



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 2013

The initial public offering (the "IPO") of Leader Environmental Technologies Limited was sponsored by Stirling Coleman Capital Limited (the "Issue Manager"). The Issue Manager assumes no responsibility for the contents of this announcement.

Unaudited Financial Statement and Dividend Announcement for the Half-year Ended 30 June 2013 of Leader Environmental Technologies Limited (the "Company" or "LET") and Its Subsidiary (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			Group		
	Q2		change %	6 months		change %
	Unaudited Apr to Jun 2013 RMB'000	Unaudited Apr to Jun 2012 RMB'000		Unaudited Jan to Jun 2013 RMB'000	Unaudited Jan to Jun 2012 RMB'000	
Revenue	16,508	10,524	56.9%	24,737	24,863	-0.5%
Cost of sales	(14,448)	(5,737)	151.8%	(20,521)	(13,212)	55.3%
Gross profit	2,060	4,787	-57.0%	4,216	11,651	-63.8%
Other items of income						
Financial income	44	688	-93.6%	72	1,297	-94.4%
Other income	15	(95)	NM	327	481	-32.0%
Other items of expense						
Selling and distribution expenses	(320)	(350)	-8.6%	(818)	(686)	19.2%
Administrative expenses	(5,669)	(3,675)	54.3%	(8,511)	(7,217)	17.9%
Financial cost	(1,483)	(1,457)	1.8%	(3,141)	(2,368)	32.6%
Other expenses	(22,444)	(57)	NM	(22,518)	(57)	NM
Share of loss of associate company	(224)	-	NM	(297)	-	NM
(Loss)/profit before income tax	(28,021)	(159)	NM	(30,670)	3,101	NM
Income tax expense	(464)	(1,119)	-58.5%	(580)	(2,369)	-75.5%
(Loss)/profit for the period attributable to owners of the Company	(28,485)	(1,278)	NM	(31,250)	732	NM
Other comprehensive income	-	-		-	-	
Total comprehensive (loss)/income for the period attributable to owners of the Company	(28,485)	(1,278)	NM	(31,250)	732	NM

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

	Group			Group		
	Q2		change %	6 months		change %
	Unaudited Apr to Jun 2013 RMB'000	Unaudited Apr to Jun 2012 RMB'000		Unaudited Jan to Jun 2013 RMB'000	Unaudited Jan to Jun 2012 RMB'000	
Depreciation of property, plant and equipment	241	227	6.2%	483	428	12.9%
Amortisation of intangible assets	190	23	726.1%	378	73	417.8%
Operating lease expenses	365	493	-26.0%	872	884	-1.4%
Interest expense	1,483	1,457	1.8%	3,141	2,368	32.6%
Interest income	(44)	(688)	-93.6%	(72)	(1,297)	-94.4%
Inventories recognised as an expense in cost of goods sold	4,997	6,664	-25.0%	5,655	11,289	-49.9%
Employee compensations	2,129	1,739	22.4%	3,945	3,659	7.8%
Exchange loss/(gain)	49	96	-49.0%	123	(465)	NM

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 31 Mar 2013 RMB'000	Unaudited 31 Dec 2012 RMB'000	Unaudited 31 Mar 2013 RMB'000	Unaudited 31 Dec 2012 RMB'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	12,454	12,973	7	8
Intangible assets	6,342	6,697	-	-
Club membership	833	856	-	-
Investment in subsidiary	-	-	152,494	152,494
Investment in associate	2,194	2,491	2,557	2,557
	21,823	23,017	155,058	155,059
CURRENT ASSETS				
Gross amount due from customers for contract work-in-progress	37,487	45,360	-	-
Inventories	3,433	3,290	-	-
Trade and other receivables	271,156	307,950	40,554	40,554
Prepayments	193,986	138,843	126	204
Bank deposits pledged	884	1,334	-	-
Cash and cash equivalents	13,911	56,348	3,471	928
	520,857	553,125	44,151	41,686
TOTAL ASSETS	542,680	576,142	199,209	196,745
CURRENT LIABILITIES				
Trade and other payables	54,968	57,911	5,438	470
Loans and borrowings	80,000	80,000	-	-
Other liabilities	27,071	28,640	1,749	1,529
	162,039	166,551	7,187	1,999
NET CURRENT ASSETS	358,818	386,574	36,964	39,687
Non-current liabilities				
Deferred tax liabilities	4,353	4,123	-	-
TOTAL LIABILITIES	166,392	170,674	7,187	1,999
NET ASSETS	376,288	405,468	192,022	194,746
Equity attributable to owners of the Company				
Share capital	194,015	194,015	194,015	194,015
Reserves	30,776	30,776	-	-
Accumulated profits/(loss)	149,427	180,677	(4,063)	731
Performance share reserve	2,070	-	2,070	-
TOTAL EQUITY	376,288	405,468	192,022	194,746
TOTAL EQUITY AND LIABILITIES	542,680	576,142	199,209	196,745

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 Jun 2012 RMB'000	As at 31 Dec 2012 RMB'000
Amount repayable in one year or less, or on demand		
- secured	-	-
- unsecured	80,000	80,000
	80,000	80,000
Amount repayable after one year		
- secured	-	-
- unsecured	-	-
	-	-
	-	-

Details of any collateral

As at 30 June 2013, a corporate guarantee from the Company and personal guarantees by the Executive Chairman cum Chief Executive Officer of the Company and his spouse were provided for the short term bank loan of RMB80.0 million (31 December 2012: RMB80.0 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 cash flows

	Group	
	Unaudited 6 months ended 30.6.13	30.6.12
	RMB'000	RMB'000
Cash Flows from Operating Activities		
(Loss)/profit before tax	(30,671)	3,101
<u>Adjustments for :</u>		
Fair value of shares issued pursuant to LET Performance Share Scheme	2,070	-
Depreciation of property, plant and equipment	483	428
Amortisation of intangible assets	378	73
Gain on disposal of property, plant and equipment (Note A)	(82)	-
Impairment loss on trade receivables	22,331	-
Finance costs	3,141	2,368
Interest income	(72)	(1,297)
Share of results of associate	297	-
Unrealised exchange loss/(gain)	124	(312)
Total adjustments	28,670	1,260
Operating cashflows before changes in working capital	<u>(2,001)</u>	<u>4,361</u>
<u>Changes in working capital</u>		
Decrease/(increase) in gross amount due from customers for contract work-in-progress	7,873	(18,627)
(Increase)/decrease in inventories	(143)	298
Decrease in trade and other receivables	14,463	19,492
Increase in prepayments	(55,143)	(87,478)
Decrease in trade and other payables	(2,825)	(6,645)
Decrease in other liabilities	(1,569)	(5,310)
Cash flows used in operating activities	<u>(39,345)</u>	<u>(93,909)</u>
Interest income received	72	1,297
Interest paid	(3,141)	(2,368)
Income taxes paid	(349)	(4,769)
Net cash used in operating activities	<u>(42,763)</u>	<u>(99,749)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(7,953)
Net cash used in investing activities	<u>-</u>	<u>(7,953)</u>
Cash flows from financing activities		
Dividends paid on ordinary shares	-	(7,500)
Proceeds from loans and borrowings	30,000	30,000
Repayments of loans and borrowings	(30,000)	-
Decrease/(increase) in bank deposits pledged	450	(355)
Net cash from financing activities	<u>450</u>	<u>22,145</u>
Net decrease in cash and cash equivalents	(42,313)	(85,557)
Effect of exchange rate changes on cash and cash equivalents	(124)	312
Cash and cash equivalents at 1 January	<u>56,348</u>	<u>138,612</u>
Cash and cash equivalents at 30 June (Note B)	<u><u>13,911</u></u>	<u><u>53,367</u></u>

Note A: The net proceed on disposal of property, plant and equipment amounting to RMB118,000 has been offset against the balance owing to a trade creditor as it relates to an agreement with a certain supplier to use the subsidiary's motor vehicle as part settlement for raw materials purchased.

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 June	
	RMB'000	RMB'000
Note B: Cash and cash equivalents	2013	2012
Cash and bank balances	14,795	15,221
Short-term deposits	-	39,030
	<hr/>	<hr/>
	14,795	54,251
Less: bank deposits pledged	(884)	(884)
	<hr/>	<hr/>
Cash and cash equivalents	13,911	53,367
	<hr/> <hr/>	<hr/> <hr/>

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

Statements of Changes in Equity

Group - Statement of changes in equity for 6 months ended 30 June 2013	Share capital	PRC statutory reserve fund	Merger reserve	Accumulated profits	Performance share reserve	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2013	194,015	31,230	(454)	180,677	-	405,468
Total comprehensive income for the period	-	-	-	(31,250)	-	(31,250)
Grant of shares under LET Performance share scheme	-	-	-	-	2,070	2,070
Balance at 30 June 2013	194,015	31,230	(454)	149,427	2,070	376,288

Group - Statement of changes in equity for 6 months ended 30 June 2012	Share capital	PRC statutory reserve fund	Merger reserve	Accumulated profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2012	194,015	31,230	(454)	231,198	455,989
Total comprehensive income for the period	-	-	-	732	732
Appropriation to reserve	-	415	-	(415)	-
Dividends paid	-	-	-	(7,500)	(7,500)
Balance at 30 June 2012	194,015	31,645	(454)	224,015	449,221

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)**
Statements of Changes in Equity (cont'd)

Company - Statement of changes in equity for 6 months ended 30 June 2013	Share capital RMB'000	Accumulated loss RMB'000	Performance share reserve RMB'000	Total RMB'000
Balance at 1 January 2013	194,015	731	-	194,746
Total comprehensive income for the period	-	(4,794)	-	(4,794)
Grant of shares under LET Performance share scheme	-	-	2,070	2,070
Balance at 30 June 2013	194,015	(4,063)	2,070	192,022

Company - Statement of changes in equity for 6 months ended 30 June 2012	Share capital RMB'000	Accumulated profits RMB'000	Total RMB'000
Balance at 1 January 2012	194,015	7,500	201,515
Total comprehensive income for the period	-	4,031	4,031
Dividends paid	-	(7,500)	(7,500)
Balance at 30 June 2012	194,015	4,031	198,046

- 1(e) **Changes in issuer's share capital (for the issuer) 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**

	Company Number of shares
As at 1 January 2013	491,612,000
Grant of shares under LET Performance Share Scheme	4,600,000
Issued and fully paid-up as at 30 June 2013	<u><u>496,212,000</u></u>

On 26 April 2013, the Company allotted an issued, an aggregate 4,600,000 new shares to 6 employees of the subsidiary in accordance with the terms of the LET Performance Share Scheme approved by shareholders at the Extraordinary general meeting of the Company convened on 30 April 2012 (including a moratorium of 6 months in respect of any sale, disposal, transfer or other encumbrance of such new shares by the employees and an undertaking by the employees to remain in the employment of the Company for a period of 2 years). The new shares constituted approximately 0.94% of the issued shares of the Company and the last traded market price of the shares prior to the issue and allotment date was S\$0.067.

- 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 2013 and 31 December 2012.

- 1(g)(i) **Number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer together with a statement for the corresponding period of immediately preceding year**

	30 Jun 2013	31 Dec 2012
Total number of shares issued at end of period/year	<u>496,212,000</u>	<u>491,612,000</u>

The Company does not have any treasury shares as at 30 June 2013 and 31 December 2012.

- 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 2013 and 31 December 2012.

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 for the adoption of the amendments to FRS applicable for the financial year beginning or after 1 January 2013, the Group has adopted the same accounting policies in the financial statements for the current period as those in its audited consolidated financial statements as at 31 December 2012.

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)/earnings per share is based on the Group's net (loss)/profit attributable to owners of the Company for the respective periods divided by the weighted average of 493,273,111 ordinary shares for the six month ended 30 June 2013 (1HY2012: 491,612,000 ordinary shares).

	Group	
	6 months	
	Jan to Jun 2013	Jan to Jun 2012
(Loss)/net profit after tax attributable to owners of the Company (RMB'000)	(31,250)	732
Basic (loss)/earnings per share (RMB cents per share)	(6.34)	0.15

*There were no potential dilutive options for the periods.

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

(a) current financial period reported on; and

(b) immediately preceding financial year.

	Group		Company	
	30 June 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
Net asset value (RMB'000)	376,288	405,468	192,022	194,746
Net asset value per share (RMB cents per share)	75.83	82.48	38.70	39.61

Net asset value for the Group and Company as at 30 June 2013 and 31 December 2012 were computed based on 496,212,000 and 491,612,000 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

	2Q2013		2Q2012		1HY2013		1HY2012	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Industrial wastegas treatment								
- Dust elimination	2,111	12.8	4,703	44.7	4,954	20.0	5,963	24.0
- Desulphurisation	-	-	3,929	37.3	-	-	7,429	29.9
Industrial wastewater	10,740	65.1	1,892	18.0	10,740	43.4	11,471	46.1
Operation and maintenance	3,657	22.1	-	-	9,043	36.6	-	-
	16,508	100.0	10,524	100.0	24,737	100.0	24,863	100.0

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)**

Revenue

Total revenue declined marginally by RMB0.1 million or 0.5%, from RMB24.8 million in 1HY2012 to RMB24.7 million in 1HY2013 due to the absence of revenue of RMB7.4 million from desulphurization contracts and lower revenue derived from dust elimination and industrial wastewater contracts of RMB1.7 million in aggregate as we continue to be selective and only undertake those projects which offer better payment terms and/or gross profit margin in 1HY2013. The decrease was partly offset by revenue from operation and maintenance ("O&M") of RMB9.0 million as the one year contract commenced from 3Q2012.

Gross profit and gross profit margin

Total gross profit for 1HY2013 decreased by RMB7.5 million or 63.8% to RMB4.2 million. The decrease was attributed to the absence of gross profit contribution from desulphurization contracts of RMB5.8 million and lower gross profit generated from dust elimination and industrial wastewater contracts of RMB3.1 million in aggregate. The decrease of RMB8.9 million was partly offset by gross profit derived from O&M segment of RMB1.4 million in 1HY2013 as the work only commenced from 3Q2012.

Overall gross profit margin declined by 29.9%, from 46.9% in 1HY2012 to 17.0% in 1HY2013 as we had not embarked on any desulphurization contracts nor contracts at the design phase in 1HY2013 as they usually offer higher gross profit margin. In addition, the gross profit margin was further dragged down by the O&M contract as the activity generated a lower gross profit margin of 15.8%.

Other items of income

Financial income decreased by RMB1.2 million or 94.4% in 1HY2013 as the short term deposits were fully drawn down for operating expenses.

Other income for 1HY2013 decreased by RMB0.2 million or 32.0%, from RMB0.5 million in 1HY2012 to RMB0.3 million in 1HY2012 due to the absence of exchange gain of RMB0.5 million in 2Q2013, partly offset by one-off gain on disposal of property, plant and equipment of RMB0.1 million and fines collected from certain outsourcing parties of RMB0.2 million for the breach of contract.

Other items of expense

For 1HY2013, selling and distribution expenses increased by RMB0.1 million, or 19.2%, from RMB0.7 million in 1HY2012 to RMB0.8 million in 1HY2013 as we incurred more office expenses for the submission of tenders for various projects.

Administrative expenses increased by RMB1.3 million or 17.9%, from RMB7.2 million in 1HY2012 to RMB8.5 million in 1HY2013 due to a non-cash charge of RMB2.1 million, being the fair value of the 4.6 million shares issued to six employees pursuant to the Company's Performance Share Scheme and higher amortization of deferred development cost of RMB0.3 million in 1HY2013 as amortization commenced from 1 December 2012 onwards. The increase of RMB2.4 million was partly offset by the absence of consultancy fee of RMB0.6 million, lower travelling, entertainment, office expenses and others of RMB0.5 million in aggregate due to cost controls implemented by the Group.

We incurred higher interest expenses of RMB3.1 million in 1HY2013 against RMB2.4 million in the same corresponding period due to drawn down of larger quantum of loans.

Other expenses increased by RMB22.5 million in 1HY2013, attributed mainly to impairment loss on trade receivables for two customers who communicated to us that they are unable to repay their outstanding debts.

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

Income tax expense

With effect from 1 January 2012, the effective tax rate applicable to our PRC subsidiary is 25% as our tax holiday has ceased on 31 December 2011. Apart from the corporate tax, the Group has also provided for withholding tax of 10% on the potential amount of dividends expected to be declared to finance the working capital of the holding company and the portion of the distributable profits derived by the PRC subsidiary which is expected to be distributed out as dividend.

Income tax expense decreased by RMB1.8 million or 75.5%, from RMB2.4 million in 1HY2012 to RMB0.6 million in 1HY2013. In line with the Group's loss making position in 1HY2013, withholding tax was solely provided on the potential amount of dividends expected to be declared to finance the working capital of the holding company which resulted in a tax saving of RMB0.2 million. In addition, no corporate tax was provided in 1HY2013 other than the corporate tax of RMB0.3 million which relates to final tax assessment for FY2012 when compared against RMB1.9 million of income tax expense in 1HY2012.

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

Financial position

1. Non-current assets

Non-current assets amounted to RMB21.8 million and comprised property, plant and equipment ("PPE") of RMB12.5 million, intangible assets of RMB6.3 million, club membership of RMB0.8 million and investment in associate of RMB2.2 million as at 30 June 2013. The decrease in PPE of RMB0.5 million was attributed to disposal of PPE and depreciation during the period.

1.1 Intangible assets amounted to RMB6.3 million and comprised patent of RMB0.1 million and deferred development costs of RMB6.2 million as at 30 June 2013. The decrease in intangible assets of RMB0.4 million was attributed mainly to amortization for 1HY2013. The patent and deferred development costs have a remaining tenure of 23 months and 113 months as at 30 June 2013 respectively.

1.2 Club membership which has a remaining useful life of 215 months amounted to RMB0.8 million as at 30 June 2013.

2. Current assets

Current assets comprise gross amount due from customers for contract work-in-progress, inventories, trade and other receivables, prepayments, bank deposits pledged and cash and cash equivalents. Current assets amounted to RMB520.9 million and RMB553.1 million as at end of 30 June 2013 and 31 December 2012 respectively. Our current assets accounted for 96.0% of our total assets as at 30 June 2013 and 31 December 2012 respectively.

2.1 Amount due from customers for contract work-in-progress amounted to RMB37.5 million and RMB45.3 million as at 30 June 2013 and 31 December 2012 respectively and accounted for 7.2% and 8.2% of our current assets as at 30 June 2013 and 31 December 2012 respectively. The decrease of RMB7.8 million was attributed to progress billings and the transfers to trade receivables as a result of completion of contracts in 1HY2013, partly offset by costs incurred and recognized profits on new contracts.

2.2 Inventories amounted to RMB3.4 million and RMB3.3 million as at 30 June 2013 and 31 December 2012 respectively and accounted for 0.7% and 0.6% of our current assets as at 30 June 2013 and 31 December 2012 respectively.

2.3 Trade and other receivables comprise trade receivables, bills receivable, retention monies and other receivables amounted to RMB271.2 million and RMB308.0 million as at 30 June 2013 and 31 December 2012 respectively, and accounted for 52.1% and 55.7% of our current assets as at the respective balance sheet dates. Trade receivables and retention monies amounted to RMB261.5 million as at 30 June 2013, representing a decrease of approximately RMB18.5 million from 31 December 2012. The decrease was due mainly to impairment loss on trade receivables and collections during the period of RMB47.1 million in aggregate, partly offset by the transfers from amount due from customers for contract work-in-progress of RMB28.6 million due to completed contracts.

2.4 Bills receivable received from the customers for settlement of debts amounted to RMB4.4 million and RMB13.1 million as at 30 June 2013 and 31 December 2012 respectively. The decrease was due to more bills receivable been presented to the banks for payments.

2.5 Other receivables comprise advances to employees for business purposes, bidding deposits and tax recoverable. Other receivables amounted to RMB5.3 million and RMB14.9 million as at 30 June 2013 and 31 December 2012 respectively. The decrease was due mainly to the processing of expenses claims submitted by employees of RMB6.7 million against the advances given and lower bidding deposits and tax recoverable of RMB2.9 million in aggregate as a result of refund and settlement with tax authorities.

2.6 Prepayments comprise prepaid operating expenses, advances to trade and non-trade suppliers amounted to RMB194.0 million and RMB138.8 million as at 31 March 2013 and 31 December 2012 respectively. The increase of RMB55.2 million was attributed to more advance payments made to certain suppliers of raw materials as part of the tender requirements by the customers. The advances will be refunded back if the tenders for certain contracts are not successful.

2.7 Bank deposits pledged decreased by approximately RMB0.4 million or 33.7%, from RMB1.3 million as at 31 December 2012 to RMB0.9 million as at 30 June 2013 due to fewer requests for performance guarantee to be given for certain construction contracts.

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

2.8 Cash and cash equivalents amounted to RMB13.9 million and RMB56.3 million as at 30 June 2013 and 31 December 2012 respectively, and accounted for 2.7% and 10.2% of our current assets as at the respective balance sheet dates.

3. Current liabilities

Current liabilities comprise mainly trade and other payables, loans and borrowings, other liabilities, as well as provision for income tax. Our current liabilities amounted to RMB162.0 million and RMB166.5 million as at 30 June 2013 and 31 December 2012 respectively, and accounted for 97.4% and 97.6% of total liabilities as at the respective balance sheet dates.

3.1 Trade payables amounted to RMB45.3 million, representing a decrease of approximately RMB10.3 million over FY2012. The decrease was attributed mainly to settlements with the suppliers.

3.2 Other payables comprise primarily VAT and other operating tax payables and accruals of other operating expenses. Other payables amounted to RMB9.6 million and RMB2.3 million as at 30 June 2013 and 31 December 2012 respectively. The increase was due to placement proceeds received in advance of RMB3.5 million and more unpaid operating expenses of RMB3.8 million as we await for the completion of the proposed placement exercise before making payments.

3.3 Other liabilities comprise accrued purchases, salaries and travelling expenses and advances from customers. Other liabilities amounted to RMB27.1 million and RMB28.6 million as at 30 June 2013 and 31 December 2012 respectively.

3.4 Accrued output VAT, purchases, salaries and related expenses, operating expenses and welfare expenses amounted to RMB27.1 million and RMB28.6 million as at 30 June 2013 and 31 December 2012 respectively. The decrease of RMB1.5 million was attributed to decrease in accrued purchases of RMB0.9 million as the amount was reversed to trade creditors as a result of invoices received, lower accrued output VAT of RMB0.3 million due to billings raised in 1HY2013 and accrued welfare expenses of RMB0.3 million as the amount was utilized for the payments of bonus to certain employees.

3.5 Advances from customers amounted to RMB27,350 and RMB34,000 as at 30 June 2013 and 31 December 2012.

3.6 Loans and borrowings remained unchanged at RMB80.0 million as at 30 June 2013 and 31 December 2012.

4. Non-current liability

As at 30 June 2013, our deferred tax liability amounted to RMB4.4 million, relating to withholding tax on undistributed profits of our PRC subsidiary pursuant to the PRC tax law. An additional deferred tax of RMB0.2 million was provided in 1HY2013 on the potential amount of dividends expected to be declared to finance the working capital of the holding company.

5. Shareholder's equity

The Group's total shareholder's equity comprises share capital, PRC statutory reserve fund, merger reserve, translation reserve and accumulated profits. Between 30 June 2013 and 31 December 2012, our shareholder's equity decreased from RMB405.5 million to RMB376.3 million due mainly to loss suffered of RMB31.3 million in 1HY2013, partly offset by a non-cash charge of RMB2.1 million, being the fair value of the 4.6 million shares issued to six employees pursuant to the Company's Performance Share Scheme.

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

CASHFLOWS

In 1HY2013, net cash flows from operating activities before changes in working capital amounted to RMB2.0 million. Net cash flows used in operating activities amounted to RMB40.8 million attributed mainly to:

- (i) an increase in prepayments of RMB55.2 million;
- (ii) an increase in inventories of RMB0.1 million;
- (iii) a decrease in trade and other payables of RMB2.8 million;
- (iv) a decrease in other liabilities of RMB1.5 million;
- (v) payment of interest expense of approximately RMB3.1 million incurred on the loans and borrowings from China Merchant Bank; and
- (vi) payment of income taxes of approximately RMB0.3 million.

The decrease was partly offset by:

- (i) an decrease in gross amount due from customers for work-in-progress of RMB7.8 million; and
- (ii) a decrease in trade and other receivables of RMB14.4 million;

Net cash inflows from financing activities of approximately RMB0.5 million were attributed to decrease in bank deposits pledged of RMB0.4million as there were fewer requests for performance guarantee to be given for certain construction contracts.

Overall our cash and cash equivalents decreased by approximately RMB42.3 million in 1HY2013, increase by the effect of exchange rate changes on cash and cash equivalents of RMB0.1 million to RMB42.4 million. In the light of the foregoing, overall cash and cash equivalents decreased from RMB56.3 million as at 31 December 2012 to RMB13.9 million as at 30 June 2013.

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 business environment is expected to remain challenging in the second half of FY2013. With a slowing PRC economy and a recent credit crunch experienced by the Chinese companies, the Group has had slow progress in the collections of its overdue trade receivables. In the wake of the liquidity squeeze, we have recorded impairment loss on trade receivables relating to two customers in 1HY2013 and the Group is bracing for more bad news to come before the situation can improve. Accordingly, the Group anticipates another loss for this financial year amidst the on-going contract negotiations with a number of potential customers to secure better payment terms and/or higher gross profit margin from these customers. The immediate priority for the Group remains in its improvement to the overall cash flows position, hence, it will step up its efforts with regard to the collections in the second half of the year.

It may not be all doom and gloom for the industry as there could still be light at the end of the tunnel as China announced recently that it plans to invest RMB1.7 trillion to combat air pollution over the next five years (The Straits Times dated 26 July 2013). The plan targets specifically northern China where air pollution is especially serious. With the positive news and a tougher approach adopted by the Chinese government against air pollution, environmental companies may again be the focus, which motivates us to work harder and look for opportunities to grow the environmental business in the foreseeable future.

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 2013 is declared or recommended.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from its shareholders for IPTs.

14. Update of usage of IPO and placement proceeds

As at 30 June 2013, the net proceeds from the Company's initial public offering have been utilised as follows:

<u>Usage of IPO proceeds</u>	Amount allocated RMB'000	Amount utilised RMB'000	Change in use of proceeds RMB'000	Balance RMB'000
Increase and enhance research and development activities	15,107	(14,182)	(925)	-
Investment in capital expenditures	3,021	(120)	(2,901)	-
To increase in sales and marketing activities in the representative offices	3,021	(1,895)	(1,126)	-
To secure and undertake large scale environmental projects	50,358	(50,358)	-	-
General working capital	6,654	(6,654)	4,952	4,952
Total	78,161	(73,209)	-	4,952

For full details regarding the change in use of the IPO proceeds of RMB4,952,000, from "increasing and enhancing research and development activities, investment in capital expenditures and increase in sales and marketing activities in the representative offices to general working capital for the Company", please refer to the Company's announcement dated 14 June 2013.

<u>Usage of private placement proceeds</u>	Original amount allocated RMB'000	Revised amount RMB'000	Amount utilised RMB'000	Balance RMB'000
To undertake large scale projects	63,074	55,052	(54,098)	954
General working capital for the Company	-	8,022	(8,005)	17
Total	63,074	63,074	(62,103)	971

For full details regarding the change in use of the placement proceeds from "undertaking large scale projects to general working capital for the Company", please refer to the Company's announcement dated 3 May 2012.

BY ORDER OF THE BOARD
Leader Environmental Technologies Limited

Lin Baiyin
Executive Chairman and Chief Executive Officer

13 August 2013

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 2013 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

Zang Linying
Executive Director and Finance Director

13 August 2013