



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 Fourth Quarter and the Twelve Months Ended 31 December 2013

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

Unaudited Financial Statement and Dividend Announcement for the Financial Year Ended 31 December 2013 of Leader Environmental Technologies Limited (“Company”) and Its Subsidiary (Collectively, “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.

	Group Q4			Group 12 months		
	Unaudited Oct to Dec 2013 RMB'000	Unaudited Oct to Dec 2012 RMB'000	change %	Unaudited Jan to Dec 2013 RMB'000	Unaudited Jan to Dec 2012 RMB'000	change %
Revenue	5,754	22,039	-73.9%	36,548	61,989	-41.0%
Cost of sales	(6,307)	(23,327)	-73.0%	(31,568)	(49,185)	-35.8%
Gross profit	(553)	(1,288)	-57.1%	4,980	12,804	-61.1%
Other items of income						
Financial income	13	17	-23.5%	87	1,340	-93.5%
Other income	(10)	2,372	NM	516	3,231	-84.0%
Other items of expense						
Selling and distribution expenses	(432)	(389)	11.1%	(1,534)	(1,465)	4.7%
Administrative expenses	(7,430)	(806)	821.8%	(18,878)	(14,382)	31.3%
Financial costs	(1,538)	(1,378)	11.6%	(6,148)	(5,377)	14.3%
Other expenses	(57,040)	(37,505)	52.1%	(79,533)	(37,710)	110.9%
Share of results of associated companies	(676)	(66)	924.2%	(1,758)	(66)	2563.6%
Loss before income tax	(67,666)	(39,043)	73.3%	(102,268)	(41,625)	145.7%
Income tax expense	(113)	1,141	NM	(877)	(1,396)	-37.2%
Loss for the year and total comprehensive income and attributable to owners of the Company *	(67,779)	(37,902)	78.8%	(103,145)	(43,021)	139.8%

* There is no other comprehensive income items for both financial years.

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

	Group			Group		
	Q4		change %	12 months		change %
	Unaudited Oct to Dec 2013 RMB'000	Unaudited Oct to Dec 2012 RMB'000		Unaudited Jan to Dec 2013 RMB'000	Unaudited Jan to Dec 2012 RMB'000	
Inventories written down	265	353	-24.9%	265	353	-24.9%
Impairment loss on trade receivables	56,767	35,207	61.2%	79,098	37,149	112.9%
Write-back of trade receivables written off	-	(27)	NM	-	(27)	NM
Write-back of trade payables	-	(2,024)	NM	-	(2,024)	NM
Depreciation of property, plant and equipment	205	285	-28.1%	928	900	3.1%
Amortisation of intangible asset	638	79	707.6%	1,205	175	588.6%
Gain on disposal of property, plant, equipment	-	(88)	NM	(271)	(88)	208.0%
Operating lease expenses	260	555	-53.2%	1,374	1,921	-28.5%
Interest expense	1,538	1,378	11.6%	6,148	5,377	14.3%
Interest income	(13)	(17)	-23.5%	(87)	(1,340)	-93.5%
Inventories recognised as an expense in cost of goods sold	3,224	13,683	-76.4%	15,226	31,313	-51.4%
Employee compensation *	5,000	2,544	96.5%	10,913	8,459	29.0%
Exchange loss/(gain)	18	(6,363)	NM	106	(7,122)	NM

* Employee compensation in 4Q2013 included an amount of RMB2,070,000, which should have been disclosed in 2Q2013 instead, relate to the recognition of fair value of performance shares issued to 6 employees pursuant to LET Performance Share scheme.

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 Dec 2013 RMB'000	Unaudited 31 Dec 2012 RMB'000	Unaudited 31 Dec 2013 RMB'000	Unaudited 31 Dec 2012 RMB'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	11,386	12,973	6	8
Intangible assets	5,538	6,697	-	-
Club membership	810	856	-	-
Investment in subsidiary	-	-	152,494	152,494
Investment in associates	5,578	2,491	5,913	2,557
	23,312	23,017	158,413	155,059
CURRENT ASSETS				
Gross amount due from customers for contract work-in-progress	19,585	45,360	-	-
Inventories	2,372	3,290	-	-
Trade and other receivables	206,184	307,950	40,554	40,554
Prepayments	169,313	138,843	139	204
Bank deposits pledged	500	1,334	-	-
Cash and bank balances	52,987	56,348	557	928
	450,941	553,125	41,250	41,686
TOTAL ASSETS	474,253	576,142	199,663	196,745
CURRENT LIABILITIES				
Gross amount due to customers for contract work-in-progress	1,542	-	-	-
Trade and other payables	47,564	57,911	259	470
Loans and borrowings	80,000	80,000	-	-
Other liabilities	26,362	28,640	1,594	1,529
	155,468	166,551	1,853	1,999
NET CURRENT ASSETS	295,473	386,574	39,397	39,687
Non-current liabilities				
Deferred taxation liabilities	4,643	4,123	-	-
TOTAL LIABILITIES	160,111	170,674	1,853	1,999
NET ASSETS	314,142	405,468	197,810	194,746
Equity attributable to equity holders of the Company				
Share capital	205,834	194,015	205,834	194,015
Reserves	108,308	211,453	(8,024)	731
TOTAL EQUITY	314,142	405,468	197,810	194,746
TOTAL EQUITY AND LIABILITIES	474,253	576,142	199,663	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	
	Unaudited As at 31.12.2013 RMB'000	Unaudited As at 31.12.2012 RMB'000
Amount repayable in one year or less, or on demand		
- secured	-	-
- unsecured	80,000	80,000
	80,000	80,000
	80,000	80,000
 Amount repayable after one year		
- secured	-	-
- unsecured	-	-
	-	-
	-	-

Details of any collateral

As at 31 December 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.**

	Group	
	Unaudited 12 months ended	
	31.12.13	31.12.12
	RMB'000	RMB'000
Cash Flows from Operating Activities		
Loss before taxation	(102,268)	(41,625)
<u>Adjustments for :</u>		
Fair value of shares issued pursuant to LET Performance Share scheme	2,070	-
Inventories written down	265	353
Depreciation of property, plant and equipment	928	900
Gain on disposal of property, plant and equipment	(271)	(85)
Amortisation of intangible assets	1,205	175
Impairment on trade receivables	79,098	37,149
Write-back of trade payables	-	(2,024)
Finance costs	6,148	5,377
Interest income	(87)	(1,340)
Share of results of associated companies	335	66
Impairment loss on investment in associate	1,423	-
Unrealised exchange loss/(gain)	93	(206)
Total adjustments	91,207	40,365
Operating loss before working capital changes	(11,061)	(1,260)
Changes in working capital		
Decrease in gross amount due from customers for contract work-in-progress	25,775	337,317
Decrease/(increase) in inventories	653	(1,028)
Decrease/(increase) in trade and other receivables	22,668	(268,975)
Increase in prepayments	(30,470)	(61,806)
Increase in gross amount due to customers for contract work-in-progress	1,542	-
Decrease in trade and other payables	(9,321)	(17,638)
Decrease in other liabilities	(2,278)	(70,710)
Total changes in working capital	8,569	(82,840)
Cash used in operations	(2,492)	(84,100)
Interest paid	(6,148)	(5,377)
Interest income received	87	1,340
Income tax paid	(357)	(5,218)
Net cash used in operating activities	(8,910)	(93,355)
Cash flows from investing activities		
Purchase of property, plant and equipment	(96)	(8,874)
Investment in associate	(4,874)	(2,557)
Additions to intangible assets	-	(1,879)
Net cash flows used in investing activities	(4,970)	(13,310)
Cash flows from financing activities		
Dividends paid on ordinary shares	-	(7,500)
Proceeds from issuance of new ordinary shares pursuant to the private placement	9,749	-
Proceeds from loans and borrowings	80,000	80,000
Repayments of loans and borrowings	(80,000)	(47,500)
Decrease/(increase) in bank deposits pledged	834	(805)
Net cash flows generated from financing activities	10,583	24,195
Net decrease in cash and cash equivalents	(3,297)	(82,470)
Effect of exchange rate changes on cash and cash equivalents	(64)	206
Cash and cash equivalents as at 1 January	56,348	138,612
Cash and cash equivalents as at 31 Dec (Note A)	52,987	56,348

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

	Group	
	As at 31 December	
	RMB'000	RMB'000
Note A: Cash and cash equivalents	2013	2012
Cash at bank and on hand	53,487	47,682
Short-term deposits	-	10,000
Cash and bank balances	<u>53,487</u>	<u>57,682</u>
Less: bank deposits pledged	<u>(500)</u>	<u>(1,334)</u>
Cash and cash equivalents	<u><u>52,987</u></u>	<u><u>56,348</u></u>

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

Group - Statement of changes in equity
2013

Attributable to the owners of the Company

	Share capital RMB'000	PRC statutory common reserve RMB'000	Merger reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
Balance at 1 January 2013	194,015	31,230	(454)	180,677	405,468
Loss for the year and total comprehensive loss	-	-	-	(103,145)	(103,145)
Grant of shares under LET Performance share scheme	2,070	-	-	-	2,070
Issuance of new ordinary shares	9,749	-	-	-	9,749
Balance at 31 December 2013	<u>205,834</u>	<u>31,230</u>	<u>(454)</u>	<u>77,532</u>	<u>314,142</u>

Group - Statement of changes in equity
2012

Attributable to the owners of the Company

	Share capital RMB'000	PRC statutory common reserve RMB'000	Merger reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
Balance at 1 January 2012	194,015	31,230	(454)	231,198	455,989
Loss for the year and total comprehensive loss	-	-	-	(43,021)	(43,021)
Dividends paid on ordinary shares	-	-	-	(7,500)	(7,500)
Balance at 31 December 2012	<u>194,015</u>	<u>31,230</u>	<u>(454)</u>	<u>180,677</u>	<u>405,468</u>

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

**Company - statement of changes in equity
2013**

	Share capital RMB'000	Accumulated loss RMB'000	Total equity RMB'000
Balance at 1 January 2013	194,015	731	194,746
Loss for the year and total comprehensive loss	-	(8,755)	(8,755)
Grant of shares under LET Performance share scheme	2,070	-	2,070
Issuance of new ordinary shares	9,749	-	9,749
Balance at 31 December 2013	<u>205,834</u>	<u>(8,024)</u>	<u>197,810</u>

**Company - statement of changes in equity
2012**

	Share capital RMB'000	Retained profits RMB'000	Total equity RMB'000
Balance at 1 January 2012	194,015	7,500	201,515
Loss for the year and total comprehensive loss	-	731	731
Dividends paid on ordinary shares	-	(7,500)	(7,500)
Balance at 31 December 2012	<u>194,015</u>	<u>731</u>	<u>194,746</u>

- 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 31 December 2013	<u><u>527,959,000</u></u>	<u><u>205,834</u></u>

On 26 April 2013, the Company allotted and 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 (with 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. The fair value of the performance shares awarded was determined based on the grant date on 1 July 2012 and at the market price of S\$0.09 on that date.

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 S\$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 31 December 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**

	Company	
	31.12.2013	31.12.2012
Total number of shares issued at end of year	<u>527,959,000</u>	<u>491,612,000</u>

The Company does not have any treasury shares as at 31 December 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 31 December 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 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 method of computation as the issuer's most recently audited financial statements have been followed.

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 509,250,593 ordinary shares for the year ended 31 December 2013 (2012: 491,612,000 ordinary shares).

	Group	
	Jan to Dec 2013	Jan to Dec 2012
Loss after tax attributable to owners of the Company (RMB'000)	(103,145)	(43,021)
Basic loss per share (RMB cents per share)	(20.25)	(8.75)

There were no potential dilutive options for both financial years.

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

(a) **current financial period reported on; and**

(b) **immediately preceding financial year.**

	Group		Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Net asset value (RMB'000)	314,142	405,468	197,810	194,746
Net asset value per share (RMB cents per share)	59.50	82.48	37.47	39.61

Net asset value of the Group and Company as at 31 December 2013 and 31 December 2012 was computed based on 527,959,000 ordinary shares and 491,612,000 ordinary shares in issue at the end of the financial 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

INCOME STATEMENT/STATEMENT OF COMPREHENSIVE INCOME

Revenue

	4Q2013		4Q2012		FY2013		FY2012	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Industrial wastegas treatment								
- Dust elimination	389	6.8	6,721	30.5	5,932	16.2	14,154	22.8
- Desulphurisation	-	-	3,006	13.6	-	-	10,791	17.4
- De-nitrification	-	-	1,805	8.2	-	-	1,805	2.9
Industrial wastewater	941	16.3	5,092	23.1	14,626	40.0	23,727	38.3
Operation and maintenance	4,424	76.9	5,415	24.6	15,990	43.8	11,512	18.6
	<u>5,754</u>	<u>100.0</u>	<u>22,039</u>	<u>100.0</u>	<u>36,548</u>	<u>100.0</u>	<u>61,989</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. It must include a discussion of the following:- (cont'd)**

Revenue

2013 vs 2012

Total revenue declined by RMB25.5 million or 41.0%, from RMB62.0 million in FY2012 to RMB36.5 million in FY2013 due to the absence of revenue from desulphurization and de-nitrification contracts of RMB10.8 million and RMB1.8 million respectively, coupled by lower revenue derived from dust elimination and industrial wastewater contracts of RMB17.3 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 FY2013. The decrease was partly offset by higher revenue from operation and maintenance ("O&M") of RMB4.4 million as the one year contract commenced from 3Q2012.

Gross profit and gross profit margin

2013 vs 2012

Total gross profit declined by RMB7.8 million, or 61.1%, from RMB12.8 million in FY2012 to RMB5.0 million in FY2013. The decline was due to absence of contributions from desulphurization contracts and one de-nitrification contract of RMB1.2 million in aggregate, lower gross profits derived from dust eliminations and industrial wastewater contracts of RMB3.1 million and RMB4.1 million respectively as we continue to be selective and only undertake those projects which offer better payment terms and/or gross profit margin in FY2013. The decrease of RMB8.4 million was partly offset by higher contribution from O&M of RMB0.6 million as the one year contract commenced from 3Q2012.

Gross profit margin fell by 7.1%, from 20.7% in FY2012 to 13.6% in FY2013 as we did not embark on any design and technical phase of the industrial wastegas contracts in FY2013 as this segment of the work usually generate higher gross profit margin. This was unlike FY2012, where we had performed such work in a dust elimination contract. Accordingly, the absence of such contribution in FY2013 dragged down the overall gross profit margin in dust elimination segment to 18.2%, from 29.3% a year ago. In addition, the gross profit margin was further pulled down by industrial wastewater contracts, from 23.9% in FY2012 to 11.0% in FY2013 as we have suffered a loss of 55.7% on one contract from a certain customer who served us a variation order. Out of goodwill, we did not bill them the full amount in respect of the additional work performed.

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

Financial income decreased by RMB1.3 million or 93.5% in FY2013 as the short term deposits were fully drawn down for operating expenses in FY2013.

Other income

Other income for FY2013 decreased by approximately RMB2.7 million or 84.0%, from RMB3.2 million in FY2012 to RMB0.5 million in FY2013 due mainly to the absence of write-back of trade creditors of RM2.0 million, exchange gain of RMB0.7 million and inventory adjustments of RMB0.4 million, partly offset by higher gain on disposal of property, plant and equipment of RMB0.2 million and one-off fines collected from certain outsourcing parties of RMB0.2 million for breach of contracts.

Operating Expenses

For FY2013, the fluctuation in selling and distribution expenses was not material.

Administrative expenses increased by approximately RMB4.5 million or 31.3%, from RMB14.4 million in FY2012 to RMB18.9 million in FY2013 due mainly 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, accruals of bonus of RMB0.8 million to retain experienced employees, research expenses incurred of RMB1.9 million on new technology relating to the treatment of wastegas, higher entertainment expenses of RMB0.9 million as we were actively pursuing more large scale projects for FY2014 and amortization of deferred development cost and patent of RMB1.0 million in FY2013 as amortization of the deferred development cost commenced from 1 December 2012 onwards, coupled by the fact that we have accelerated its amortization from 10 years to 6 years in FY2013 after a review of its useful life. The increase of RMB6.7 million was partly offset by the absence of consultancy fee of RMB1.2 million as the service contract expired on 31 December 2012, lower office expenses of RMB0.2 million which was in line with the decrease in business activities, rental of RMB0.2 million as we have terminated the office lease located in Gaoxin district, travelling and others of RMB0.6 million in aggregate due to cost controls implemented by the Group.

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)

Higher interest expenses of RMB6.1 million were incurred in FY2013 against RMB5.4 million in the same corresponding period as the loan quantum was maintained at RMB80.0 million throughout in FY2013, whereas in FY2012, the average loan drawn down was RMB70.6 million.

Other expenses for FY2013 increased by RMB41.8 million or 110.9%, from RMB37.7 million in FY2012 to RMB79.5 million in FY2013 due to higher impairment of trade receivables of RMB41.9 million as these customers have informed us of their inability to make payments and exchange loss of RMB0.1 million in FY2013, partly offset by lower contributions to the PRC Flood Prevention Fund and others of RMB0.2 million in aggregate which were in line with the decrease in revenue.

Share of results of associated companies increased by RMB1.7 million or 2,563.6%, from RMB66,000 in FY2012 to RMB1.8 million in FY2013 due to impairment loss of RMB1.5 million recognized in FY2013, up from RMB0.1 million a year ago, following an assessment by management of the progress made to-date and share of loss of associated company of RMB0.3 million.

Income tax expense

Income tax expense decreased by RMB0.5 million or 37.2%, from RMB1.4 million in FY2012 to RMB0.9 million in FY2013. In line with the Group's loss making position in FY2013, no corporate tax was provided in FY2013 other than the corporate tax of RMB0.4 million which relates to final tax assessment for FY2012 when compared against RMB1.1 million of income tax expense in FY2012. The decrease of RMB0.7 million was partly offset by higher withholding tax provided of RMB0.2 million due to higher dividends expected to be declared to finance the operations of the holding company.

In the light of the foregoing, loss after taxation increased from RMB43.0 million in FY2012 to RMB103.1 million in FY2013.

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

BALANCE SHEET/ STATEMENT OF FINANCIAL POSITION

1. Non-current assets

Our non-current assets amounted to RMB23.3 million and comprised property, plant and equipment ("PPE") of RMB11.4 million, intangible assets of RMB5.5 million, club membership of RMB0.8 million and investment in associates of RMB5.6 million. The decrease of RMB1.6 million in PPE in FY2013 was due mainly to depreciation of RMB0.9 million for the year and disposal of a motor vehicle of RMB0.8 million to a supplier as part settlement of the trade payable balance, partly offset by additions to office furniture of RMB0.1 million.

- 1.1 Intangible assets comprised development expenditure of RMB5.5 million and patent of RMB0.1 million as at 31 December 2013. The decrease of RMB1.2 million relates mainly to amortization of patent of RMB0.1 million, coupled by the fact that we have accelerated the amortization of development expenditure from 10 years to 6 years after review of its useful life which resulted in an increase in amortization to RMB1.1 million.
- 1.2 Club membership which has a remaining useful life of 209 months (2012: 221 months) amounted to RMB0.8 million as at 31 December 2013 and RMB0.9 million as at 31 December 2012.
- 1.3 Investment in associates increased by RMB3.1 million, from RMB2.5 million as at 31 December 2012 to RMB5.6 million as at 31 December 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 the share of loss of RMB0.3 million for the new associate and impairment loss registered of RMB1.5 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

Our current assets comprised 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 RMB450.9 million and RMB553.1 million as at end of 31 December 2013 and 31 December 2012 respectively. Our current assets accounted for approximately 95.1% and 96.0% of our total assets as at 31 December 2013 and 31 December 2012 respectively.

- 2.1 Gross amount due from customers for contract work-in-progress amounted to RMB19.6 million and RMB45.4 million as at 31 December 2013 and 31 December 2012 respectively and accounted for approximately 4.3% and 8.2% of our current assets as at 31 December 2013 and 31 December 2012 respectively. The decrease was in line with the lower revenue generated in FY2013.
- 2.2 Inventories amounted to approximately RMB2.4 million and RMB3.3 million as at 31 December 2013 and 31 December 2012 respectively. The decrease in inventories of RMB0.9 million was in line with the decrease in business activities. Furthermore, the inventories relating to the dismantled steel parts and components for a dust elimination system fabricated for a certain customer whom decided not to proceed with the contract in FY2012 were further written down by RMB0.3 million so as to reflect the carrying value to the lower of cost and net realisable value.
- 2.3 Trade and other receivables comprise trade receivables, bills receivables, retention monies and other receivables amounting to RMB206.2 million and RMB308.0 million as at 31 December 2013 and 31 December 2012 respectively, and accounted for approximately 45.7% and 55.7% of our current assets as at the respective balance sheet dates. Trade receivables and retention monies amounted to RMB199.6 million as at 31 December 2013, representing a decrease of approximately RMB80.4 million from 31 December 2012. The decrease was mainly attributed to the collections from customers and further impairments on long overdue trade receivables.
- 2.4 Bills receivables amounted to RMB3.5 million and RMB13.1 million as at 31 December 2013 and 31 December 2012 respectively as we have presented some bills receivables to the banks for processing since they have already matured during the financial year.
- 2.5 Other receivables comprise VAT receivables, advances to employees for business purposes, bidding deposits and tax recoverable from Tax Authorities to offset the excess payments against future profits. Other receivables amounted to RMB3.1 million and RMB14.9 million as at 31 December 2013 and 31 December 2012 respectively. The decrease was in line with the overall decrease in business activities.

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)

- 2.6** Prepayments comprising prepaid operating expenses, advances to trade and non-trade suppliers amounted to RMB169.3 million and RMB138.8 million as at 31 December 2013 and 31 December 2012 respectively. The increase was attributed to more advance payments made to suppliers of raw materials for the tenders of contracts scheduled to commence in FY2014. The advances will be refunded back if the tenders for the various contracts are not successful.
- 2.7** Bank deposits decreased by approximately RMB0.8 million or 62.5%, from RMB1.3 million as at 31 December 2013 to RMB0.5 million as at 31 December 2012 as they solely relate to performance guarantees for certain construction contracts.
- 2.8** Cash and cash equivalents amounted to RMB56.3 million and RMB53.0 million as at 31 December 2012 and 31 December 2013 respectively, and accounted for approximately 10.2% and 11.8% of our current assets as at the respective balance sheet dates.

3. Current liabilities

Our current liabilities comprised mainly gross amount due to customers for contract work-progress, loans and borrowings, trade and other payables, other liabilities and income tax payable. Our current liabilities amounted to RMB155.5 million and RMB166.5 million as at 31 December 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** Gross amount due to customers for contract work-in-progress amounted to RMB1.5 million and nil as at 31 December 2013 and 31 December 2012 respectively and accounted for approximately 1.0% and nil of our current liabilities as at 31 December 2013 and 31 December 2012 respectively. The increase was due to advances from a customer.
- 3.2** Trade and other payables comprised mainly trade payables and other payables. Trade payables amounted to RMB44.3 million, representing a decrease of approximately RMB11.3 million over FY2012. The decrease was in line with the overall decrease in business activities during the year and payments made to the suppliers.
- 3.3** Other payables comprised primarily VAT and other operating tax payables and accruals of other operating expenses. Other payables amounted to RMB3.3 million and RMB2.3 million as at 31 December 2013 and 31 December 2012 respectively. The increase of RMB1.0 million was mainly due to higher VAT payables as unlike FY2012, majority of the contracts have reached billings milestone in FY2013.
- 3.4** Other liabilities comprised accrued purchases, salaries, travelling and other operating expenses and advances from customers. Other liabilities amounted to RMB26.4 million and RMB28.6 million as at 31 December 2013 and 31 December 2012 respectively.
- 3.5** Accrued purchases, VAT, salaries and related expenses, travelling and other operating expenses amounted to RMB26.4 million and RMB28.6 million as at 31 December 2013 and 31 December 2012 respectively. The decrease of RMB2.2 million was in line with the decrease in business activities.
- 3.6** Advances from customers remained unchanged at RMB34,000 as at 31 December 2013 and 31 December 2012 respectively.
- 3.7** Loans and borrowings were maintained at RMB80.0 million as at 31 December 2013 and 31 December 2012 respectively.

4. Non-current liabilities

As at 31 December 2013, our deferred tax liabilities amounted to RMB4.6 million, relating to withholding tax on undistributed profits of our PRC subsidiary pursuant to the PRC tax law. An additional deferred tax of RMB0.5 million was provided in FY2013 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 common reserve, merger reserve and retained profits. Between 31 December 2013 and 31 December 2012, our shareholder's equity decreased from RMB405.4 million to RMB314.1 million due mainly to loss suffered in FY2013 of RMB103.1 million, 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 ordinary 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. It must include a discussion of the following:- (cont'd)

STATEMENT OF CASH FLOWS

In FY2013, operating loss before working capital changes amounted to RMB11.1 million, adjusted by the net working capital inflows of RMB8.6 million which were as follows:

- (i) a decrease in gross amount due from customers for contract work-in-progress of RMB25.8million which was in line with the decrease in business activities;
- (ii) a decrease in inventories of RMB0.7 million;
- (iii) a decrease in trade and other receivables of RMB22.7 million due to collections and in line with the overall decrease in business activities;
- (iv) an increase in gross amount due to customers for contract work-in-progress of RMB1.5 million as a result of advances from a customer; and

The working capital inflows were partly offset by:

- (i) an increase in prepayments of RMB30.5 million due to advance payments made to suppliers of raw materials for contracts scheduled for FY2014;
- (ii) a decrease in trade payables of RMB9.3 million which was in line with the decrease in business activities;
- (iii) a decrease in other liabilities of RMB2.3 million which was mainly in line with the decrease in business activities;

The cash used in operations of RMB2.5 million was further adjusted by payments of interest expenses of RMB6.1 million incurred on the loans obtained from China Merchant Bank, income tax of RMB0.4 million and interest income received of RMB87,000 which resulted in net cash used in operating activities of RMB8.9 million.

Net cash outflows from investing activities of RMB4.9 million as a result of investment in an associate company and purchased of office furniture.

Net cash inflows from financing activities of RMB10.5 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 RMB0.8 million which was in line with the decrease in business activities. In addition, we managed to renew the loans of RMB80.0 million from China Merchants Banks for one year tenure after the outstanding loans of RMB80.0 million were fully repaid prior to year end.

Overall our cash and cash equivalents decreased by approximately RMB3.3 million in FY2013. As a result of the foregoing, the total cash and cash equivalents decreased from RMB56.3 million in FY2012 to RMB53.0 million in FY2013.

9. Where a forecast or prospect statement ("Prospect Statement") has been made and disclosed to shareholders, any variances between the forecast and actual results has been explained.

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.

There is still a lot of positive to be drawn for the environmental industry notwithstanding the slowdown in the Chinese economy. China has been in the spotlight recently due to the heavy smog and pollution caused by the vehicles and heavy industries. To address the issues, the PRC government has started to impose fines on industries or closed down some of these companies that failed to meet the emission requirements. They have also replaced completely some of the coal burning systems with more energy saving and efficient systems. The PRC government has also mandated companies to operate the industrial wastegas and wastewater systems after they have been constructed and installed. Furthermore, we also noticed that more and more large scale industrial wastegas and wastewater projects are rolled out by companies at the start of the new financial year and we are actively pursuing these contracts. We hope to seize the business opportunities created by actions and regulations of the PRC government to improve on the financial performances of the Group in the next twelve months.

11. Dividend

(a) Current Financial Period Reported On?

Not applicable.

(b) Corresponding Period of the Immediately Preceding Financial Year?

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

Not applicable.

(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 in respect of the year ended 31 December 2013 has been proposed by the Directors.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Segmental information (RMB'000)	Dust elimination	Desulphurisation	De-nitrification	Industrial wastewater	Operation and maintenance	Total
2013						
Revenue						
Sales to external customers	5,932	-	-	14,626	15,990	36,548
Results						
Segment gross profit	1,081	(135)	-	1,608	2,426	4,980
2012						
Revenue						
Sales to external customers	14,154	10,791	1,805	23,727	11,512	61,989
Results						
Segment gross profit	4,145	716	446	5,659	1,838	12,804

The chief operating decision makers reviews the results of the segment using segment gross profit. Segment assets, liabilities and other expenses are not disclosed as they are not regularly provided to the chief operating decision maker.

Geographical information

There is no geographical segment information as the Group operates predominately in the PRC only.

Information about major customers

During the financial year ended 31 December 2013, revenue from three (2012: three) major customers amounted to RMB16.0 million, RMB11.9 million and RMB2.0 million (2011: RMB11.5 million, RMB8.7 million and RMB7.3 million), arising from sales by the operation and maintenance, industrial wastewater and dust elimination segment. In FY20112, the sales derived from these major customers were from the industrial wastewater and operation and maintenance segment.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Refer to review of performance of the Group in para 8.

15. A breakdown of sales

	Group		
	2013	2012	change
	RMB'000	RMB'000	%
Sales reported for the first half year	24,737	24,863	-0.5%
Operating (loss)/profit after tax reported for the first half year	(31,250)	732	NM
Sales reported for the second half year	11,811	37,126	-68.2%
Operating loss after tax reported for the second half year	(71,895)	(43,753)	64.3%

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

	31-Dec-13	31-Dec-12
	RMB'000	RMB'000
<u>Ordinary</u>		
Paid	-	7,500
Total	-	7,500

17. 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.

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(11) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Zhan Bijin	45	Cousin of Lin Baiyin *	<p>(1) Procurement Manager – Leader Environmental Technologies Limited</p> <p>Duties – Responsible for the procurement works, such as maintaining relationship with suppliers and ensure smooth coordination of projects with other departments.</p> <p>Position held since January 2006.</p> <p>(2) Director of Jilin Anjie Environmental Engineering Co., Ltd.</p> <p>Duties – same as above.</p> <p>Position held since November 2005.</p>	N.A

Note:

* Lin Baiyin (Executive Chairman cum Chief Executive Officer)

19. Update of usage of IPO and placement proceeds

As at 31 December 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	(54,694)	358
General working capital for the Company	-	8,022	(8,022)	-
Total	63,074	63,074	(62,716)	358

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	(4,318)	557
Total	9,749	(9,192)	557

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 RMB4.3 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

24 February 2014