



Leader Environmental Technologies Limited
利德环保技术有限公司
(Incorporated in the Republic of Singapore on 15 August 2006)
(Company Registration Number: 200611799H)

Unaudited Results for the Third Quarter and the Nine Months Ended 30 September 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 Third Quarter Ended 30 September 2013 of Leader Environmental Technologies Limited ("Company") 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		
	Q3		change %	9 months		change %
	Unaudited Jul to Sep 2013 RMB'000	Unaudited Jul to Sep 2012 RMB'000		Unaudited Jan to Sep 2013 RMB'000	Unaudited Jan to Sep 2012 RMB'000	
Revenue	6,057	15,087	-59.9%	30,794	39,950	-22.9%
Cost of sales	(4,740)	(12,646)	-62.5%	(25,261)	(25,858)	-2.3%
Gross profit	1,317	2,441	-46.0%	5,533	14,092	-60.7%
Other items of income						
Financial income	2	26	-92.3%	74	1,323	-94.4%
Other income	212	378	-43.9%	539	859	-37.3%
Other items of expense						
Selling and distribution expenses	(284)	(390)	-27.2%	(1,102)	(1,076)	2.4%
Administrative expenses	(2,937)	(6,359)	-53.8%	(11,448)	(13,576)	-15.7%
Finance costs	(1,469)	(1,631)	-9.9%	(4,610)	(3,999)	15.3%
Other expenses	12	(148)	-108.1%	(22,506)	(205)	10878.5%
Share of loss of associate companies	(785)	-	NM	(1,082)	-	NM
Loss before tax	(3,932)	(5,683)	-30.8%	(34,602)	(2,582)	1240.1%
Income tax expense	(184)	(168)	9.5%	(764)	(2,537)	-69.9%
Loss for the period attributable to owners of the Company	(4,116)	(5,851)	-29.7%	(35,366)	(5,119)	590.9%
Other comprehensive income, net of tax	-	-		-	-	
Total comprehensive loss for the period attributable to owners of the Company	(4,116)	(5,851)	-29.7%	(35,366)	(5,119)	590.9%

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		
	Q3		change %	9 months		change %
	Unaudited Jul to Sep 2013 RMB'000	Unaudited Jul to Sep 2012 RMB'000		Unaudited Jan to Sep 2013 RMB'000	Unaudited Jan to Sep 2012 RMB'000	
Depreciation of property, plant and equipment	240	187	28.3%	723	615	17.6%
Amortisation of intangible asset	189	23	721.7%	567	96	490.6%
Allowance on impairment loss on trade receivables	-	1,942	NM	-	1,942	NM
Impairment loss on trade receivables	-	-	-	22,331	-	NM
Impairment loss on gross amount due from customers for contract work-in-progress	-	1,169	NM	-	1,169	NM
Operating lease expenses	242	482	-49.8%	1,114	1,366	-18.4%
Interest expense	1,469	1,631	-9.9%	4,610	3,999	15.3%
Interest income	(2)	(26)	-92.3%	(74)	(1,323)	-94.4%
Inventories recognised as an expense in cost of goods sold	6,347	6,341	0.1%	12,002	17,630	-31.9%
Employees compensation	1,968	2,256	-12.8%	5,913	5,915	-
Exchange (gain)/loss	(35)	(294)	-88.1%	88	(759)	-111.6%

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 Sep 2013 RMB'000	Unaudited 31 Dec 2012 RMB'000	Unaudited 30 Sep 2013 RMB'000	Unaudited 31 Dec 2012 RMB'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	11,495	12,973	6	8
Intangible assets	6,165	6,697	-	-
Club membership	821	856	-	-
Investment in subsidiary	-	-	152,494	152,494
Investment in associates	6,254	2,491	6,334	2,557
	24,735	23,017	158,834	155,059
CURRENT ASSETS				
Gross amount due from customers for contract work-in-progress	38,799	45,360	-	-
Inventories	2,639	3,290	-	-
Trade and other receivables	262,394	307,950	40,589	40,554
Prepayments	196,900	138,843	221	204
Bank deposits pledged	-	1,334	-	-
Cash and bank balances	12,537	56,348	1,523	928
	513,269	553,125	42,333	41,686
TOTAL ASSETS	538,004	576,142	201,167	196,745
Equity and liabilities				
CURRENT LIABILITIES				
Trade and other payables	44,928	57,911	508	470
Loans and borrowings	80,000	80,000	-	-
Other liabilities	26,618	28,640	1,067	1,529
	151,546	166,551	1,575	1,999
NET CURRENT ASSETS	361,723	386,574	40,758	39,687
Non-current liabilities				
Deferred tax liabilities	4,537	4,123	-	-
TOTAL LIABILITIES	156,083	170,674	1,575	1,999
NET ASSETS	381,921	405,468	199,592	194,746
Equity attributable to owners of the Company				
Share capital	205,834	194,015	205,834	194,015
Reserves	30,776	30,776	-	-
Accumulated reserves/(loss)	145,311	180,677	(6,242)	731
TOTAL EQUITY	381,921	405,468	199,592	194,746
TOTAL EQUITY AND LIABILITIES	538,004	576,142	201,167	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 Sep 2013	As at 31 Dec 2012
	RMB'000	RMB'000
Amount repayable in one year or less, or on demand		
- secured	-	-
- unsecured	80,000	80,000
	<u>80,000</u>	<u>80,000</u>
Amount repayable after one year		
- secured	-	-
- unsecured	-	-
	<u>-</u>	<u>-</u>

Details of any collateral

As at 30 September 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 statements cash flows

	Group	
	Unaudited 9 months ended 30.9.13	30.9.12
	RMB'000	RMB'000
Cash flows from operating activities		
Loss before tax	(34,602)	(2,582)
<u>Adjustments for:</u>		
Fair value of shares issued pursuant to LET Performance Share Scheme	2,070	-
Depreciation of property, plant and equipment	723	615
Amortisation of intangible assets	567	96
Gain on disposal of property, plant and equipment (Note A)	(271)	-
Interest income	(74)	(1,323)
Finance costs	4,610	3,999
Share of results of associates	1,082	-
Allowance for impairment on trade receivables	-	1,942
Impairment loss on trade receivables	22,331	-
Impairment loss on gross amount due from customers for contract work-in-progress	-	1,168
Unrealised exchange loss/(gain)	149	(483)
Total adjustments	31,187	6,014
Operating (loss)/profit before working capital changes	(3,415)	3,432
<u>Changes in working capital</u>		
Decrease in gross amount due from customers for contract work-in-progress	6,561	101,069
Decrease in inventories	651	176
Decrease/(increase) in trade and other receivables	23,225	(60,800)
Increase in prepayments	(58,057)	(102,496)
Decrease in trade and other payables	(11,957)	(18,073)
Decrease in other liabilities	(2,022)	(33,719)
Cash flows used in operating activities	(45,014)	(110,411)
Interest income received	74	1,323
Interest expenses paid	(4,610)	(3,999)
Income taxes paid	(350)	(5,211)
Net cash used in operating activities	(49,900)	(118,298)
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(8,822)
Investment in associate	(4,874)	-
Net cash used in investing activities	(4,874)	(8,822)
Cash flows from financing activities		
Proceeds from issuance of new shares pursuant to placement exercise	9,749	-
Proceeds from loans and borrowings	-	30,000
Dividends paid on ordinary shares	-	(7,500)
Decrease/(increase) in bank deposits pledged	1,334	(805)
Net cash generated from financing activities	11,083	21,695
Net decrease in cash and cash equivalents	(43,691)	(105,425)
Effect of exchange rate changes on cash and cash equivalents	(120)	483
Cash and cash equivalents at 1 January	56,348	138,612
Cash and cash equivalents at 30 Sep (Note B)	12,537	33,670

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)

Note A: The net proceeds on disposal of property, plant and equipment amounting to S\$1,026,000 have been offset against the balance owing to trade creditors as they relate to agreements with certain suppliers to use the subsidiary's motor vehicles as part of settlements for raw materials purchased.

	Group	
	As at 30 Sep	
	RMB'000	RMB'000
Note B: Cash and cash equivalents	2013	2012
Cash and bank balances	12,537	35,004
Short-term deposits	-	-
	<hr/>	<hr/>
	12,537	35,004
Less: bank deposits pledged	-	(1,334)
	<hr/>	<hr/>
Cash and cash equivalents	12,537	33,670
	<hr/>	<hr/>

1(d)(i) 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 9 months ended 30 September 2013	Share capital RMB'000	PRC statutory common reserve RMB'000	Merger reserve RMB'000	Accumulated profits RMB'000	Performance share reserve RMB'000	Total equity RMB'000
Balance at 1 January 2013	194,015	31,230	(454)	180,677	-	405,468
Total comprehensive loss for the period	-	-	-	(35,366)	-	(35,366)
Grant of shares under LET Performance share scheme	-	-	-	-	2,070	2,070
Reclassification	2,070	-	-	-	(2,070)	-
Issuance of new shares	9,749	-	-	-	-	9,749
Balance at 30 September 2013	205,834	31,230	(454)	145,311	-	381,921

Group - Statement of changes in equity for 9 months ended 30 September 2012	Share capital RMB'000	PRC statutory common reserve RMB'000	Merger reserve RMB'000	Accumulated profits RMB'000	Total equity RMB'000
Balance at 1 January 2012	194,015	31,230	(454)	231,198	455,989
Total comprehensive loss for the period	-	-	-	(5,119)	(5,119)
Dividends paid	-	-	-	(7,500)	(7,500)
Balance at 30 September 2012	194,015	31,230	(454)	218,579	443,370

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

Statements of Changes in Equity (cont'd)

Company - Statement of changes in equity for 9 months ended 30 September 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 loss for the period	-	(6,973)	-	(6,973)
Grant of shares under LET Performance share scheme	-	-	2,070	2,070
Reclassification	2,070	-	(2,070)	-
Issuance of new shares	9,749	-	-	9,749
Balance at 30 September 2013	205,834	(6,242)	-	199,592

Company - Statement of changes in equity for 9 months ended 30 September 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 profit for the period	-	2,552	2,552
Dividends paid	-	(7,500)	(7,500)
Balance at 30 September 2012	194,015	2,552	196,567

- 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	Share capital RMB'000
As at 1 January 2013	491,612,000	194,015
Grant of shares under LET Performance Share Scheme	4,600,000	2,070
	<u>496,212,000</u>	<u>196,085</u>
Issuance of new shares	31,747,000	9,749
Issued and fully paid-up as at 30 September 2013	<u><u>527,959,000</u></u>	<u><u>205,834</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 as at 1 January 2013 and the last traded market price of the shares prior to the issue and allotment date was S\$0.067.

On 21 June 2013, the Company undertook a private placement which comprised the placement of 31,747,000 new ordinary shares in the capital of the Company at \$0.063 for each new share.

The Company obtained the in-principle approval from the SGX-ST for the listing and quotation for 31,747,000 new shares on 15 July 2013 and these new shares were successfully listed and quoted on the Main Board of the SGX-ST on 17 July 2013.

Consequent to the private placement, the issued share capital of the Company increased from 496,212,000 shares to 527,959,000 shares.

- 1(f) **Number of shares that may be issued on conversion of all outstanding convertibles together with a statement for the corresponding period of immediately preceding year**

Not applicable. The Company does not have any convertibles as at 30 September 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 Sep 2013	31 Dec 2012
Total number of shares issued at end of period/year	<u><u>527,959,000</u></u>	<u><u>491,612,000</u></u>

The Company does not have any treasury shares as at 30 September 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 September 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 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 503,014,458 ordinary shares for the nine month ended 30 September 2013 (9M2012: 491,612,000 ordinary shares).

	Group	
	9 months	
	Jan to Sep 2013	Jan to Sep 2012
Loss after tax attributable to owners of the Company (RMB'000)	(35,366)	(5,119)
Basic loss per share (RMB cents per share)	(7.03)	(1.04)

*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 Sep 2013	31 Dec 2012	30 Sep 2013	31 Dec 2012
Net asset value (RMB'000)	381,921	405,468	199,592	194,746
Net asset value per share (RMB cents per share)	72.34	82.48	37.80	39.61

Net asset value for the Group and Company as at 30 September 2013 and 31 December 2012 were computed based on 527,959,000 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

	3Q2013		3Q2012		9M2013		9M2012	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Industrial wastegas treatment								
- Dust elimination	589	9.7	1,470	9.7	5,543	18.0	7,433	18.6
- Desulphurisation	-	-	356	2.4	-	-	7,785	19.5
Industrial wastewater	2,945	48.6	7,164	47.5	13,685	44.4	18,635	46.6
Operation and maintenance	2,523	41.7	6,097	40.4	11,566	37.6	6,097	15.3
	<u>6,057</u>	<u>100.0</u>	<u>15,087</u>	<u>100.0</u>	<u>30,794</u>	<u>100.0</u>	<u>39,950</u>	<u>100.0</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)

Revenue

9M2013 vs 9M2012

Total revenue declined by RMB9.2 million or 22.9%, from RMB40.0 million in 9M2012 to RMB30.8 million in 9M2013 due to the absence of revenue of RMB7.8 million from desulphurization contracts and lower revenue derived from dust elimination and industrial wastewater contracts of RMB6.8 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 9M2013. The decrease was partly offset by higher revenue from operation and maintenance ("O&M") of RMB5.4 million as the one year contract commenced from 3Q2012.

Gross profit and gross profit margin

Total gross profit decreased by RMB8.6 million or 60.7% to RMB5.5 million in 9M2013. The decrease was attributed to the absence of gross profit contribution from desulphurization contracts of RMB6.5 million and lower gross profit generated from dust elimination and industrial wastewater contracts of RMB3.1 million in aggregate. The decrease of RMB9.6 million was partly offset by higher gross profit derived from O&M segment of RMB1.0 million in 9M2013 as the service commenced from 3Q2012.

Overall gross profit margin declined by 17.3%, from 35.3% in 9M2012 to 18.0% in 9M2013 as we had not embarked on any design or engineering, procurement and construction works relating to desulphurization contracts in 9M2013 as they usually offer higher gross profit margin. In addition, the gross profit margin was further dragged down by dust elimination contracts of 22.3% in 9M2013 against 35.0% in 9M2012 as there was one contract which was at the design phase and accounted for the higher gross profit margin in 9M2012.

Other items of income

Financial income decreased by RMB1.2 million or 94.4% in 9M2013 as the short term deposits were fully drawn down for operating expenses.

Other income for 9M2013 decreased by approximately RMB0.3 million or 37.3%, from RMB0.8 million in 9M2012 to RMB0.5 million in 9M2013 due mainly to the absence of exchange gain of RMB0.7 million and miscellaneous income of RMB0.1 million in 9M2013, partly offset by one-off gain on disposal of property, plant and equipment of RMB0.3 million and fines collected from certain outsourcing parties of RMB0.2 million for breach of contract.

Other items of expense

For 9M2013, the fluctuation in selling and distribution expenses was not material.

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

Administrative expenses decreased by RMB2.1 million, from RMB13.5 million in 9M2012 to RMB11.4 million in 9M2013 due mainly to the absence of consultancy fee of RMB0.9 million as the service contract expired on 31 December 2012, lower travelling, entertainment and others of RMB0.7 million in aggregate due to cost controls implemented by the Group. In addition, we recorded RMB3.1 million of allowances on impairment loss on trade receivables and amount due from customers for contract work-in-progress in 3Q2012, which was subsequently reclassified to other expenses in 4Q2012. The decrease of RMB4.7 million was 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 and higher amortization of deferred development cost of RMB0.5 million in 9M2013 as amortization commenced from 1 December 2012 onwards.

Higher interest expenses were incurred of RMB4.6 million in 9M2013 against RMB4.0 million in the same corresponding period as the loan quantum was maintained at RMB80.0 million throughout in 9M2013, whereas in 9M2012, the average loan drawn down was RMB67.5 million.

Other expenses increased by RMB22.3 million in 9M2013, attributed mainly to the impairment loss on trade receivables recognized on two customers in the previous quarter of 2013.

Income tax expense

With effect from 1 January 2008, in line with the China Corporate Tax Law, companies which do not enjoy full tax exemptions will be subject to the corporate income tax of 25%. However, the State Administration of Taxation has allowed a transitional period to be progressively applied for foreign enterprises which operate in any of the Economic Development Zone of the PRC. Accordingly, the new corporate income tax rate applicable to Jilin Anjie Environmental Engineering Co., Ltd was 10% in 2009, 11% in 2010, 12% in 2011 and 25% in 2012, after taking into account the 50% reduction in income tax from FY2009-FY2011. In addition, the Group has provided for withholding tax of 10% on 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 69.9%, from RMB2.5 million in 9M2012 to RMB0.7 million in 9M2013. In line with the Group's loss making position in 9M2013, 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 lower withholding tax provided of RMB0.1 million. In addition, no corporate tax was provided in 9M2013 other than the corporate tax of RMB0.3 million which relates to final tax assessment for FY2012 when compared against RMB2.0 million of income tax expense in 9M2012.

In the light of the foregoing, loss after taxation increased from RMB5.1 million in 9M2012 to RMB35.4 million in 9M2013.

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 RMB24.7 million and comprise property, plant and equipment ("PPE") of RMB11.4 million, intangible assets of RMB6.2 million, club membership of RMB0.8 million and investment in associates of RMB6.3 million as at 30 September 2013. The decrease in PPE of RMB1.5 million was attributed to disposal of PPE of RMB0.8 million and depreciation of RMB0.7 million in 9M2013.

1.1 Intangible assets amounted to RMB6.2 million and comprise patent of RMB0.1 million and deferred development costs of RMB6.1 million as at 30 September 2013. The decrease in intangible assets of RMB0.5 million was attributed mainly to amortization in 9M2013. The patent and deferred development costs have a remaining tenure of 20 months and 110 months respectively as at 30 September 2013.

1.2 Club membership which has a remaining useful life of 212 months amounted to RMB0.8 million as at 30 September 2013.

1.3 Investment in associates increased by RMB3.8 million, from RMB2.5 million as at 31 December 2012 to RMB6.3 million as at 30 September 2013 due to investment in a new associate, Nano Sun Pte Ltd of RMB4.9 million. This new associate is involved in the developing and marketing different types of technology of producing and fabricating TiO₂ membrane and microsphere for purposes of, inter alia, treatment of waste water and purification of water. The increase was partly offset by impairment loss of RMB1.1 million on Pioneer Membrane Pte Ltd, a local company primary engaged in the development of oil water separation membrane. The impairment loss was recorded following an assessment by management of the progress made to-date.

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 RMB513.3 million and RMB553.1 million as at end of 30 September 2013 and 31 December 2012 respectively. Our current assets accounted for 95.4% and 96.0% of our total assets as at 30 September 2013 and 31 December 2012 respectively.

2.1 Amount due from customers for contract work-in-progress amounted to RMB38.8 million and RMB45.4 million as at 30 September 2013 and 31 December 2012 respectively and accounted for 7.6% and 8.2% of our current assets as at 30 September 2013 and 31 December 2012 respectively. The decrease of RMB6.6 million was in line with the decrease in business activities.

2.2 Inventories decreased by approximately RMB0.7 million, from RMB3.3 million as at 31 December 2012 to RMB2.6 million as at 30 September 2013, which was in line with the decrease in business activities.

2.3 Trade and other receivables comprise trade receivables, bills receivable, retention receivables and other receivables amounted to RMB262.4 million and RMB308.0 million as at 30 September 2013 and 31 December 2012 respectively, and accounted for approximately 51.1% and 55.7% of our current assets as at the respective balance sheet dates. Trade receivables and retention receivables amounted to RMB255.4 million as at 30 September 2013, representing a decrease of approximately RMB24.6 million from 31 December 2012. The decrease was attributed to impairment loss on trade receivables and in line with the overall decline in business activities.

2.4 Bills receivable amounted to RMB2.9 million and RMB13.1 million as at 30 September 2013 and 31 December 2012 respectively. The decrease of RMB10.2 million was mainly due to more bills receivable had been presented to the banks for payments.

2.5 Other receivables comprise VAT receivables and advances to employees for business purposes. Other receivables amounted to RMB4.1 million and RMB14.9 million as at 30 September 2013 and 31 December 2012 respectively. The decrease was in line with the decrease in business activities.

2.6 Prepayments comprising prepaid operating expenses, advances to trade and non-trade suppliers amounted to RMB197.0 million and RMB138.8 million as at 30 September 2013 and 31 December 2012 respectively. The increase of RMB58.2 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.

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

2.7 Bank deposits pledged decreased by RMB1.4 million, from RMB1.4 million as at 31 December 2012 to nil as at 30 September 2013 as no performance guarantees were provided for certain construction contracts in 9M2013.

2.8 Cash and cash equivalents amounted to RMB12.5 million and RMB56.3 million as at 30 September 2013 and 31 December 2012 respectively, and accounted for 2.4% and 10.2% of our current assets as at the respective balance sheet dates.

3. Current liabilities

Our current liabilities comprise mainly trade and other payables, loans and borrowings and other liabilities. Our current liabilities amounted to RMB151.5 million and RMB166.5 million as at 30 September 2013 and 31 December 2012 respectively, and accounted for approximately 97.1% and 97.6% of total liabilities as at the respective balance sheet dates.

3.1 Trade and other payables comprise mainly trade payables, retention monies and other payables. Trade payables amounted to RMB42.4 million as at 30 September 2013, representing a decrease of approximately RMB13.2 million when compared against 31 December 2012 due to settlements with suppliers and also in line with the decrease in business activities.

3.2 Other payables comprise primarily VAT and other operating tax payables and accruals of other operating expenses for which invoices have already been received. Other payables amounted to RMB2.5 million and RMB2.2 million as at 30 September 2013 and 31 December 2012 respectively and the higher other payables of RMB0.3 million were attributed to higher business tax on the operation and maintenance contract as we managed to renew the service for another year.

3.3 Other liabilities comprise accrued output VAT, purchases, salaries and related costs, operating expenses, welfare expenses and advances from customers. Other liabilities amounted to RMB26.6 million and RMB28.6 million as at 30 September 2013 and 31 December 2012 respectively.

3.4 Accrued output VAT, purchases, salaries and related expenses, operating expenses and welfare expenses amounted to RMB26.1 million and RMB28.6 million as at 30 September 2013 and 31 December 2012 respectively. The decrease was due to payments of liabilities and also in line with the overall decrease in business activities.

3.5 Advances from customers amounted to RMB0.5 million, representing an increase of approximately RMB0.5 million over at end of FY2012. The increase was attributed to signing of new contracts during the period.

4. Non-current liability

As at 30 September 2013, our deferred tax liability amounted to RMB4.5 million, relating to withholding tax on undistributed profits of our PRC subsidiary pursuant to the PRC tax law. An additional deferred tax of RMB0.4 million was provided in 9M2013 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 and accumulated profits. Between 30 September 2013 and 31 December 2012, our shareholder's equity decreased from RMB405.5 million to RMB381.9 million due mainly to loss suffered of RMB35.4 million in 9M2013, 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 and issuance of new shares due to private placement of RMB9.7 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)

CASHFLOWS

In 9M2013, operating loss before working capital changes amounted to RMB3.4 million. Net cash flows used in operating activities amounted to RMB46.5 million attributed mainly to:

- (i) an increase in prepayments of RMB58.1 million;
- (ii) a decrease in trade and other payables of RMB12.0 million;
- (iii) a decrease in other liabilities of RMB2.0 million;
- (iv) payment of interest expense of approximately RMB4.6 million incurred on the loans from China Merchant Bank; and
- (v) payment of income taxes of approximately RMB0.3 million.

The decrease was partly offset by:

- (i) a decrease in inventories of RMB0.7 million;
- (ii) a decrease in gross amount due from customers for work-in-progress of RMB6.6 million; and
- (iii) a decrease in trade and other receivables of RMB23.2 million.

Net cash outflows from investing activities of approximately RMB4.9 million as a result of investment in an associate company.

Net cash inflows from financing activities of approximately RMB11.1 million were attributed to proceeds received of RMB9.7 million from the issuance of new shares pursuant to a placement exercise on 21 June 2013 and decrease in bank deposits pledged of RMB1.4 million as no performance guarantee was required for certain construction contract.

Overall our cash and cash equivalents decreased by approximately RMB43.7 million in 9M2013, further dragged down by the effect of exchange rate changes on cash and cash equivalents of RMB0.1 million to RMB43.8 million. In the light of the foregoing, overall cash and cash equivalents decreased from RMB56.3 million as at 31 December 2012 to RMB12.5 million as at 30 September 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 lacklustre performance of the Group is expected to continue into the last quarter of FY2013. So far, we have yet to secure any major industrial wastewater and wastegas contracts for FY2014 as we are still waiting for the tender results. As for the recovery of long overdue trade receivables, we continue to focus our attention on collections of outstanding trade receivables. More follow ups would have to be made with the customers.

The strong emphasis by the PRC government recently in tackling environmental pollution has given the Group renewed confidence in our business. The announcement by China to invest RMB1.7 trillion in a multi-year effort to combat air pollution has also provided us with the motivation and incentive to undertake more projects, which we hope to capitalize. Accordingly, we are actively sourcing for credible projects which offer better payment terms and/or higher gross margin so as to improve the bottom line of the Group in the next twelve months.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date Payable

Not applicable.

(d) Book Closure Date.

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend for the nine months ended 30 September 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 September 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.

Private placement on 20 April 2011

<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	(8,022)	-
Total	63,074	63,074	(62,120)	954

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.

The funds allocated for general working capital of RMB6.7 million was mainly for IPO expenses, whereas, the amount of RMB8.0 million was for payments of payroll and related costs, Directors' fees, professional fees, compliance costs and other operating expenses of the Company.

Private placement on 21 June 2013

<u>Usage of private placement proceeds</u>	Amount allocated RMB'000	Amount utilised RMB'000	Balance RMB'000
Investment opportunity through acquisition, joint venture and strategic alliances so as to create synergistic values to the existing business	4,874	(4,874)	-
General working capital for the Company	4,875	(3,352)	1,523
Total	9,749	(8,226)	1,523

The proceeds of RMB4.9 million were invested in 20% shareholding of Nano Sun Pte Ltd, a start-up company incorporated in Singapore and is primarily engaged in the business of developing and marketing different types of technology of producing and fabricating TiO₂ membrane and microsphere for purposes of, *inter alia*, treatment of waste water and purification of water.

The funds for general working capital of RMB3.4 million was for payments of payroll and related costs, Directors' fees, professional fees, compliance costs and other operating expenses of the Company.

BY ORDER OF THE BOARD
Leader Environmental Technologies Limited

Lin Baiyin
Executive Chairman and Chief Executive Officer

13 November 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 third quarter and the nine months' financial results for the period ended 30 September 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 November 2013