



**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 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			Group		
	Unaudited 3 Months Ended		change	Unaudited 6 Months Ended		change
	30.6.20	30.6.19		30.6.20	30.6.19	
	("2Q2020")	("2Q2019")	("%")	("HY2020")	("HY2019")	("%")
	RMB'000	RMB'000		RMB'000	RMB'000	
Revenue	4,492	8,495	(47.1)	9,727	11,206	(13.2)
Cost of sales	(2,439)	(6,643)	(63.3)	(6,817)	(8,806)	(22.6)
Gross profit	<b>2,053</b>	<b>1,852</b>	10.9	<b>2,910</b>	<b>2,400</b>	21.3
Finance income	-	1	NM	5	2	150.0
Other income	19	-	NM	51	105	(51.4)
Selling and distribution expenses	(336)	(267)	25.8	(645)	(869)	(25.8)
Administrative expenses	(2,462)	(2,602)	(5.4)	(5,312)	(5,112)	3.9
Finance costs	(1,267)	(1,273)	(0.5)	(2,579)	(2,471)	4.4
Other expenses	(38)	(71)	(46.5)	87	(146)	(159.6)
Loss before taxation	<b>(2,031)</b>	<b>(2,360)</b>	(13.9)	<b>(5,483)</b>	<b>(6,091)</b>	(10.0)
Taxation	-	-	-	(9)	-	NM
Loss after taxation	(2,031)	(2,360)	(13.9)	(5,492)	(6,091)	(9.8)
Other comprehensive loss after tax	-	-	-	-	-	-
<b>Total comprehensive loss for the period</b>	<b>(2,031)</b>	<b>(2,360)</b>	(13.9)	<b>(5,492)</b>	<b>(6,091)</b>	(9.8)
<b>Loss attributable to:</b>						
Owners of the parent	(2,031)	(2,359)	(13.9)	(5,492)	(6,090)	(9.8)
Non-controlling interests	-	(1)	NM	*	(1)	NM
	<b>(2,031)</b>	<b>(2,360)</b>	(13.9)	<b>(5,492)</b>	<b>(6,091)</b>	(9.8)
<b>Total comprehensive loss attributable to:</b>						
Owners of the parent	(2,031)	(2,133)	(4.8)	(5,492)	(6,090)	(9.8)
Non-controlling interest	-	(1)	NM	*	(1)	NM
	<b>(2,031)</b>	<b>(2,134)</b>	(4.8)	<b>(5,492)</b>	<b>(6,091)</b>	(9.8)

NM - not meaningful

\* less than RMB1,000

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
	30.6.20	30.6.19		30.6.20	30.6.19	
RMB'000	RMB'000	%	RMB'000	RMB'000	%	
Depreciation of property, plant and equipment	298	218	36.7	577	437	32.0
Loss/(gain) on disposal of property, plant and equipment	27	-	NM	(5)	-	NM
Allowance for impairments:						
- trade receivables	-	-	-	-	47	NM
- trade receivables no longer required	-	-	-	-	(105)	NM
Bad debts written off	-	82	NM	-	82	NM
Bad debts recovered	-	-	-	(150)	-	NM
Amortisation of intangible assets	65	65	-	130	130	-
Short term operating lease expenses	88	175	(49.7)	167	349	(52.1)
Interest expense	1,267	1,273	(0.5)	2,579	2,471	4.4
Interest income	-	(1)	NM	(5)	(2)	150.0
Inventories recognised as an expense in cost of goods sold	132	5,395	(97.6)	1,833	5,863	(68.7)
Employee compensations	1,731	2,179	(20.6)	3,435	4,146	(17.1)
Director's fees	134	134	-	269	267	0.7
Exchange loss	38	12	216.7	63	18	250.0

NM – Not meaningful

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 30.6.20 RMB'000	Audited 31.12.19 RMB'000	Unaudited 30.6.20 RMB'000	Audited 31.12.19 RMB'000
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	7,913	8,630	-	-
Intangible assets	1,152	1,282	-	-
Investment in subsidiaries	-	-	8,000	8,000
	<b>9,065</b>	<b>9,912</b>	<b>8,000</b>	<b>8,000</b>
<b>Current Assets</b>				
Contract assets	14,307	20,087	-	-
Inventories	930	934	-	-
Trade and other receivables	120,573	126,440	144	-
Prepayments	173	43	165	14
Bank deposits pledged	3,000	1,525	-	-
Cash and cash equivalents	8,582	9,707	5,422	58
	<b>147,565</b>	<b>158,736</b>	<b>5,731</b>	<b>72</b>
<b>Total assets</b>	<b>156,630</b>	<b>168,648</b>	<b>13,731</b>	<b>8,072</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and Reserves</b>				
Share capital	233,393	224,747	233,393	224,747
PRC statutory common reserve	31,748	31,748	-	-
Merger reserve	(454)	(454)	-	-
Premium paid on acquisition of non-controlling interests	(170)	(170)	-	-
Accumulated losses	(220,927)	(215,435)	(229,004)	(227,465)
	<b>43,590</b>	<b>40,436</b>	<b>4,389</b>	<b>(2,718)</b>
<b>Non-controlling interests</b>	-	-	-	-
<b>Total equity</b>	<b>43,590</b>	<b>40,436</b>	<b>4,389</b>	<b>(2,718)</b>
<b>Non-Current Liabilities</b>				
Lease liabilities	290	459	-	-
<b>Current Liabilities</b>				
Contract liabilities	1,298	5,691	-	-
Trade and other payables	48,433	56,961	7,100	7,074
Borrowings	50,000	50,000	-	-
Lease liabilities	332	323	-	-
Other liabilities	12,687	14,778	2,242	3,716
	<b>112,750</b>	<b>127,753</b>	<b>9,342</b>	<b>10,790</b>
<b>Total liabilities</b>	<b>113,040</b>	<b>128,212</b>	<b>9,342</b>	<b>10,790</b>
<b>Total equity and liabilities</b>	<b>156,630</b>	<b>168,648</b>	<b>13,731</b>	<b>8,072</b>

**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 30.6.20 RMB'000	As at 31.12.19 RMB'000
<b>Amount repayable in one year or less, or on demand</b>		
- secured	50,000	50,000
- unsecured	-	-
	50,000	50,000
<b>Amount repayable after one year</b>		
- secured	-	-
- unsecured	-	-
	-	-

**Details of any collateral**

As at 30 June 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 RMB5.7 million as at 30 June 2020 (31 December 2019: RMB5.8 million).

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			
	Three months ended		Six months ended	
	30.6.2020	30.6.19	30.6.20	30.6.19
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cash Flows from Operating Activities</b>				
Loss before taxation	(2,031)	(2,360)	(5,483)	(6,091)
<u>Adjustments for :</u>				
Depreciation of property, plant and equipment	298	218	577	437
Amortisation of intangible assets and club membership	65	65	130	130
Loss/(gain) on disposal of property, plant and equipment	27	-	(5)	-
Allowance for impairment of trade receivables	-	-	-	47
Write-back of allowance for impairment of trade receivables	-	-	-	(105)
Finance costs	1,267	1,198	2,579	2,471
Interest income	-	(1)	(5)	(2)
Total adjustments	1,657	1,480	3,276	2,978
<b>Operating loss before working capital changes</b>	(374)	(880)	(2,207)	(3,113)
(Increase)/decrease in contract assets	(1,158)	44,521	5,780	(4,171)
Decrease in inventories	4	255	4	255
Decrease/(increase) in trade and other receivables	6,549	(23,591)	5,867	(25,377)
Decrease/(increase) in prepayments	63	4,681	(130)	26,457
(Decrease)/increase in contract liabilities	(2,917)	(49,674)	(4,393)	11,298
(Decrease)/increase in trade and other payables	(5,331)	3,778	(10,003)	5,921
(Decrease)/increase in other liabilities	(563)	6,257	(2,091)	(4,620)
Total changes in working capital	(3,353)	(13,773)	(4,966)	9,763
<b>Cash (used in)/ from operations</b>	(3,727)	(14,653)	(7,173)	6,650
Income tax paid	-	-	(9)	-
<b>Net cash (used in)/from operating activities</b>	(3,727)	(14,653)	(7,182)	6,650
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	-	-	(10)	-
Proceeds from disposal of property, plant and equipment	80	-	155	-
Interest income received	-	1	5	2
<b>Net cash from investing activities</b>	80	1	150	2
<b>Cash flows from financing activities</b>				
Proceeds from bills payable - net	-	-	1,475	-
Proceeds from loans and borrowings	-	-	11,000	5,000
Repayments of borrowings	-	-	(11,000)	(5,000)
Increase in bank deposits pledged	-	-	(1,475)	-
Repayments of lease liabilities	(90)	-	(179)	-
Repayments of third party loans	-	-	-	(10,249)
Proceeds from issuance of new ordinary shares pursuant to private placement	9,141	-	9,141	-
Share issuance expenses	(495)	-	(495)	-
Interest paid	(1,258)	(1,198)	(2,560)	(2,471)
<b>Net cash from/(used in) financing activities</b>	7,298	(1,198)	5,907	(12,720)
Net increase/(decrease) in cash and cash equivalents	3,651	(15,850)	(1,125)	(6,068)
<b>Cash and cash equivalents at beginning of period</b>	4,931	20,298	9,707	10,516
<b>Cash and cash equivalents at end of period (Note A)</b>	<b>8,582</b>	<b>4,448</b>	<b>8,582</b>	<b>4,448</b>

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)**

	<b>Group As at</b>	
	<b>30.6.20</b>	<b>30.6.19</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Note A: Cash and cash equivalents</b>		
Cash and bank balances	11,582	5,638
Less: bank deposits pledged	(3,000)	(1,190)
Cash and cash equivalents	<u>8,582</u>	<u>4,448</u>

As at 30 June 2020, the Group's bank deposits pledged comprised solely bills payable of RMB3.0 million (30 June 2019: RMB1.2 million). The bills payable have a maturity period of 365 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.

Group	← <u>Attributable to the equity holders of the Company</u> →							Total equity RMB'000
	Share capital RMB'000	PRC statutory common reserve RMB'000	Merger reserve RMB'000	Premium paid on acquisition of non-controlling interest RMB'000	Accumulated losses RMB'000	Total attributable to equity holders of the parent RMB'000	Non-controlling interests RMB'000	
<b>At 1 January 2020</b>	224,747	31,748	(454)	(170)	(215,435)	40,436	-	40,436
Loss for the period	-	-	-	-	(5,492)	(5,492)	-	(5,492)
Other comprehensive loss	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(5,492)	(5,492)	-	(5,492)
Issuance of new ordinary shares pursuant to the private placement	8,646	-	-	-	-	8,646	-	8,646
<b>At 30 June 2020</b>	<b>233,393</b>	<b>31,748</b>	<b>(454)</b>	<b>(170)</b>	<b>(220,927)</b>	<b>43,590</b>	<b>-</b>	<b>43,590</b>

Group	← <u>Attributable to the equity holders of the Company</u> →							Total equity RMB'000
	Share capital RMB'000	PRC statutory common reserve RMB'000	Merger reserve RMB'000	Premium paid on acquisition of non-controlling interest RMB'000	Accumulated losses RMB'000	Total attributable to equity holders of the parent RMB'000	Non-controlling interests RMB'000	
<b>At 1 January 2019</b>	224,747	31,748	(454)	(170)	(191,302)	64,569	4	64,573
Loss for the period	-	-	-	-	(6,090)	(6,090)	(1)	(6,091)
Other comprehensive loss	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(6,090)	(6,090)	(1)	(6,091)
<b>At 30 June 2019</b>	<b>224,747</b>	<b>31,748</b>	<b>(454)</b>	<b>(170)</b>	<b>(197,392)</b>	<b>58,479</b>	<b>3</b>	<b>58,482</b>

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**

	<b>Share capital RMB'000</b>	<b>Accumulated losses RMB'000</b>	<b>Total RMB'000</b>
<b>At 1 January 2020</b>	224,747	(227,465)	(2,718)
Loss for the period	-	(1,539)	(1,539)
Other comprehensive loss	-	-	-
Total comprehensive loss for the period	-	(1,539)	(1,539)
Issuance of new ordinary shares pursuant to the private placement	8,646	-	8,646
<b>At 30 June 2020</b>	<b>233,393</b>	<b>(229,004)</b>	<b>4,389</b>

	<b>Share capital RMB'000</b>	<b>Accumulated losses RMB'000</b>	<b>Total RMB'000</b>
<b>At 1 January 2019</b>	224,747	(223,925)	822
Loss for the period	-	(1,569)	(1,569)
Other comprehensive loss	-	-	-
Total comprehensive loss for the period	-	(1,569)	(1,569)
<b>At 30 June 2019</b>	<b>224,747</b>	<b>(225,494)</b>	<b>(747)</b>



- 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.**

<b>Issued and fully paid up</b>	<b>Company</b>	
	<b>Number of shares</b>	<b>Share capital RMB'000</b>
<b>As at 1 January 2020</b>	617,209,000	224,747
Issuance of new shares pursuant to a private placement	120,000,000	9,141
Share issue expenses	-	(495)
<b>As at 30 June 2020</b>	<b>737,209,000</b>	<b>233,393</b>

On 3 March 2020, the Company undertook a private placement which comprised the placement of 120,000,000 new ordinary shares in the capital of the Company at \$0.015 for each new share.

The Company obtained the in-principle approval from the SGX-ST for the listing and quotation for 120,000,000 new shares on 9 April 2020, subject to the fulfilment of certain conditions, and one of which is to obtain Shareholders' approval for the placement. Subsequently, the Extraordinary General Meeting convened was duly approved, and passed by the shareholders on 28 May 2020. These new shares were successfully listed and quoted on the Main Board of the SGX-ST on 29 May 2020.

Consequent to the private placement, the issued share capital of the Company increased from 617,209,000 ordinary shares to 737,209,000 ordinary shares.

The subsidiary did not hold any treasury shares or convertibles as at 31 December 2019 and 30 June 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 30 June 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**

	<b>30 Jun 2020</b>	<b>31 Dec 2019</b>
Total number of shares issued at end of period/year	<u>737,209,000</u>	<u>617,209,000</u>

The Company does not have any treasury shares as at 30 June 2020 and 31 December 2019.

- 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 2020 and 31 December 2019.

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

The financial statements presented above have not been audited or reviewed by the Company's auditors.

3. **Where the figures have been audited or reviewed, please provide a statement on whether there are any qualifications or emphasis of matter.**

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The 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 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 639,144,484 ordinary shares for the six month ended 30 June 2020 (HY2019: 617,209,000 ordinary shares).

	<b>Group</b>	
	<b>Jan to Jun 2020</b>	<b>Jan to Jun 2019</b>
Loss after tax attributable to owners of the Company (RMB'000)	<u>(5,492)</u>	<u>(6,090)</u>
Basic loss per share (RMB cents per share)	<u>(0.86)</u>	<u>(0.99)</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.**

	<b>Group</b>		<b>Company</b>	
	<b>30 June 2019</b>	<b>31 Dec 2019</b>	<b>30 Jun 2019</b>	<b>31 Dec 2019</b>
Net asset value (RMB'000)	<u>43,590</u>	<u>40,436</u>	<u>4,389</u>	<u>(2,718)</u>
Net asset value per share (RMB cents per share)	<u>5.91</u>	<u>6.55</u>	<u>0.60</u>	<u>(0.44)</u>

Net asset value for the Group and Company as at 30 June 2020 and 31 December 2019 were computed based on 737,209,000 and 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

	2Q2020		2Q2019		HY2020		HY2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
<b>Industrial wastegas treatment</b>								
Dust elimination	928	20.7	820	9.7	2,324	23.9	1,919	17.1
<b>Industrial wastewater</b>	3,564	79.3	7,675	90.3	7,403	76.1	9,287	82.9
<b>Total</b>	<b>4,492</b>	<b>100.0</b>	<b>8,495</b>	<b>100.0</b>	<b>9,727</b>	<b>100.0</b>	<b>11,206</b>	<b>100.0</b>

#### Revenue

Revenue decreased by RMB4.0 million or 47.1% in 2Q2020, from RMB8.5 million in 2Q2019 to RMB4.5 million in 2Q2020, primarily due to lower revenue contributions from industrial wastewater segment of RMB4.1 million, partly offset by an increase in revenue contributions from the dust elimination segment of RMB0.1 million. Consequently, overall revenue was lower by RMB1.5 million, from RMB11.2 million in HY2019 to RMB9.7 million in HY2020.

The progress for the uncompleted large scale industrial wastewater related contract in Linjiang City remains slow and it dragged down the performance of this business segment. In view of the heightened uncertainty and weak economic climate posed by COVID-19 pandemic, coupled by the resurgence of the virus in the northern part of China, Management took a more cautious stance in its contract execution, and spent more time in discussion with the customer on the project planning and additional measures to be instituted to safeguard the health of the staff at the project site. As a result, the revenue was impacted with only RMB3.6 million of revenue recorded in 2Q2020 (2Q2019: RMB7.7 million), of which RMB2.3 million of revenue was derived from this contract. With the decrease, overall revenue for this business segment was also lower by RMB1.9 million to RMB7.4 million in HY2020 (HY2019: RMB9.3 million)

On the dust elimination segment, there were more work activities performed on a dust elimination contract with certain heat supply company which mainly explained the marginal increase in revenue of RMB0.1 million to RMB0.9 million in 2Q2020 (2Q2019: RMB0.8 million). Other than this contract, most of the contracts were already at the tail end of completion. As a result, total revenue for this business segment further increased by RMB0.4 million, from RMB1.9 million in HY2019 to RMB2.3 million in HY2020.

#### Gross profit and gross profit margin

In spite of the lower revenue in 2Q2020 and HY2020, gross profit was higher by RMB0.2 million in 2Q2020, from RMB1.9 million in 2Q2019 to RMB2.1 million in 2Q2020, and by RMB0.5 million in HY2020, from RMB2.4 million in HY2019 to RMB2.9 million in HY2020.

The gross profit margin increased by 23.9% in 2Q2020, from 21.8% in 2Q2019 to 45.7% in 2Q2020 due to better efficiencies on the substantial completions of certain industrial wastewater and dust elimination contracts, which culminated in lower costs incurred when compared against the budgeted costs. These mainly explained the higher gross profit margin in both business segments in 2Q2020. Accordingly, overall gross profit margin was lifted by 8.5%, from 21.4% in HY2019 to 29.9% in HY2020.

**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 higher finance income of RMB5,000 for HY2020 as against RMB2,000 for HY2019 was due to higher cash and cash equivalents as at 30 June 2020 of RMB8.6 million (HY2019: RMB4.4 million).

**Other income**

Other income increased by RMB19,000 in 2Q2020 (2Q2019: Nil) due to Jobs Support Scheme payout by the Singapore Government of RMB46,000, partly offset by the loss from disposal of motor vehicle of RMB27,000. Consequently, overall decrease in other income was lower by RMB54,000 or 51.4% at RMB51,000 in HY2020 (HY2019: RMB105,000).

**Other items of expense**

Selling and distribution expenses increased by RMB69,000 or 25.8% in 2Q2020, from RMB267,000 in 2Q2019 to RMB336,000 in 2Q2020 due mainly to higher payroll and related costs as a result of the appointment of VP of sales, partly offset by lower social security contributions ("SSC") as the PRC government has provided temporary reliefs in the form of reductions or payment exemptions on the SSC's contributions in an attempt to mitigate the adverse financial effects of the COVID-19 pandemic on employers.

The overall decrease in selling and distribution expenses by RMB0.3 million or 25.8%, from RMB0.9 million in HY2019 to RMB0.6 million in HY2020, due mainly to lower sales activities.

Administrative expenses decreased by 5.4% to RMB2.5 million in 2Q2020 (2Q2019: RMB2.6 million) as payroll and related costs were lower by RMB0.4 million mainly because of lower social security contributions. This was partly offset by additional legal fees incurred of RMB0.2 million to pursue long outstanding debts relating to contract assets.

The overall increase in administrative expenses was lower by RMB0.2 million or 3.9% to RMB5.3 million in HY2020 (HY2019: RMB5.1 million).

The finance costs for the periods, 2Q2020 vs 2Q2019 and HY2020 vs HY2019 remain relatively the same.

Other expenses decreased by RMB33,000 or 46.5% in 2Q2020 (2Q2019: RMB71,000) due to the absence of bad debts written off in 2Q2020 (2Q2019: RMB59,000), partly offset by higher exchange loss of RMB38,000 in 2Q2020 (2Q2019: RMB12,000) as a result of revaluation of Singapore dollar denominated bank balance. The bad debts recovered in 1Q2020 partly offset the decrease in other expenses in 2Q2020 which resulted in a credit balance of RMB87,000 in HY2020 as opposed to other expenses of RMB146,000 in HY2019.

**Income tax expense**

There was no income tax paid in 2Q2019 and 2Q2020 respectively due to operating losses suffered by the Group. The income tax of RMB9,000 in HY2020 (HY2019: Nil) relates to the tax imposed by tax authority from other province in the PRC.

**Loss after taxation**

In view of the foregoing, loss after taxation was lower by 13.9% to RMB2.0 million in 2Q2020 (2Q2019: RMB2.4 million), and 9.8% to RMB5.5 million in HY2020 (HY2019: RMB6.1 million).

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 RMB9.1 million and comprised property, plant and equipment ("PPE") of RMB7.9 million and intangible assets of RMB1.2 million as at 30 June 2020. The PPE also included the recognition of warehouse premise on lease of RMB0.6 million which was in accordance to SFRS(I) 16 Leases. The decrease in PPE of RMB0.7 million was attributed to routine depreciation of RMB0.6 million.

Intangible assets decreased by RMB0.1 million, from RMB1.3 million as at 31 December 2019 to RMB1.2 million as at 30 June 2020 as a result of amortization of RMB0.1 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 53 months (31 December 2019: 59 months) as at 30 June 2020. This technology is currently applied on its remaining dust elimination projects.

Current assets comprised contract assets, inventories, trade and other receivables, prepayments, bank deposits pledged and cash and cash equivalents. Current assets amounted to RMB147.6 million and RMB158.7 million as at end of 30 June 2020 and 31 December 2019 respectively. The current assets accounted for 94.2% and 94.1% of our total assets as at 30 June 2020 and 31 December 2019 respectively.

Contract assets amounted to RMB14.3 million and RMB20.1 million as at 30 June 2020 and 31 December 2019 respectively, constituting 9.7% and 12.7% of our current assets as at the respective dates. The decrease of RMB5.8 million was due to payments from customers and progress billings of RMB15.5 million in aggregate, partly offset by the revenue recognized of RMB9.7 million during the financial period. Notwithstanding the economic uncertainty and challenges posed by COVID-19 pandemic, the Group's efforts in working closely with its customers to expedite certain settlements had paid off which culminated in the paring down of the amount of contract assets.

Inventories remained flat at RMB0.9 million as at 31 December 2019 and 30 June 2020. 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 amounted to RMB120.6 million and RMB126.4 million as at 30 June 2020 and 31 December 2019 respectively, and accounted for approximately 81.7% and 79.7% of the current assets as at the respective balance sheet dates. Trade receivables amounted to RMB1.1 million as at 30 June 2020, representing a decrease of RMB2.4 million largely due to collections, and in line with the decrease in revenue during the financial period.

Retention monies decreased by RMB1.1 million, from RMB5.8 million as at 31 December 2019 to RMB4.7 million as at 30 June 2020. The decrease was attributed mainly to collections during the period. The bulk of the retention monies relate to amount owed by certain steel maker of RMB3.6 million which management is still following up closely with the customer as the steel industry in the PRC is adversely affected by the COVID-19 pandemic. Historically, this customer had settled substantially its past debts.

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:

	<b>30-Jun-20</b>	<b>31-Dec-19</b>
	<b>RMB'000</b>	<b>RMB'000</b>
VAT receivables	203	84
Advances to trade suppliers	38,311	24,544
Advances to non-suppliers	794	1,843
Advances to third party	29,900	37,600
Security and tender deposits	43,373	49,911
Advances to employees	2,146	3,150
	<u>114,727</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. (cont'd)**

VAT receivables increased by RMB0.1 million due to increased purchases of raw materials by one of the subsidiaries to commence work on the remaining uncompleted contracts in the second half of the year.

Advances to trade suppliers increased by RMB13.8 million, from RMB24.5 million as at 31 December 2019 to RMB38.3 million due to increased procurement of raw materials for the remaining uncompleted contracts in the second half of the year.

Advances to non-trade suppliers decreased by RMB1.0 million due to payments, and in line with the decrease in business activities during the financial period.

Advances to third party decreased by RMB7.7 million to RMB29.9 million as at 30 June 2020 due to refunds received from the supplier to further mitigate the Group's credit risk.

Security and tender deposits decreased by RMB6.5 million to RMB43.4 million as at 30 June 2020 due to refunds received. The bulk of the refunds were received in relation to the large scale industrial wastewater related project in Linjiang City which amounted to RMB4.0 million, whereas the balance of RMB2.5 million were for smaller contracts which the Group is no longer keen to participate in light of the current economic environment. The partial refund for the large scale industrial wastewater related project was in accordance to the milestone of the contract, leaving a balance deposit of RMB11.0 million to be collected. In addition, there was a further postponement of the announcement of the tender result of certain large scale industrial wastewater contract to 3Q2020. The entire bidding deposit of RMB25.0 million, which was placed with the vendor in FY2019, will be fully refunded if the contract is not awarded to the Group.

In view of the uncertainty and weak business environment coupled by the resurgence of the COVID-19 virus in China, Management is performing a thorough review of its remaining placement deposits on the smaller contracts of RMB7.4 million in aggregate on the need to withdraw from these tenders.

Advances to employees decreased by RMB1.1 million due to finalization of the operating expenses, travelling and entertainment expenses incurred by employees, and also in line with the decrease in business activities during the financial period.

Prepayments comprised prepaid operating expenses and amounted to RMB0.2 million and RMB43,000 million as at 30 June 2020 and 31 December 2019 respectively. The increase of approximately RMB0.1 million was attributed mainly to advance fees paid to SGX-ST for purpose of processing the Company's Rights Issue application.

Bank deposits pledged to secure the bills payable facility increased by RMB1.5 million, from RMB1.5 million as at 31 December 2019 to RMB3.0 million as at 30 June 2020 due to increased usage of the bills payable facilities to settle outstanding trade debts.

Cash and cash equivalents amounted to RMB8.6 million and RMB9.7 million as at 30 June 2020 and 31 December 2019 respectively, and accounted for approximately 5.8% and 6.1% of current assets as at the respective balance sheet dates.

Net cash used in operating activities was RMB3.7 million in 2Q2020 as compared to RMB14.7 million in the prior period due mainly to lower working capital requirements.

Net cash used in operating activities was RMB7.2 million in HY2020 as compared to net cash generated from operating activities of RMB 6.7 million in the prior period due mainly to higher working capital requirements.

Net cash from investing activities was RMB80,000 in 2Q2020 as compared to RMB1,000 in the prior period due to proceeds received from disposal of one motor vehicles. There was no such disposal in the prior period.

Net cash from investing activities was RMB0.2 million in HY2020 as compared to RMB2,000 in the prior period, primarily due to the proceeds derived from the disposal of two motor vehicles. There were no such disposals in the prior period.

Net cash from financing activities was RMB7.3 million in 2Q2020 as compared to net cash used in financing activities of RMB1.2 million in the prior period. This was attributed to net proceeds received of RMB8.6 million for the placement of 120 million ordinary shares to two places at S\$0.015, partly offset by interest paid and repayments of lease liabilities of RMB1.2 million and RMB0.1 million respectively.

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

Net cash from financing activities was RMB5.9 million in HY2020 as compared to net cash used in financing activities of RMB12.3 million in the prior period. This was attributed to net proceeds received of RMB8.6 million for the placement of 120 million ordinary shares to two places at S\$0.015, proceeds from bank borrowings and bills payable of RMB11.0 million and RMB1.5 million respectively during the financial period. The cash inflows were partly offset by 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 RMB2.5 million, and repayments of lease liabilities of RMB0.2 million.

Non-current liabilities which relate mainly to lease liabilities recognized following the adoption of SFRS(I) 16 Leases, amounted to RMB0.5 million and RMB0.3 million as at 31 December 2019 and 30 June 2020 respectively. The decrease of RMB0.2 million was attributed to repayments during the financial period.

Current liabilities comprised mainly contract liabilities, trade and other payables, borrowings, lease liabilities and other liabilities. Our current liabilities amounted to RMB108.3 million and RMB127.8 million as at 30 June 2020 and 31 December 2019 respectively, and accounted for 99.7% and 99.6% each of our total liabilities as at the respective balance sheet dates.

Contract liabilities decreased by RMB4.4 million, from RMB5.7 million as at 31 December 2019 to RMB1.3 million as at 30 June 2020. The decrease was attributed to more work performed during the financial period, so part of the advances received from customers were offset against contract assets.

Trade and other payables comprised trade payables, other payables and bills payable and amounted to RMB57.0 million and RMB48.4 million as at 31 December 2019 and 30 June 2020 respectively.

Trade payables amounted to RMB40.6 million as at 30 June 2020, representing a decrease of RMB9.3 million over 31 December 2019 due mainly to repayments to trade suppliers and offset against advances to trade suppliers of RMB10.2 million during the financial period, partly offset by the net increase in purchases by one of the subsidiaries of RMB0.9 million to commence work activities on the uncompleted contracts in second half of the year. 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.

Other payables comprised primarily VAT, other operating tax payables and other operating expenses. Other payables amounted to RMB4.8 million and RMB5.6 million as at 30 June 2020 and 31 December 2019 respectively. The decrease of RMB0.8 million was due to lower VAT and other operating tax payables of RMB0.9 million because of payment made to tax authority during the financial period. In addition, other operating expenses payable were also lower by RMB0.3 million which were in line with the decrease in business activities. The decrease of RMB1.2 million was partly offset by higher amount due to Directors of RMB0.4 million for payments of operating expenses on behalf.

Bills payable increased by RMB1.5 million, from RMB1.5 million as at 31 December 2019 to RMB3.0 million as at 30 June 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 30 June 2020. Subsequent to 30 June 2020, the Group made a loan repayment of RMB5.0 million to the bank upon its maturity and the loan was not renewed, thus, reducing the Group's borrowings to RMB45.0 million.

Other liabilities comprised accrued purchases, VAT, salaries and travelling expenses, other operating expenses, advances from customers and welfare expenses. Other liabilities amounted to RMB12.7 million and RMB14.8 million as at 30 June 2020 and 31 December 2019 respectively.

Accrued purchases, payroll and related expenses, operating expenses and welfare expenses amounted to RMB8.4 million and RMB10.5 million as at 30 June 2020 and 31 December 2019 respectively. The decrease of RMB2.1 million was due to lower accrued purchases of RMB1.3 million as a result of invoices received from suppliers, and settlements of other operating expenses amounting to RMB0.8 million during the financial period.

Deposit from customer was unchanged at RMB4.3 million as at 30 June 2020 and 31 December 2019. There was no new contract signed 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)**

The Group's total shareholder's equity comprised share capital, PRC statutory common reserve, merger reserve, premium paid on acquisition of non-controlling interests and accumulated losses. Total equity as at 1 January 2019 amounted to RMB40.4 million. During the financial period, placement of 120 million ordinary shares at S\$0.015 to two places which amounted to approximately RMB8.7 million of net proceeds were added, partly offset by the loss attributable to owners of the parent and non-controlling interests of RMB5.5 million and nil respectively in the current period. Consequently, total equity increased to RMB43.6 million as at 30 June 2020, of which the amount was mainly attributable to owners of the parent.

The non-controlling interests as at 30 June 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.**

Immediately after the strategic review of the Group's business to diversify into other environmental related businesses, Management undertook detailed assessment of its existing turn-key projects and tenders. While the Group managed to make some headway to recover some of its outstanding amount of contract assets, receivables and prepayments, trade collections could remain challenging under the current weak economic climate in the PRC, which is further exacerbated by the uncertainty and adverse financial effects posed by the COVID-19 pandemic. The Group has to closely monitor the situation and tread carefully in its contract executions to ensure that customers can honour their payments when the projects are completed. With its limited resources, it is imperative that the Group concentrates on larger scale contracts secured from established customers in order to mitigate its credit risk. To do so, Management may have to abandon some of the engineering, procurement and construction projects, and customers with the tendencies to delay payments. To make up for the likely losses, Management is actively sourcing and pursuing large-scale environmental related projects as potential replacements. The Group hopes that some of the discussions with customers can translate into signed contracts in the second half of the financial year.

The Group has embarked on its business transformation. It is working hard to negotiate and close deals with potential customers with regard to sludge treatments, industrial wastewater projects with recurring income potentials, and production of high-tech membrane. Management hopes to achieve a breakthrough in some of these negotiations in the second half of this year. To partake in these new environmental related businesses, the Group has to strengthen its balance sheet, and is in the midst of completing its Rights Issue exercise. With the proceeds, the Group will be well capitalized with more resources to deploy on new environmental related business activities that could prove pivotal to its business transformation. With the potential expansion in business activities and barring any unforeseen circumstances, Management is cautiously optimistic of the Group's business prospects in the second half of the financial 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 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. Use of placement proceeds**

	<b>S\$</b>
<b>Balance proceeds as announced on 4 June 2020</b>	1,094,652
Other miscellaneous costs (Mainly for XBRL reporting)	(950)
Professional fees	(133,216)
<b>Balance proceeds as at the date of announcement on 14 August 2020</b>	<u><u>960,486</u></u>

The placement proceeds of S\$838,000 which was previously earmarked for procurement of raw materials and equipment will now be utilized for working capital purpose. In view of the COVID-19 pandemic, the Group has performed a detailed review and has decided not to proceed with the smaller and riskier projects as they may not be profitable.

14. **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.

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

Not applicable. The Company did not acquire and dispose shares in any companies during the half year ended 2020.

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

Dr Lin Yucheng  
Executive Director

14 August 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 second quarter and the six months' financial results for the period ended 30 June 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

Dr Lin Yucheng  
Executive Director

14 August 2020