest period presented, are not restated. The adoption of SFRS(I) 15 does not have a significant impact on the financial statements.

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 2018 (HY2017: 617,209,000 ordinary shares).

	Group	
	Jan to Jun 2018	Jan to Jun 2017
Loss after tax attributable to owners of the Company (RMB'000)	<u>(4,408)</u>	<u>(4,109)</u>
Basic loss per share (RMB cents per share)	<u>(0.71)</u>	<u>(0.67)</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.**

	Group		Company	
	30 June 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
Net asset value (RMB'000)	<u>71,777</u>	<u>76,185</u>	<u>57,971</u>	<u>59,451</u>
Net asset value per share (RMB cents per share)	<u>11.63</u>	<u>12.34</u>	<u>9.39</u>	<u>9.63</u>

Net asset value for the Group and Company as at 30 June 2018 and 31 December 2017 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

	2Q2018		2Q2017		HY2018		HY2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Industrial wastegas treatment								
- Dust elimination	14,984	89.1	1,662	64.3	26,875	93.0	3,474	12.6
- Desulphurization	-	-	20,560	-	-	-	22,985	83.1
Sub-total	14,984	89.1	22,222	64.3	26,875	93.0	26,459	95.7
Industrial wastewater	1,824	10.9	1,019	35.7	1,824	6.3	1,185	4.3
Design, technical and others	-	-	-	-	215	0.7	-	-
Total	16,808	100.0	23,241	100.0	28,914	100.0	27,644	100.0

Revenue

Total revenue for HY2018 increased only marginally by 4.6% or RMB1.3 million to RMB28.9 million, dragged down by the RMB6.4 million declined in revenue for 2Q2018. The Group recorded RMB16.8 million in revenue for 2Q2018, compared to RMB23.2 million in 2Q2017. There were no in-progress uncompleted desulphurization projects undertaken in HY2018. The contracted projects were completed in FY2017 and the tender of new projects had only begun after the winter season in May 2018. By and large, the desulphurisation segment has experienced intensifying competition, resulting in an erosion of profit margins from our contracts. Our Group has therefore shifted its focus towards dust elimination works in the interim. Nevertheless, we have tendered for numerous projects spanning across all business segments. Results for the tenders should be known come third quarter 2018.

The Group's revenue in 2Q2018 was derived mainly from the spillover of uncompleted dust elimination contracts from FY2017, accounting for some RMB13.5 million in revenue. Similarly, the Group also commenced work in 2Q2018 on a new industrial wastewater contract entered into in FY2017, contributing a further RMB1.8 million in revenue for the current quarter.

Gross profit and gross profit margin

Gross profit increased by 53.0% or RMB1.7 million, from RMB3.2 million in 2Q2017 to RMB4.9 million in 2Q2018. The increase was in tandem with more contract works undertaken in 2Q2018 pertaining to the dust elimination segment, and consequently lifting our overall gross profit from RMB4.5 million in HY2017 to RMB8.4 million in HY2018.

Our gross profit margin improved from 13.9% in 2Q2017 to 29.4% in 2Q2018 due primarily to a change in revenue mix. Our dust elimination contracts performed in the current quarter derived much higher margins than the desulphurization contract undertaken in 2Q2017. The gross profit margin generated from the desulphurization contract in 2Q2017 was only approximately 10.3%. As part of the Group's risk management, a substantial amount of work for pertaining to this desulphurization contract was outsourced to sub-contractors due to collectibility concerns over the customer.

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 decrease in financial income of RMB134,000 or 85.9%, from RMB156,000 in HY2017 to only RMB22,000 in HY2018 which was in line with the lower bank deposits pledged in HY2018.

Other income

Other income decreased by RMB86,000, from RMB122,000 in HY2017 to RMB36,000 in HY2018 due mainly to the absence of exchange gain of RMB61,000 from the translation of SGD and gain on disposal of fixed asset of RMB59,000 in HY2018, partly offset by an one-off unclaimed cash distribution received from CDP of RMB35,000 in HY2018.

Other items of expense

Selling and distribution expenses were relatively flat at RMB0.9 million in HY2017 and HY2018 respectively due mainly to headcount additions of RMB154,000 to support the increased business activities and higher entertainment and travelling expenses of RMB65,000 which were in line with the increase in revenue, partly offset by lower operating rental paid of RMB63,000 as certain leases relating to sales offices were terminated so that the Group can pooled its resources to better service its customers from certain geographical regions. In addition, other miscellaneous expenses also decreased by RMB90,000 in HY2018.

Administrative expenses also increased by 26.2% or RMB1.5 million, from RMB5.9 million in HY2017 to RMB7.4 million in HY2018 attributed to higher payroll and related costs of RMB0.7 million as a result of additions in headcount and normal pay was resumed for management in HY2018. Previously, in the same period of last year, 20% of managements' remunerations were withheld and were only paid at end of 2017 when certain performance targets were met. In addition, there was higher travelling and entertainment expenses of RMB0.9 million, which was in line with the increase in revenue and one-off consultancy fees relating to application for municipal qualification of RMB0.1 million. The increased was partly offset by the decrease in miscellaneous expenses of RMB0.2 million in HY2018.

Finance costs increased by RMB0.7 million or 32.4%, from RMB2.1 million in HY2017 to RMB2.8 million in HY2018 as a result of higher weighted average interest rate (HY2018: 5.87% vs HY2017: 5.65%) as loan quantum drawn down remained unchanged at RMB65.0 million for the respective periods. In addition, finance costs in HY2018 also comprised cash discounts of RMB0.4 million (HY2017: nil) given to certain customer for making cash payments.

Other expenses for HY2018 mainly relate to allowance for impairment of trade receivables computed of RMB1.6 million based on the expected credit loss model on the trade receivables as at 30 June 2018. There was no such expense in HY2017.

Income tax expense

There was no income tax expense in HY2017 and HY2018 as the subsidiaries were mainly in loss making positions. In the case of Jilin Anjie Engineering Co., Ltd, the subsidiary has unutilized losses for offset against future profits.

Loss after taxation

In view of the above, loss after taxation increased by RMB0.3 million or 6.9%, from RMB4.1 million in HY2017 to RMB4.4 million in HY2018.

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 Group

Our non-current assets amounted to RMB11.9 million and comprised property, plant and equipment ("PPE") of RMB9.8 million and intangible assets of RMB2.1 million as at 30 June 2018. The increase in PPE of RMB0.4 million was attributed mainly to additions of a motor vehicle and mobile phone of RMB0.8 million in aggregate, partly offset by depreciation of RMB0.4 million during the financial period.

Intangible assets amounted to RMB2.1 million and comprised patents of RMB1.7 million and deferred development costs of RMB0.4 million as at 30 June 2018. The decrease in intangible assets of RMB0.7 million was attributed mainly to amortization in HY2018. The patent in relation to an internally developed new dust elimination technology with pulsating rotary positioning mechanism have a remaining tenure of 77 months (2017: 83 months) as at 30 June 2018 respectively. In the case of the deferred development costs, they have an average amortization period of 5 months (2017: 11 months) as at 30 June 2018.

Current assets comprised contract assets, inventories, trade and other receivables, prepayments, bank deposits pledged and cash and cash equivalents. Current assets amounted to RMB265.6 million and RMB222.7 million as at end of 30 June 2018 and 31 December 2017 respectively. Our current assets accounted for 95.7% and 94.8% of our total assets as at 30 June 2018 and 31 December 2017 respectively.

Contract assets amounted to RMB112.8 million and RMB59.2 million as at 30 June 2018 and 31 December 2017 respectively, constituting 42.4% and 26.6% of our current assets as at the respective dates. The increase of RMB53.6 million relates to work performed in HY2018 which have yet to reach the billing milestone.

Inventories amounted to RMB1.4 million and RMB1.3 million as at 30 June 2018 and 31 December 2017. 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 RMB34.7 million and RMB48.1 million as at 30 June 2018 and 31 December 2017 respectively, and accounted for approximately 13.0% and 21.6% of our current assets as at the respective balance sheet dates. Trade receivables and retention monies amounted to RMB5.0 million as at 30 June 2018, representing a decrease of RMB13.1 million as a result of collections and allowance for impairment of trade receivables based on the expected twelve month credit losses during the period.

Bills receivable received from the customers for settlement of debts amounted to RMB0.7 million and nil as at 30 June 2018 and 31 December 2017 respectively. The increase was due mainly to receipt of new bills receivables for settlements.

Other receivables comprised advances to employees for business purposes, bidding deposits and tax recoverable. Other receivables amounted to RMB29.0 million and RMB30.0 million as at 30 June 2018 and 31 December 2017 respectively. The decrease of RMB1.0 million was mainly attributed to the decrease in VAT receivables of RMB1.9 million as a result of payments made to the tax authorities during the period. The decrease was partly offset by additional placement of bidding deposits directly with the customers for the tender of industrial wastegas and wastewater contracts in 2018 and procurement of raw materials for various project sites of RMB0.9 million in aggregate.

Prepayments comprised prepaid operating expenses, advances to trade and non-trade suppliers amounted to RMB94.4 million and RMB95.1 million as at 30 June 2018 and 31 December 2017 respectively. The decrease of RMB0.7 million was due to refund received from certain supplier of RMB15.0 million as a result of termination of a contract, partly offset by net advances for procurement of raw materials of RMB14.3 million for contracts already secured and to be performed in 3Q2018 onwards. These advances will be offset against trade payables when certain performance milestones have been achieved.

Bank deposits pledged decreased by RMB0.8 million, from RMB1.6 million as at 31 December 2017 to RMB0.8 million as at 30 June 2018 due to the released of performance guarantee amounting to RMB0.8 million for certain contract as the performance obligation had been satisfied.

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

Cash and cash equivalents improved by RMB4.1 million, from RMB17.4 million as at 31 December 2017 to RMB21.5 million as at 30 June 2018. Net cash used in operating activities decreased by RMB17.1 million due mainly to the cash inflows from trade and other receivables which increased by RMB31.3 million as a result of collections from customers and prepayments also increased by RMB17.2 million due mainly to receipts from certain supplier relating to a contract termination. In addition, the cash inflows from contract liabilities also increased by RMB23.6 million due to increased advances received from customers for on-going contracts in HY2018. The increase in cash inflows of RMB72.1 million was partly offset by the cash outflows from contract assets which increased by RMB40.0 million due to increased expenditure on work activities which have not reached billing milestone, trade and other payables also increased by RMB1.2 million as a result of payments made during the period and the other liabilities also increased by RMB15.2 million as the Group is still in the midst of tendering for new contracts, so no advances have been received for signing new contracts. In addition, cash outflows from inventories also increased by RMB0.1 million. There was also higher interest paid of RMB0.7 million in HY2018 due to higher weighted average interest rate charged by the bank on the borrowings and loans.

Net cash used in investing activities increased by RMB0.1 million due to the absence of proceed from disposal of fixed assets of RMB0.2 million in HY2018, partly offset by lower spending on capital expenditure of RMB0.1 million in HY2018.

Net cash from financing activities was RMB5.8 million, an increase of RMB10.9 million over HY2017 because the bank deposits pledged was lower by RMB12.7 million as the previous year's bank deposits pledged for the bills payable and performance guarantee have expired and released. In addition, the net repayments of loans and borrowings were lower by RMB10.0 million. The total increase in cash from financing of RMB22.7 million was partly offset by net repayments of bills payable amounting to RMB11.8 million as they have matured and there was no major addition to bills payable in HY2018.

Current liabilities comprised mainly contract liabilities, trade and other payables, loans and borrowings, other liabilities and income tax payable. Our current liabilities amounted to RMB205.7 million and RMB158.7 million as at 30 June 2018 and 31 December 2017 respectively, and accounted for 100.0% each of our total liabilities as at the respective balance sheet dates.

Contract liabilities amounted to RMB11.1 million and RMB68.3 million as at 31 December 2017 and 30 June 2018. The increase in contract liabilities by RMB57.2 million was mainly attributed to increased advance payments by the customers for on-going contracts.

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

Trade payables amounted to RMB47.7 million, representing an increase of RMB1.3 million over 31 December 2017 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 RMB4.8 million and RMB7.0 million as at 30 June 2018 and 31 December 2017 respectively. The decrease of RMB2.2 million was attributed to payments made during the period.

Bills payable remained relatively flat at RMB0.8 million as at 31 December 2017 and 30 June 2018.

Loans and borrowings increased from RMB60.0 million as at 31 December 2017 to RMB65.0 million as at 30 June 2018 to fund the increase in business activities.

Other liabilities comprised accrued purchases, VAT, salaries and travelling expenses, other operating expenses, advances from customers and welfare expenses. Other liabilities amounted to RMB19.0 million and RMB33.4 million as at 30 June 2018 and 31 December 2017 respectively.

Accrued purchases, payroll and related expenses, operating expenses and welfare expenses amounted to RMB19.0 million and RMB19.6 million as at 30 June 2018 and 31 December 2017 respectively. The decrease of RMB0.6 million was due to payments for the long overdue liabilities.

Advances from customers were nil and RMB13.8 million as at 30 June 2018 and 31 December 2017 respectively. No new contract was signed in HY2018 as the Group is still in the midst of tendering for new industrial wastegas and wastewater contracts, which explained why the advances from customers was nil in HY2018.

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

Income tax payable remained flat at RMB0.1 million each as at 30 June 2018 and 31 December 2017.

The Group's total shareholder's equity comprised share capital, PRC statutory common reserve fund, merger reserve, accumulated losses and premium paid on acquisition of non-controlling interests. Total equity as at 1 January 2018 amounted to RMB76.2 million. Loss attributable to owners of the Company and non-controlling interest amounted to RMB4.4 million and RMB1,000 in the current period respectively. Consequently, total equity decreased to RMB71.8 million as at 30 June 2018, of which the amount was mainly attributable to equity holders of the Company.

The non-controlling interests of RMB1,000 relate to the minority shareholder's 0.1% stake in our subsidiary, Jilin Anjie New Energy Group Co., Ltd.

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.

Our business environment remains buoyant and the Group is currently actively seeking new industrial wastegas and wastewater contracts. Notwithstanding the slowdown in China's economic growth to 6.7%, the PRC government still continues its push towards curbing water and pollution issues, with more measures and policies expected to be put in place. The regulatory requirements for corporates to partake in large scale municipal projects have also become more stringent. In forethought, our subsidiary, Jilin Anjie New Energy Group Co., Ltd., has recently obtained the necessary certifications to be an accredited participant of such major government-led projects. With much anticipation, our Group hopes to pursue further growth in the environmental business as we seek to take on larger scale projects going forward. While pursuing business growth will always be of utmost priority, it is also of paramount importance that management continues to focus on improving the Group's cash position by closely monitoring its contract assets and trade receivables. Management shall remain vigilant in its continual review of its customers' financial health and debt repayment abilities. The Group will require considerable financial resources to undertake more industrial wastegas and wastewater contracts in the second half of the year. Our efforts to-date have resulted in the Group to be in a stronger cash position as 30 June 2018, compared prior periods.

Barring any unforeseen circumstances, management is cautiously confident that the Group will achieve operational growth in second half of the 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 2018 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

2 August 2018

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 2018 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

2 August 2018

Goh Kay Seng Edwin
Independent Non-Executive Director