



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 First Quarter and the three Months Ended 31 March 2020

Pursuant to the Singapore Exchange Securities Trading Limited's ("SGX-ST") requirement under Listing Rule 705(2C), the Company is mandatorily required to continue with quarterly reporting of its financial statement with effect from 7 February 2020 in view of the material uncertainty relating to going concern issued by the Company's statutory auditors in its annual report for the financial year ended 31 December 2018.

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 | | Change |
|--|-----------------------|--------------------|---------------|
| | 3 Months Ended | | |
| | 31.3.20 | 31.3.19 | |
| | ("1Q2020") | ("1Q2019") | % |
| | RMB'000 | RMB'000 | |
| | (Unaudited) | (Unaudited) | |
| Revenue | 5,235 | 2,711 | 93.1 |
| Cost of sales | (4,378) | (2,163) | 102.4 |
| Gross profit | 857 | 548 | 56.4 |
| Financial income | 5 | 1 | 400.0 |
| Other income | 32 | 105 | (69.5) |
| Selling and distribution expenses | (309) | (602) | (48.7) |
| Administrative expenses | (2,850) | (2,510) | 13.5 |
| Finance costs | (1,312) | (1,198) | 9.5 |
| Other expenses | 125 | (75) | (266.7) |
| Loss before taxation | (3,452) | (3,731) | (7.5) |
| Taxation | (9) | - | 100.0 |
| Loss after taxation | (3,461) | (3,731) | (7.2) |
| Other comprehensive loss after tax | - | - | - |
| Total comprehensive loss for the period | (3,461) | (3,731) | (7.2) |
| Loss attributable to: | | | |
| Owners of the parent | (3,461) | (3,730) | (7.2) |
| Non-controlling interests | - | (1) | (100.0) |
| | (3,461) | (3,731) | |
| Total comprehensive loss attributable to: | | | |
| Owners of the parent | (3,461) | (3,730) | (7.2) |
| Non-controlling interests | - | (1) | (100.0) |
| | (3,461) | (3,731) | |

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 | | Change % |
|--|--------------------|--------------------|-------------|
| | 3 Months Ended | | |
| | 31.3.20 RMB'000 | 31.3.19 RMB'000 | |
| Depreciation of property, plant and equipment | 279 | 219 | 27.4 |
| Amortisation of intangible assets | 65 | 65 | - |
| Gain on disposal of property, plant and equipment | (32) | - | 100.0 |
| Operating lease expenses | 79 | 174 | (54.6) |
| Allowance for impairments: | | | |
| - trade receivables | - | 47 | (100.0) |
| - trade receivables no longer required | - | (105) | (100.0) |
| Bad debts recovered | (150) | - | 100.0 |
| Interest expense | 1,312 | 1,198 | 9.5 |
| Interest income | (5) | (1) | 400.0 |
| Inventories recognised as an expense in cost of goods sold | 3,095 | 468 | 561.3 |
| Employees' compensations | 1,704 | 1,967 | (13.4) |
| Directors' fees | 135 | 133 | 1.5 |
| Exchange loss | 25 | 6 | 316.7 |

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 | Audited | Unaudited | Audited |
| | 31.3.20 | 31.12.19 | 31.3.20 | 31.12.19 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 8,318 | 8,630 | - | - |
| Intangible assets | 1,217 | 1,282 | - | - |
| Investment in subsidiaries | - | - | 8,000 | 8,000 |
| | 9,535 | 9,912 | 8,000 | 8,000 |
| Current assets | | | | |
| Contract assets | 13,149 | 20,087 | - | - |
| Inventories | 934 | 934 | - | - |
| Trade and other receivables | 127,122 | 126,440 | 16 | - |
| Prepayments | 236 | 43 | 220 | 14 |
| Bank deposits pledged | 3,000 | 1,525 | - | - |
| Cash and cash equivalents | 4,931 | 9,707 | 55 | 58 |
| | 149,372 | 158,736 | 291 | 72 |
| Total assets | 158,907 | 168,648 | 8,291 | 8,072 |
| Equity attributable to owners of the Company | | | | |
| Share capital | 224,747 | 224,747 | 224,747 | 224,747 |
| Reserves | (187,772) | (184,311) | (228,389) | (227,465) |
| | 36,975 | 40,436 | (3,642) | (2,718) |
| Non-controlling interests | - | - | - | - |
| Total equity | 36,975 | 40,436 | (3,642) | (2,718) |
| Non-current liabilities | | | | |
| Lease liabilities | 375 | 459 | - | - |
| Current liabilities | | | | |
| Contract liabilities | 4,215 | 5,691 | - | - |
| Trade and other payables | 53,764 | 56,961 | 8,586 | 7,074 |
| Borrowings | 50,000 | 50,000 | - | - |
| Lease liabilities | 328 | 323 | - | - |
| Other liabilities | 13,250 | 14,778 | 3,347 | 3,716 |
| | 121,557 | 127,753 | 11,933 | 10,790 |
| Total liabilities | 121,932 | 128,212 | 11,933 | 10,790 |
| Total equity and liabilities | 158,907 | 168,648 | 8,291 | 8,072 |

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 31.3.20 | As at 31.12.19 |
| | RMB'000 | RMB'000 |
| Amount repayable in one year or less, or on demand | | |
| - secured | 50,000 | 50,000 |
| - unsecured | - | - |
| | 50,000 | 50,000 |
| | | |
| Amount repayable after one year | | |
| - secured | - | - |
| - unsecured | - | - |
| | - | - |

Details of any collateral

As at 31 March 2020, short term borrowings drawn down amounted to RMB50.0 million (31 December 2019: RMB50.0 million). The short term borrowings 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 RMB5.8 million as at 31 March 2020.

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 3 months ended | |
| | 31.3.20 | 31.3.19 |
| | RMB'000 | RMB'000 |
| Cash Flows from Operating activities | | |
| Loss before taxation | (3,452) | (3,731) |
| <u>Adjustments for:</u> | | |
| Depreciation of property, plant and equipment | 279 | 219 |
| Amortisation of intangible assets | 65 | 65 |
| Gain on disposal of property, plant and equipment | (34) | - |
| Allowance for impairments: | | |
| - trade receivables | - | 47 |
| - trade receivables no longer required | - | (105) |
| Finance costs | 1,312 | 1,198 |
| Interest income | (5) | (1) |
| | (1,835) | (2,308) |
| Operating loss before changes in working capital | | |
| Decrease/(increase) in contract assets | 6,938 | (48,692) |
| Increase in trade and other receivables | (682) | (1,786) |
| (Increase)/decrease in prepayments | (193) | 21,776 |
| (Decrease)/increase in contract liabilities | (1,476) | 60,972 |
| (Decrease)/increase in trade and other payables | (4,672) | 2,143 |
| Decrease in other liabilities | (1,528) | (10,877) |
| Total changes in working capital | (1,613) | 23,536 |
| Cash (used in)/generated from operations | (3,448) | 21,228 |
| Income tax paid | (9) | - |
| Net cash (used in)/generated from operating activities | (3,457) | 21,228 |
| Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | (11) | - |
| Proceed from disposal of property, plant and equipment | 78 | - |
| Interest income received | 5 | 1 |
| Net cash generated from investing activities | 72 | 1 |
| Cash Flows from Financing Activities | | |
| Proceeds from bank borrowings | 11,000 | 5,000 |
| Repayments of bank borrowings | (11,000) | (5,000) |
| Repayments of third party loans | - | (10,249) |
| Repayments of lease liabilities | (89) | - |
| Proceeds from bills payable - net | 1,475 | - |
| Interest paid | (1,302) | (1,198) |
| Increase in bank deposits pledged | (1,475) | - |
| Net cash used in financing activities | (1,391) | (11,447) |
| Net (decrease)/increase in cash and cash equivalents | (4,776) | 9,782 |
| Cash and cash equivalents at 1 January | 9,707 | 10,516 |
| Cash and cash equivalents at 31 March (Note A) | 4,931 | 20,298 |

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

Consolidated statement of cash flows (cont'd)

| | Group | |
|--|----------------|----------------|
| | As at | |
| | 31.3.20 | 31.3.19 |
| | RMB'000 | RMB'000 |
| Note A: Cash and cash equivalents | | |
| Cash and bank balances | 7,931 | 21,488 |
| Less: bank deposits pledged | (3,000) | (1,190) |
| Cash and cash equivalents | <u>4,931</u> | <u>20,298</u> |

As at 31 March 2020, the Group's bank deposits pledged amounted to RMB3.0 million (31 March 2019: RMB1.2 million) for purpose of obtaining of bills payable facilities. The bills payable have a maturity period of 180 days and are non-interest bearing.

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)

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 |
|---|--------------------------|---|---------------------------|-------------------------------|--|----------------------|--------------------------------------|-------------------------|
| Balance at 1 January 2020 | 224,747 | 31,748 | (454) | (215,435) | (170) | 40,436 | - | 40,436 |
| Loss for the period, representing total comprehensive loss for the period | - | - | - | (3,461) | - | (3,461) | - | (3,461) |
| Balance at 31 March 2020 | <u>224,747</u> | <u>31,748</u> | <u>(454)</u> | <u>(218,896)</u> | <u>(170)</u> | <u>36,975</u> | <u>-</u> | <u>36,975</u> |

| | 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 |
|---|--------------------------|---|---------------------------|-------------------------------|--|----------------------|--------------------------------------|-------------------------|
| Balance at 1 January 2019 | 224,747 | 31,748 | (454) | (191,302) | (170) | 64,569 | 4 | 64,573 |
| Loss for the period, representing total comprehensive loss for the period | - | - | - | (3,730) | - | (3,730) | (1) | (3,731) |
| Balance at 31 March 2019 | <u>224,747</u> | <u>31,748</u> | <u>(454)</u> | <u>(195,032)</u> | <u>(170)</u> | <u>60,839</u> | <u>3</u> | <u>60,842</u> |

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

The Company

| | Share capital RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|---|----------------------------------|---|--------------------------|
| At 1 January 2020 | 224,747 | (227,465) | (2,718) |
| Loss for the period, representing total comprehensive loss for the period | - | (924) | (924) |
| At 31 March 2020 | <u>224,747</u> | <u>(228,389)</u> | <u>(3,642)</u> |

| | Share capital RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|---|----------------------------------|---|--------------------------|
| At 1 January 2019 | 224,747 | (223,925) | 822 |
| Loss for the period, representing total comprehensive loss for the period | - | (878) | (878) |
| At 31 March 2019 | <u>224,747</u> | <u>(224,803)</u> | <u>(56)</u> |

- 1(e) **Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 2019 and 31 March 2020.

- 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 March 2020 and 31 December 2019.

- 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 Mar 2020 | 31 Dec 2019 |
| Total number of shares issued at end of period/year | <u>617,209,000</u> | <u>617,209,000</u> |

- 1(g)(ii) **A statement showing all sales, transfers, cancellation and/or use of treasury shares at the end of the current financial period reported on**

The Company does not have any treasury shares as at 31 March 2020 and 31 December 2019.

- 1(g)(iii) **A statement showing all sales, transfers, cancellation, and/or use of subsidiary holdings as at the end of the current financial period reported on**

Not applicable.

2. **Whether the figures have been audited or reviewed, and if so which auditing standard or practice has been followed.**

The financial statements presented 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 2019.

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 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 three-month ended 31 March 2020 (1Q2019: 617,209,000 ordinary shares).

| | Group | |
|--|----------------------------|----------------------------|
| | 3 months | |
| | Jan to Mar 2020 | Jan to Mar 2019 |
| Loss after tax attributable to owners of the Company (RMB'000) | <u>(3,461)</u> | <u>(3,730)</u> |
| Basic loss per share (RMB cents per share) | <u>(0.56)</u> | <u>(0.60)</u> |

* There were no potential dilutive options or instruments for both financial 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 | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 31 Mar 2020 | 31 Dec 2019 | 31 Mar 2020 | 31 Dec 2019 |
| Net asset value (RMB'000) | 36,975 | 40,436 | (3,642) | (2,718) |
| Net asset value per share (RMB cents per share) | <u>5.99</u> | <u>6.55</u> | <u>(0.59)</u> | <u>(0.44)</u> |

Net asset value for the Group and Company as at 31 March 2020 and 31 December 2019 was computed based on 617,209,000 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

| | 1Q2020 | | 1Q2019 | |
|-------------------------------|--------------|--------------|--------------|--------------|
| | RMB'000 | % | RMB'000 | % |
| Industrial wastegas treatment | | | | |
| - Dust elimination | 1,396 | 26.7 | 2,711 | 100.0 |
| Industrial wastewater | 3,839 | 73.3 | - | - |
| | <u>5,235</u> | <u>100.0</u> | <u>2,711</u> | <u>100.0</u> |

Revenue

Total revenue increased by RMB2.5 million or 93.1%, from RMB2.7 million in 1Q2019 to RMB5.2 million in 1Q2020 because of spillover work activities from previous year's uncompleted industrial wastewater contracts of RMB3.8 million. Conversely, smaller amount of work activities spillover from previous year's uncompleted dust elimination contracts accounted for the decline in revenue of RMB1.3 million for the dust elimination segment.

The COVID-19 virus situation in China has improved when compared with during the Lunar New Year period and economic activities have started to pick up. Seizing this opportunity, the Group is making preparations to commence work after the winter season on one of the key industrial wastewater contracts based in Linjiang amounting to RMB57.2 million, of which approximately RMB4.0 million was already recognized in FY2019.

Gross profit and gross profit margin

In line with the increase in revenue, gross profit also increased by RMB0.4 million or 56.4%, from RMB0.5million in 1Q2019 to RMB0.9 million in 1Q2020. Overall gross profit margin decreased by 3.8%, from 20.2% in 1Q2019 to 16.4% in 1Q2020 due mainly to negative profit margin generated from a dust elimination contract. The contract is in the midst of finalizing with the customer and could not be completed in time for 1Q2020's results. Management expects this overall contract to be profitable once the final settlement is completed.

8. **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:- (cont'd)**

Financial income

The increase in financial income of RMB4,000 or 400.0%, from RMB1,000 in 1Q2019 to RMB5,000 in 1Q2020 was due to higher cash and bank balances as at 31 March 2020 against the same corresponding period of last year (1Q2020: RMB7.9 million vs 1Q2019: RMB1.5 million). The cash and bank balances as at 31 March 2019 excluded the receipts of RMB20.0 million from certain trade supplier as they were only received two days before the first quarter ended.

Other income

Other income decreased by RMB73,000 or 69.5%, from RMB105,000 in 1Q2019 to RMB32,000 in 1Q2020 due to the absence of write-back of allowance for impairment of trade receivables amounting to RMB0.1 million, partly offset by the gain of disposal of property, plant and equipment recognized of RMB32,000 in 1Q2020.

Other items of expenses

Selling and distribution expenses decreased by RMB0.3 million or 48.7%, from RMB0.6 million in 1Q2019 to RMB0.3 million in 1Q2020 due mainly to lower payroll and related costs of RMB0.1 million as a result of resignations of a sales manager and senior employee despite the appointment of VP of sales. The VP of sales is presently drawing 80% of his remuneration and the remaining 20% will only be paid after his performance evaluation during year end. In addition, a slew of measures implemented by the PRC government such as extended Lunar New Year holidays, travel restrictions imposed and self-14 days quarantine to curb the outbreak of the COVID-19 pandemic resulted in lower travelling, transportation and entertainment expenses and other miscellaneous expenses of RMB0.1 million each.

Administrative expenses increased by 13.5% or RMB0.4 million, from RMB2.5 million in 1Q2019 to RMB2.9 million in 1Q2020 due to legal fees incurred to pursue one of the outstanding contract assets balances of RMB0.4 million. In addition, there was also higher entertainment expenses of RMB0.1 million which were in line with the increase in revenue, partly offset by lower travelling and transportation expenses of RMB0.1 million as a result of a slew of measures implemented by the PRC government such as extended Lunar New Year holidays, travel restrictions imposed and self-14 days quarantine to curb the outbreak of the COVID-19 pandemic. Notwithstanding the appointment of VP of finance, there was no increase to the administrative expenses in 1Q2020 as the increase was neutralized by the departure of employees. The VP of finance is also presently drawing 80% of his remuneration and the remaining 20% will only be paid after his performance evaluation during year end.

Finance costs increased by RMB0.1 million or 9.5%, from RMB1.2 million in 1Q2019 to RMB1.3 million in 1Q2020 due mainly to interest incurred on discounted bills of RMB0.1 million in 1Q2020. There was no significant change to the interest incurred on bank borrowings as the loan quantum drawn down was RMB50.0 million as at 31 March 2019 and 2020. However, the weighted average interest rate for the borrowings was 9.19% in 1Q2020 as opposed to 8.71% in 1Q2019.

The operating expenses in 1Q2020 comprised mainly bad debts recovered of RMB0.2 million which explained the credit balance in operating expenses.

Income tax expense

The income tax of RMB9,000 in 1Q2020 relates to the tax imposed by tax authority from other province in the PRC.

Loss after taxation

In view of the above, loss after taxation decreased by RMB0.2 million or 7.2%, from RMB3.7 million in 1Q2019 to RMB3.5 million in 1Q2020.

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)

Balance sheet review

Non-current assets amounted to RMB9.5 million and comprised property, plant and equipment ("PPE") of RMB8.3 million and intangible assets of RMB1.2 million as at 31 March 2020. The decrease in PPE of RMB0.3 million, from RMB8.6 million as at 31 December 2019 to RMB8.3 million was attributed mainly to depreciation of RMB0.3 million during the financial period.

Intangible assets amounted to RMB1.2 million and RMB1.3 million as at 31 March 2020 and 31 December 2019 and the decrease is due to amortization of RMB65,000 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 56 months (31 December 2019: 59 months) as at 31 March 2020.

Current assets comprised contract assets, inventories, trade and other receivables, prepayments, bank deposits pledged and cash and cash equivalents. Current assets amounted to RMB149.3 million and RMB158.7 million as at end of 31 March 2020 and 31 December 2019 respectively. Current assets accounted for 94.0% and 94.1% of our total assets as at 31 March 2020 and 31 December 2019 respectively.

Contract assets amounted to RMB13.1 million and RMB20.1 million as at 31 March 2020 and 31 December 2019 respectively and accounted for 8.8% and 12.7% of our current assets as at 31 March 2020 and 31 December 2019 respectively. The decrease of RMB7.0 million was mainly due to payments from customers and progress billings of RMB12.2 million in aggregate, partly offset by the revenue recognized of RMB5.2 million during the financial period.

Inventories were relatively unchanged at RMB0.9 million as at 31 March 2020 and 31 December 2019. The Group normally does not maintain substantial inventories due to relatively short purchasing lead time required.

Trade and other receivables comprised trade receivables, retention monies and other receivables and amounted to RMB121.0 million and RMB126.4 million as at 31 March 2020 and 31 December 2019 respectively, and accounted for approximately 85.1% and 79.7% of our current assets as at the respective balance sheet dates. Trade receivables amounted to RMB2.4 million as at 31 March 2020, representing a decrease of RMB1.1 million and as a result of collections during the financial period.

Retention monies increased by RMB2.2 million, from RMB5.8 million as at 31 December 2019 to RMB8.0 million as at 31 March 2020. The increase was due to additions of completed projects which amounted to RMB2.2 million.

Other receivables comprised VAT receivables, advances to trade and non-trade suppliers, advances to third party, security and tender deposits and advances to employees for business purposes. The breakdown of other receivables is as follows:

| | 31-Mar-20 | 31-Dec-19 |
|------------------------------|------------------|------------------|
| | RMB'000 | RMB'000 |
| VAT receivables | 317 | 84 |
| Advances to trade suppliers | 31,501 | 24,544 |
| Advances to non-suppliers | 997 | 1,843 |
| Advances to third party | 33,600 | 37,600 |
| Security and tender deposits | 49,911 | 49,911 |
| Advances to employees | 425 | 3,150 |
| | <u>116,751</u> | <u>117,132</u> |

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)

VAT receivables increased by RMB0.2 million due to increased purchases of raw materials by one of the subsidiaries to commence the uncompleted contracts after the winter period.

Advances to trade suppliers increased by RMB7.0 million which was in line with the increase in business activities and also for work activities after the winter period.

Advances to non-trade suppliers decreased by RMB0.8 million due to payments during the financial period.

Advances to third party decreased by RMB4.0 million to RMB33.6 million due to refunds received to mitigate the credit risk. Subsequent to 1Q2020, another RMB3.7 million was refunded to further mitigate the credit risk and reduced the advance to third party to RMB29.9 million.

Security and tender deposits remained unchanged at RMB49.9 million for the period.

Advances to employees decreased by RMB2.8 million due to reimbursements of business expenses and advance payments made to suppliers for raw materials.

Prepayments comprised prepaid operating expenses and amounted to RMB0.2 million and RMB43,000 million as at 31 March 2020 and 31 December 2019 respectively. The increase of approximately RMB0.1 million was attributed mainly to application fee paid to SGX-ST for share placement.

Bank deposits pledged to secure the bills payable facilities increased by RMB1.5 million, from RMB1.5 million as at 31 December 2019 to RMB3.0 million as at 31 March 2020.

Cash and cash equivalents amounted to RMB5.0 million and RMB9.7 million as at 31 March 2019 and 31 December 2018 respectively, and accounted for approximately 3.3% and 6.1% of current assets as at the respective balance sheet dates.

Net cash and cash equivalents decreased by RMB0.8 million as net cash used in operating activities was RMB3.5 million compared to net cash generated from operating activities of RMB21.2 million in prior period. This was due mainly to lower refunds received from certain supplier and higher working capital requirements.

Net cash generated from investing activities was RMB72,000. This was attributed to proceed from disposal of property, plant and equipment of RMB78,000 and interest income received of RMB5,000, partly offset by acquisition of property, plant and equipment of RMB11,000 during the financial period.

Net cash used in financing activities was RMB1.4 million. This was attributed to repayments of bank borrowings of RMB11.0 million, increase in bank deposits pledged to secure the bills payable facilities of RMB1.5 million, interest paid of RMB1.3 million and repayments of lease liabilities of RMB89,000, partly offset by proceeds from bank borrowings of RMB11.0 million and proceeds from bills payable of RMB1.5 million during the financial period.

Current liabilities comprised mainly contract liabilities, trade and other payables, loans and borrowings, other liabilities and income tax payable. Current liabilities amounted to RMB121.6 million and RMB127.8 million as at 31 March 2020 and 31 December 2019 respectively, and accounted for 99.7% and 99.6% of total liabilities as at the respective balance sheet dates.

Contract liabilities decreased by RMB1.5 million, from RMB5.7 million as at 31 December 2019 to RMB4.2 million as at 31 March 2020. The decrease was attributed to work performed during the financial period and was offset against the contract assets.

Trade and other payables comprised trade payables, other payables and bills payable and amounted to RMB57.0 million and RMB53.8 million as at 31 December 2019 and 31 March 2020 respectively..

Trade payables amounted to RMB45.3 million as at 31 March 2020, representing a decrease of RMB4.6 million over 31 December 2019 due mainly to repayments to trade suppliers and offset against advances to trade suppliers of RMB6.2 million during the financial period, partly offset by increased purchases of RMB1.6 million by one of the subsidiaries to commence the uncompleted contracts after the winter period. Certain suppliers' contracts are signed back-to-back with the customers' contracts which allow us to defer payments to certain suppliers if settlements with certain customers are delayed.

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 payables comprised primarily VAT, other operating tax payables and other operating expenses. Other payables amounted to RMB5.5 million and RMB5.6 million as at 31 March 2020 and 31 December 2019 respectively. The lower VAT payables of RMB0.8 million due to payment to tax authority during the financial period was partly offset by higher amount due to directors of RMB0.5 million for payment on behalf of holding company's operating expenses and other payables of RMB0.2 million, in line with the increase in revenue.

Bills payable increased by RMB1.5 million, from RMB1.5 million as at 31 December 2019 to RMB3.0 million as at 31 March 2020 due to increased utilization of the bills payable facilities to pay trade suppliers.

Borrowings remained relatively unchanged at RMB50.0 million as at 31 December 2019 and 31 March 2020.

Other liabilities comprised accrued purchases, VAT, salaries and travelling expenses, other operating expenses, advances from customers and welfare expenses. Other liabilities amounted to RMB13.3 million and RMB14.8 million as at 31 March 2020 and 31 December 2019 respectively.

Accrued purchases, payroll and related expenses, operating expenses and welfare expenses amounted to RMB9.0 million and RMB10.5 million as at 31 March 2020 and 31 December 2019 respectively. The decrease of RMB1.5 million was due to lower accrued purchases of RMB1.8 million as a result of invoices received from suppliers and other operating expenses of RMB0.5 million, partly offset by higher unpaid payroll and related costs of RMB0.8 million.

Deposits from customers were unchanged at RMB4.3 million as at 31 March 2020 and 31 December 2019. There was no new contract signed during the financial period.

Shareholder's equity

The Group's total shareholder's equity comprised share capital, PRC statutory common reserve, merger reserve, accumulated losses and premium paid on acquisition of non-controlling interests. Total equity as at 1 January 2019 amounted to RMB40.4 million. Loss attributable to owners of the parent and non-controlling interests amounted to RMB3.5 million and nil in the current period respectively. Consequently, total equity decreased to RMB36.9 million as at 31 March 2020, of which the amount was mainly attributable to owners of the parent.

The non-controlling interests as at 31 March 2020 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.

The COVID-19 situation in the PRC is still evolving with new clusters detected in Harbin City and Jilin City, PRC. However, due to the measures taken by the PRC government to contain the transmission of the virus, the outbreak has not significantly impacted Changchun City, which is also in the north-eastern part of China where the Group's main operation is located. Compared with the Lunar New Year period, the situation in China now is slightly more optimistic despite the challenging business environment. The Chinese authorities are trying to usher the country back to work in order to revive the economy. With the economic stimulus package to support and bolster the Chinese economy, there have been signs of economic activities picking up, albeit slowly. Overall, the Chinese economy remains weak, and the economic impact resulting from the COVID-19 pandemic still cannot be precisely measured. The Group is working closely with its existing customers to commence work after the winter period, and to date, the Group did not receive any notice from customers that the existing contracts be terminated or deferred. Most of our key tenders for industrial wastewater contracts are re-scheduled in the second half of the year which may impact the Group's operating results for FY2020. Management would not rule out the possibility of cancellation or postponement of its contracts or tenders if the business and credit environment in China were to deteriorate further. Such uncertainties persist as the COVID-19 pandemic cannot be fully contained.

To mitigate the economic fallout due to the virus outbreak, Management has to constantly engage its customers on the outstanding contract assets and receivables as trade collections are vital in this economic climate. Management will also need to monitor closely on its tenders to ensure that in the event of any unsuccessful bid, the tender deposit can be refunded. The purchasing department is also keeping close tabs on its suppliers regarding its advances. As this crisis is unprecedented, Management has to make judicious use of its limited resources and exercise extra vigilance about its surroundings so as to navigate and respond more quickly to the market changes in order to ride out these difficult times.

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 three months ended 31 March 2020 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.

14. **Disclosure pursuant to Rule 706(A).**

Not applicable. The Company did not acquire and dispose shares in any companies during the first quarter of 2020.

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

Lin Baiyin
Executive Chairman and Chief Executive Officer

14 May 2020

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 unaudited interim financial results for the first quarter ended 31 March 2020 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

14 May 2020

Mak Yen-Chen Andrew
Independent Non-Executive Director

14 May 2020