



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 2019

Unaudited Financial Statement and Dividend Announcement for the Third Quarter Ended 30 September 2019 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		
	30.9.19 ("3Q2019") RMB'000	30.9.18 ("3Q2018") RMB'000	Change %	30.9.19 ("9M2019") RMB'000	30.9.18 ("9M2018") RMB'000	Change %
Revenue	10,271	8,335	23.2	21,477	37,249	(42.3)
Cost of sales	(7,663)	(6,489)	18.1	(16,469)	(27,051)	(39.1)
Gross profit	2,608	1,846	41.3	5,008	10,198	(50.9)
Financial income	18	4	100.0	20	26	(23.1)
Other income	400	419	(4.5)	505	455	11.0
Selling and distribution expenses	(220)	(589)	(62.6)	(1,089)	(1,531)	(28.9)
Administrative expenses	(2,388)	(4,451)	(46.3)	(7,500)	(11,852)	(36.7)
Finance costs	(1,346)	(1,212)	11.1	(3,817)	(3,439)	11.0
Other expenses	(4,430)	(91)	4,768.1	(4,576)	(2,340)	95.6
Loss before tax	(5,358)	(4,074)	31.5	(11,449)	(8,483)	35.0
Taxation	(4)	136	(102.9)	(4)	136	(102.9)
Loss after tax	(5,362)	(3,938)	36.2	(11,453)	(8,347)	37.2
Other comprehensive loss after taxation	-	-	-	-	-	-
Total comprehensive loss for the period	(5,362)	(3,938)	36.2	(11,453)	(8,347)	37.2
Loss attributable to:						
Owners of the Company	(5,362)	(3,935)	36.3	(11,452)	(8,343)	37.3
Non-controlling interests	-	(3)	(100.0)	(1)	(4)	(75.0)
	(5,362)	(3,938)	36.2	(11,453)	(8,347)	37.2
Total comprehensive loss attributable to:						
Owners of the Company	(5,362)	(3,935)	36.3	(11,452)	(8,343)	37.3
Non-controlling interest	-	(3)	(100.0)	(1)	(4)	(75.0)
	(5,362)	(3,938)	36.2	(11,453)	(8,347)	37.2

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 9 Months Ended		Change %
	30.9.19 RMB'000	30.9.18 RMB'000		30.9.19 RMB'000	30.9.18 RMB'000	
Depreciation of property, plant and equipment	213	220	(3.2)	650	656	(0.9)
Fixed asset written off	-	1	(100.0)	-	1	(100.0)
Amortisation of right-of-use asset	137	-	100.0	137	-	100.0
Amortisation of intangible assets	65	343	(81.0)	195	1,030	(81.1)
Loss on disposal of property, plant and equipment	245	-	100.0	245	-	100.0
Allowance for impairment on contract assets	4,100	-	100.0	4,100	-	100.0
Allowance for impairment on trade receivables	2	579	(99.7)	49	2,230	(97.8)
Write-back of allowance for impairment on trade receivables	(400)	-	100.0	(505)	-	100.0
Bad debts written off	-	-	-	82	-	100.0
Bad debts recovered	-	(421)	(100.0)	-	(421)	(100.0)
Operating lease expenses ¹	28	180	(84.4)	377	519	(27.4)
Interest expense	1,366	1,020	33.9	3,837	3,439	11.6
Interest income	(18)	(4)	100.0	(20)	(26)	(23.1)
Inventories recognised as an expense in cost of goods sold	1,989	6,092	(67.4)	7,852	19,351	(59.4)
Employee compensations	1,363	2,507	(45.6)	5,509	7,411	(25.7)
Exchange loss	20	10	100.0	38	37	2.7

¹ The Group has adopted the practical expedient for recognition exemptions relating to two short-term leases.

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 30.9.19 RMB'000	Audited 31.12.18 RMB'000	Unaudited 30.9.19 RMB'000	Audited 31.12.18 RMB'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	8,068	9,400	-	-
Right-of-use asset	851	-	-	-
Intangible assets	1,348	1,543	-	-
Investment in subsidiaries	-	-	8,000	8,000
	10,267	10,943	8,000	8,000
Current Assets				
Contract assets	29,889	41,842	-	-
Inventories	1,053	1,281	-	-
Trade and other receivables	77,610	48,901	37	-
Deposits and prepayments	73,106	96,795	48	15
Bank deposits pledged	1,715	1,190	-	-
Cash and cash equivalents	3,374	10,516	58	56
	186,747	200,525	143	71
Total assets	197,014	211,468	8,143	8,071
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	224,747	224,747	224,747	224,747
Reserves	31,294	31,294	-	-
Premium paid on acquisition of non-controlling interests	(170)	(170)	-	-
Accumulated losses	(202,754)	(191,302)	(226,430)	(223,925)
	53,117	64,569	(1,683)	822
Non-controlling interests	3	4	-	-
Total equity	53,120	64,573	(1,683)	822
Non-Current Liabilities				
Lease liabilities	541	-	-	-
Current Liabilities				
Contract liabilities	15,633	6,073	-	-
Trade and other payables	62,076	56,250	6,656	4,244
Borrowings	54,860	65,109	-	-
Lease liabilities	319	-	-	-
Other liabilities	10,465	19,463	3,170	3,005
	143,353	146,895	9,826	7,249
Total liabilities	143,894	146,895	9,826	7,249
Total equity and liabilities	197,014	211,468	8,143	8,071

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 30.9.19	As at 31.12.18
	RMB'000	RMB'000
Amount repayable in one year or less, or on demand		
- secured	54,860	54,860
- unsecured	-	10,249
	54,860	65,109
	54,860	65,109
 Amount repayable after one year		
- secured	-	-
- unsecured	-	-
	-	-
	-	-

Details of any collateral

As at 30 September 2019, short term loans and borrowings drawn down amounted to RMB54.9 million (31 December 2018: RMB54.9 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 approximately RMB5.9 million as at 30 September 2019.

There was no unsecured borrowing during the financial period as the previous year's borrowings of RMB10.2 million were fully repaid in 1Q2019.

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

	30.9.19	30.9.18
	RMB'000	RMB'000
Cash Flows from Operating Activities		
Loss before tax	(11,449)	(8,483)
<u>Adjustments for :</u>		
Depreciation of property, plant and equipment	650	656
Amortisation of right-of-use asset	137	-
Amortisation of intangible assets	195	1,030
Fixed assets written off	-	1
Loss on disposal of property, plant and equipment	245	-
Impairment allowance on contract assets	4,100	-
Impairment allowance written back on trade receivables	(105)	-
Impairment allowance on trade receivables	49	2,230
Interest income	(20)	(26)
Finance costs	3,837	3,439
Unrealised exchange gain	-	(2)
Total adjustments	9,088	7,328
Operating loss before working capital changes	(2,361)	(1,155)
Decrease/(increase) in contract assets	7,853	(28,520)
Decrease/(increase) in inventories	228	(780)
Increase in trade and other receivables	(28,653)	(2,507)
Decrease/(increase) in prepayments	23,689	(16,017)
Increase in contract liabilities	9,560	47,059
Increase in trade and other payables	5,301	3,648
Decrease in other liabilities	(8,998)	(13,464)
Total changes in working capital	8,980	(10,581)
Cash from/(used in) operations	6,619	(11,736)
Interest income received	20	26
Interest expenses paid	(3,837)	(3,439)
Income taxes paid	(4)	(11)
Net cash from/(used in) operating activities	2,798	(15,160)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(14)	(889)
Proceeds from disposal of property, plant and equipment	451	-
Net cash from/(used in) investing activities	437	(889)
Cash Flows from Financing Activities		
Proceeds from loans and borrowings	5,000	26,000
Repayments of loans and borrowings	(5,000)	(26,000)
Repayments of third party loans	(10,249)	-
Proceeds from bills payable - net	525	1,179
Increase in bank deposits pledged	(525)	(349)
Repayment of lease obligations	(128)	-
Net cash (used in)/from financing activities	(10,377)	830
Net decrease in cash and cash equivalents	(7,142)	(15,219)
Exchange differences on translation of cash and cash equivalents	-	2
Cash and cash equivalents at 1 January	10,516	17,398
Cash and cash equivalents as at 30 September (Note A)	3,374	2,181

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

Consolidated statement of cash flows (cont'd)

	Group	
	As at	
	30.9.19	30.9.18
	RMB'000	RMB'000
Note A: Cash and cash equivalents		
Cash and bank balances	5,089	4,180
Less: bank deposits pledged	(1,715)	(1,999)
Cash and cash equivalents	<u>3,374</u>	<u>2,181</u>

As at 30 September 2019, the Group's bank deposits pledged comprised solely bills payable of RMB1.7 million (30 September 2018: 2.0 million). The bills payable have a maturity period of 180 days and are non-interest bearing.

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 equity holders of the Company →

	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	Total equity RMB'000
At 1 January 2019	224,747	31,748	(454)	(191,302)	(170)	64,569	4	64,573
Loss for the period	-	-	-	(11,452)	-	(11,452)	(1)	(11,453)
Other comprehensive loss	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(11,452)	-	(11,452)	(1)	(11,453)
At 30 September 2019	224,747	31,748	(454)	(202,754)	(170)	53,117	3	53,120

Group

← Attributable to the equity holders of the Company →

	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	Total equity RMB'000
At 1 January 2018	224,747	31,748	(454)	(179,686)	(170)	76,185	-	76,185
Loss for the period	-	-	-	(8,343)	-	(8,343)	(4)	(8,347)
Other comprehensive loss	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(8,343)	-	(8,343)	(4)	(8,347)
At 30 September 2018	224,747	31,748	(454)	(188,029)	(170)	67,842	(4)	67,838

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 2019	224,747	(223,925)	822
Loss for the period	-	(2,505)	(2,505)
Other comprehensive loss	-	-	-
Total comprehensive loss for the period	-	(2,335)	(2,335)
Balance at 30 September 2019	224,747	(226,260)	(1,683)

	Share capital RMB'000	Accumulated loss RMB'000	Total RMB'000
Balance at 1 January 2018	224,747	(165,296)	59,451
Loss for the period	-	(2,335)	(2,335)
Other comprehensive loss	-	-	-
Total comprehensive loss for the period	-	(2,335)	(6,219)
Balance at 30 September 2018	224,747	(167,631)	57,116

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 2018 and 30 September 2019.

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 2019 and 31 December 2018.

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

	30.9.2019	31.12.2018
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 September 2019 and 31 December 2018.

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 2019 and 31 December 2018.

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 2018.

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 Singapore Financial Reporting Standards (International) (SFRS(I)) 16 *Leases*, effective for the annual periods beginning on or after 1 January 2019.

• **SFRS(I) 16 Leases**

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessee. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. The Group applied the modified retrospective approach with no restatement of comparative information and the practical expedient for recognition exemptions for short-term leases and leases of low-value items.

Following the adoption of SFRS(1) 16 *Leases*, the Group recognised right-of-use assets of RMB851,000 and lease liabilities of RMB860,000 during the current period.

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 nine month ended 30 September 2019 (9M2018: 617,209,000 ordinary shares).

	Group	
	Jan to Sep 2019	Jan to Sep 2018
Loss after tax attributable to owners of the Company (RMB'000)	<u>(11,452)</u>	<u>(8,343)</u>
Basic loss per share (RMB cents per share)	<u>(1.86)</u>	<u>(1.35)</u>

* 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 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
Net asset value (RMB'000)	53,117	64,569	(1,683)	822
Net asset value per share (RMB cents per share)	8.61	10.46	(0.27)	0.13

Net asset value for the Group and Company as at 30 September 2019 and 31 December 2018 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

	3Q2019		3Q2018		9M2019		9M2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Industrial wastegas treatment								
- Dust elimination	2,264	22.0	2,409	28.9	4,183	19.5	29,284	78.6
Industrial wastewater	8,007	78.0	5,926	71.1	17,294	80.5	7,750	20.8
Design, technical and others	-		-		-		215	0.6
	10,271	100.0	8,335	100.0	21,477	100.0	37,249	100.0

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

Revenue

Total revenue decreased by RMB15.7 million or 42.3%, from RMB37.2 million in 9M2018 to RMB21.5 million in 9M2019. The substantial decrease in revenue from the dust elimination segment of RMB25.1 million or 85.7% in 9M2019 was the main drag on the Group's overall performance. In addition, the absence of revenue from the design, technical and others segment of RMB0.2 million also contributed to the Group's lower revenue in 9M2019. The decrease of RMB25.3 million was partly offset by the higher revenue generated from the industrial wastewater segment of RMB9.6 million in 9M2019. The work activities in 3Q2019 added an amount of RMB10.3 million to the Group's revenue and contract assets as opposed to RMB8.3 million in the same corresponding period of last year.

With no new dust elimination contract added in the wake of the economic slowdown in the Chinese economy coupled with less spilled-over contract works since majority of these contracts were already at the tail-end of completions, have resulted in flat performance in the dust elimination segment in 3Q2019. The bulk of the revenue contribution of RMB2.3 million in 3Q2019 came mainly from additional work performed on the sole new ongoing contract from the Group's existing order book. The total contract sum of this new contract is RMB10.3 million and is expected to be substantially completed by year end. Hence, the segment revenue dropped by RMB0.1 million in 3Q2019 when compared against the same corresponding period of last year. Accordingly, the revenue in this segment slid further to RMB4.2 million in 9M2019, a decrease of RMB25.1 million over the same period of last year. The performance in this business segment could have been better, if not for the delay to a previous year's secured contract of RMB1.2 million as the contract was placed on hold since 1Q2019 because the project site is still not ready for installation work to be carried out. Only RMB0.3 million of revenue has been recognized to date.

As for the industrial wastewater segment, the segment revenue was propped up by additional work activities performed on uncompleted new contract from HY2019 coupled with the commencement of work on another new contract from its existing order book. The two contracts mainly contributed RMB8.0 million of revenue to this business segment in 3Q2019, an increase of RMB2.1 million over the same period of last year. These contracts in 3Q2019 were deemed to be of larger scale than the single contract undertaken in 3Q2018. As a result, the segment revenue improved to RMB17.3 million in 9M2019, an increase of RMB9.6 million when compared against the same period of last year. The revenue increase for this segment could have been higher if not for the unexpected delay and slow start to the contract work in Linjiang City in 3Q2019. The total contract sum for this project is approximately RMB57.0 million and the work performed in 3Q2019 was negligible. Hence, the Group hopes to capture part of the lost revenue in the coming quarter.

Gross profit and gross profit margin

The improved performance in the industrial wastewater segment largely contributed to the higher gross profit by RMB0.8 million or 41.8%, from RMB1.8 million in 3Q2018 to RMB2.6 million in 3Q2019. However, this small amount of gross profit increase was not sufficient to fully compensate for the significant decrease in gross profit in the dust elimination segment, and could only reduce the overall decline in gross profit to RMB5.0 million in 9M2019.

The Gross profit margin improved by 3.3%, from 22.1% in 3Q2018 to 25.4% in 3Q2019 as a result of two large scale industrial wastewater contracts undertaken with weighted average gross profit margins of 24.6% in 3Q2019 as opposed to 5.1% in the same period of last year. However, this increase in gross profit margin was partly offset by the lower gross profit margin derived from the dust elimination segment of 37.0%, from 66.4% in 3Q2018 to 29.4% in 3Q2019. The Group managed to secure and embark on seven high margin contracts which exceeded 30.0% in 3Q2018, partly offset by no further work undertaken on those low gross margin contracts in 3Q2019. In light of the higher gross profit margin generated in 3Q2019, the decrease in the overall gross profit margin was reduced to 4.1% in 9M2019, from 27.4% in 9M2018 to 23.3% in 9M2019.

Financial income

The decrease in financial income of RMB6,000 or 23.1%, from RMB26,000 in 9M2018 to RMB20,000 in 9M2019 was due mainly to lower bank deposits pledged in 9M2019 as compared to 9M2018. The interest income derived from the bank deposit pledged from August 2018 to June 2019 was not accrued, but only booked based on receipts in 3Q2019 as the amounts were determined to be immaterial, which explained for the higher interest income of RMB14,000 in 3Q2019.

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 income

Other income increased by RMB50,000 or 11%, from RMB455,000 in 9M2018 to RMB505,000 in 9M2019 due to the write-back of allowance for impairment on trade receivables of RMB0.1 million, partly offset by the absence of an one-off unclaimed cash distribution received from Central Depository (Pte) Limited (CDP) of RMB35,000 in 9M2019. Similarly to the debt recovery in 3Q2018, the Group also recovered RMB0.4 million of long overdue debts from certain customer in 3Q2019.

Operating expenses

Selling and distribution expenses decreased by RMB0.4 million or 28.9%, from RMB1.5 million in 9M2018 to RMB1.1 million in 9M2019 due to lower payroll and related costs of RMB0.3 million caused by staff attritions and layoffs. Travelling and entertainment expenses also decreased by RMB0.2 million in 9M2019, in line with the decrease in business activities during the financial period.

Administrative expenses decreased by RMB4.4 million or 36.7%, from RMB11.9 million in 9M2018 to RMB7.5 million in 9M2019 due to lower payroll and related costs incurred of RMB1.4 million attributed to staff attritions and layoffs, and amortization costs on intangible assets of RMB0.8 million as the deferred development costs were fully amortized in FY2018. In addition, in line with the decrease in business activities, travelling and entertainment, tender consultations and agency fees, others and office expenses also decreased by RMB1.4 million, RMB0.4 million, RMB0.3 million and RMB0.1 million respectively.

Higher finance costs were incurred of RMB0.4 million, from RMB3.4 million in 9M2018 to RMB3.8 million in 9M2019 due to the higher weighted interest rate charged of 9.0% in 9M2019 (HY2018: 5.87%), partly offset by the lower loan quantum drawn down of RMB54.9 million in 9M2019 (9M2018: RMB60.0 million).

For other expenses, the Group recognized an impairment allowance on contract assets of RMB4.1 million during the current quarter based on the expected credit loss model, bringing the total impairment allowances on contract assets, trade receivables and bad debts written off to RMB4.2 million in 9M2019 as opposed to RMB2.2 million in 9M2018. The expected loss rate applied was 14.9%, taking into consideration the lower GDP growth in China, and on the individual assessment of contract asset balances with expected credit losses. In addition, the Group also suffered a loss on disposal of motor vehicle of RMB0.2 million in 3Q2019. There was no such loss in 3Q2018. Consequently, other expenses increased by RMB2.3 million in aggregate or 95.6% in 9M2019.

Income tax expense

Income tax expense increased by RMB140,000 or 102.9% in 9M2019 because of the absence of a reversal in tax provision of RMB0.1 million in 9M2019 as the amount was deemed to be no longer payable by the tax authority.

Loss after taxation

In view of the above, loss after taxation increased by RMB3.2 million or 37.2%, from RMB8.3 million in 9M2018 to RMB11.5 million in 9M2019.

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

Non-current assets amounted to RMB9.4 million and comprised property, plant and equipment ("PPE") of RMB8.1 million, right-of-use asset of RMB0.9 million and intangible assets of RMB1.3 million as at 30 September 2019.

The decrease in PPE of RMB1.3 million was due mainly to disposal of motor vehicle with a net book value of RMB0.7 million and depreciation of RMB0.6 million during the financial period.

Following the adoption of SFRS(I) 16 leases, there was a recognition of right-of-use asset amounting to RMB0.9 million during the financial period.

Intangible assets decreased by RMB0.2 million, from RMB1.5 million as at 31 December 2018 to RMB1.3 million as at 30 September 2019 as a result of amortization of RMB0.2 million during the financial period. It comprised solely the patent in relation to an internally developed new dust elimination technology with pulsating rotary positioning mechanism, and has a remaining tenure of 62 months (31 December 2018: 71 months) as at 30 September 2019.

Current assets comprised contract assets, inventories, trade and other receivables, prepayments, bank deposits pledged and cash and cash equivalents. Current assets amounted to RMB186.7 million and RMB200.5 million as at 30 September 2019 and 31 December 2018 respectively. Our current assets accounted for 95.2% and 94.8% of our total assets as at 30 September 2019 and 31 December 2018 respectively.

Contract assets amounted to RMB29.9 million and RMB41.8 million as at 30 September 2019 and 31 December 2018 respectively, constituting 16.0% and 20.9% of our current assets as at the respective dates. The decrease of RMB11.9 million was attributed to progress billings of RMB29.3 million during the financial period coupled by impairment allowance on contract assets of RMB4.1 million based on the lifetime expected credit model, partly offset by the performance of work of RMB21.5 million in 9M2019 which have yet to achieve certain billing milestones. Approximately RMB21.9 million of contract assets are completed contracts in the midst of final settlements with the customers, and there was another RMB5.2 million of outstanding to be collected from two state-owned enterprises relating to the oil and gas and steel manufacturing industries. The Group has initiated legal action recently against the oil and gas customer to recover RMB1.8 million of outstanding debt, while the steel maker has paid RMB1.5 million in 3Q2019 and agreed to settle the remaining outstanding debt of RMB3.4 million after several visits made by the Group's deputy general manager.

Inventories amounted to RMB1.3 million and RMB1.0 million as at 31 December 2018 and 30 September 2019 respectively. The decrease of RMB0.3 million was in line with the decrease in business activities during the financial period. 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, retention monies and other receivables amounted to RMB77.6 million and RMB48.9 million as at 30 September 2019 and 31 December 2018 respectively, and accounted for approximately 41.6% and 24.4% of our current assets as at the respective balance sheet dates. Trade receivables and retention monies, net of allowance for impairments, amounted to RMB4.0 million as at 30 September 2019, representing a decrease of RMB6.5 million largely due to collections during the financial period.

Other receivables comprised advances to employees for business purposes, bidding deposits and tax recoverable. Other receivables amounted to RMB73.6 million and RMB38.4 million as at 30 September 2019 and 31 December 2018 respectively. The bulk of the increase of RMB35.2 million was mainly attributed to the placement of bidding deposits for the tender of industrial wastewater contract, and because of the project size and complexity, the result of the tender will only be announced in January 2020.

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, advances to trade and non-trade suppliers amounted to RMB73.1 million and RMB96.8 million as at 30 September 2019 and 31 December 2018 respectively. The decrease of RMB23.7 million was due mainly to several refunds received from certain supplier amounting to RMB26.0 million so as to minimize its credit risk exposure because the industrial wastewater contracts are still under discussions with the customers as to their continuity, partly offset by the deposits placed with certain suppliers for raw materials for ongoing contracts.

Bank deposits pledged to secure the bills payable facility increased by RMB0.5 million, from RMB1.2 million as at 31 December 2018 to RMB1.7 million as at 30 September 2019.

Cash and cash equivalents amounted to RMB3.4 million and RMB10.5 million as at 30 September 2019 and 31 December 2018 respectively, and accounted for approximately 1.8% and 5.2% of current assets as at the respective balance sheet dates.

Net cash generated from operating activities was RMB2.7 million compared to net cash used in operating activities of RMB15.2 million in the prior period. This was due mainly to several refunds received from certain supplier coupled by lower working capital requirements.

Net cash generated from investing activities was RMB0.4 million. This was directly attributable to the proceeds received from the disposal of motor vehicle of RMB0.4 million.

Net cash used in financing activities was RMB10.2 million. This was due mainly to the repayments of third-party loans during the financial period.

Non-current liabilities comprised mainly lease liabilities of RMB0.5 million following the adoption of SFRS (I) 16 Leases.

Current liabilities comprised mainly contract liabilities, trade and other payables, loans and borrowings and other liabilities. Current liabilities amounted to RMB143.4 million and RMB146.9 million as at 30 September 2019 and 31 December 2018 respectively, and accounted for 99.6% each of our total liabilities as at the respective balance sheet dates.

Contract liabilities increased by RMB9.5 million, from RMB6.1 million as at 31 December 2018 to RMB15.6 million as at 30 September 2019. These amounts received were pending the completions of the on-going contracts in 9M2019 before they can offset against the contract assets.

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

Trade payables amounted to RMB51.4 million, representing an increase of RMB1.2 million over 31 December 2018 as a result of delays in payments to certain suppliers.

Other payables comprised primarily VAT, other operating tax payables and other operating expenses. Other payables amounted to RMB9.0 million and RMB4.8 million as at 30 September 2019 and 31 December 2018 respectively. The increase of RMB4.2 million was attributed mainly to higher advances from a Director of RMB2.4 million for purpose of projects tenders, after partial repayments of RMB3.1 million were made in 3Q2019, other operating expenses of RMB1.1 million, and unpaid operating expenses of holding company amounting to RMB0.7 million.

Bills payable increased by RMB0.5 million, from RMB1.2 million as at 31 December 2018 to RMB1.7 million as at 30 September 2019 due to the increase in utilization of bills payable facilities during the financial period.

Loans and borrowings decreased from RMB65.1 million as at 31 December 2018 to RMB54.9 million as at 30 September 2019 due to repayments of third party borrowings of RMB10.2 million.

There were lease liabilities of RMB0.3 million following the adoption of SFRS (I) 16 Leases.

Other liabilities comprised accrued purchases, VAT, salaries and travelling expenses, other operating expenses, advances from customers and welfare expenses. Other liabilities amounted to RMB10.5 million and RMB19.5 million as at 30 September 2019 and 31 December 2018 respectively.

Accrued purchases, payroll and related expenses, operating expenses and welfare expenses amounted to RMB10.5 million and RMB13.2 million as at 30 September 2019 and 31 December 2018 respectively. The decrease of RMB2.7 million was in line with the decrease in business activities 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)

Advances from customers were nil and RMB6.3 million as at 30 September 2019 and 31 December 2018 respectively. The decrease of RMB6.3 million was due mainly to the transfer to contract liabilities as these contracts have already commenced works coupled by no signing of new industrial wastegas and wastewater contract during the financial period.

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 2019 amounted to RMB64.6 million. Loss attributable to owners of the Company and non-controlling interest amounted to RMB11.4 million and RMB1,000 in the current period respectively. Consequently, total equity decreased to RMB53.1 million as at 30 September 2019, of which the amount was mainly attributable to equity holders of the Company.

The non-controlling interests of RMB3,000 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.

With the ongoing trade tensions and further slowdown in the Chinese economy, the business environment in the PRC remains lacklustre as the Group only managed one contract win in industrial wastewater project thus far, amounting to approximately RMB8.0 million. This contract is still in the process of finalizing. Moreover, the Group is also waiting for the result of its bidding for a large-scale industrial wastewater contract submitted in 2Q2019. If successful, both contracts may start contributing to the Group's revenue in FY2020. The unexpected delay and slow start to the government-related industrial wastewater contract of approximately RMB57.0 million in Linjiang City will continue to weigh on the Group's results. With a negligible amount of work being performed in 3Q2019, the Group has placed a strong emphasis on intensifying its efforts to achieve certain milestones in the project, so that it can capture some of the revenue before the harsh winter sets in around late November 2019. In the circumstances, the Group's near-term outlook is likely to remain subdued.

Given the uncertainties in the PRC economy, the Group faces headwinds in improving its cash and cash equivalents. Collections from customers remain slow and the management is still in the midst of discussing and finalizing the settlements of several completed contracts of approximately RMB28.0 million. The Group has also enlisted the help of its lawyer to expedite certain payments. Looking ahead, the management has started negotiating with certain bank on renewing its loan facility for another year to finance the Group's working capital. These receipts and loan facility are critical to its operations to ensure that it has sufficient funding to meet its financial obligations and commitments in the next twelve months. Going forward, the adoption of a discipline and prudent approach on the Group's expenditure will continue to be part of its key strategy to sustain its operations.

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 2019 is declared or recommended. The Group needs to preserve its cash for working capital requirements. Furthermore, pursuant to the Companies Act (Chapter 50), the Company is unable to pay dividends due to its huge accumulated loss position.

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

13 November 2019

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 2019 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

Goh Kay Seng Edwin
Non Executive Independent Director

13 November 2019