



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

**Unaudited Results for the First Quarter and the three Months Ended 31 March 2014**

**Unaudited Financial Statement and Dividend Announcement for the First Quarter (3 months) Ended 31 March 2014 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.

	<b>Jan to Mar 2014 RMB'000</b>	<b>Jan to Mar 2013 RMB'000</b>	<b>change %</b>
Revenue	18,134	8,229	120.4%
Cost of sales	(12,325)	(6,073)	102.9%
Gross profit	<b>5,809</b>	<b>2,156</b>	169.4%
Financial income	26	28	-7.1%
Other income	21	312	-93.3%
Selling and distribution expenses	(379)	(498)	-23.9%
Administrative expenses	(2,883)	(2,842)	1.4%
Finance costs	(1,370)	(1,658)	-17.4%
Other expenses	-	(74)	NM
Share of loss of associate companies	(226)	(73)	209.6%
<b>Profit/(loss) before taxation</b>	<b>998</b>	<b>(2,649)</b>	NM
Taxation	(684)	(116)	489.7%
<b>Profit/(loss) for the year representing total comprehensive loss attributable to owners of the Company *</b>	<b>314</b>	<b>(2,765)</b>	NM

\* There are no other comprehensive income items for both financial periods.

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

	<b>Group</b>		
	<b>3 months</b>		
	<b>Unaudited Jan to Mar 2014 RMB'000</b>	<b>Unaudited Jan to Mar 2013 RMB'000</b>	<b>change %</b>
Depreciation of property, plant and equipment	208	242	-14.0%
Gain on disposal of property, plant and equipment	-	(82)	-100.0%
Amortisation of intangible assets	302	188	60.6%
Operating lease expenses	259	507	-48.9%
Interest expense	1,370	1,658	-17.4%
Interest income	(26)	(28)	-7.1%
Inventories recognised as an expense in cost of goods sold	439	658	-33.3%
Employee compensations	1,848	1,816	1.8%
Exchange (gain)/loss	(21)	74	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 2014 RMB'000	Unaudited 31 Dec 2013 RMB'000	Unaudited 31 Mar 2014 RMB'000	Unaudited 31 Dec 2013 RMB'000
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	11,183	11,386	5	6
Intangible assets	5,248	5,538	-	-
Club membership	798	810	-	-
Investment in subsidiary	-	-	152,494	152,494
Investment in associates	5,352	5,578	5,913	5,913
	<b>22,581</b>	<b>23,312</b>	<b>158,412</b>	<b>158,413</b>
<b>CURRENT ASSETS</b>				
Gross amount due from customers for contract work-in-progress	20,416	19,585	-	-
Inventories	2,397	2,372	-	-
Trade and other receivables	207,167	206,184	40,557	40,554
Prepayments	193,423	169,313	158	139
Bank deposits pledged	38,980	500	-	-
Cash and cash equivalents	11,005	52,987	143	557
	<b>473,388</b>	<b>450,941</b>	<b>40,858</b>	<b>41,250</b>
<b>TOTAL ASSETS</b>	<b>495,969</b>	<b>474,253</b>	<b>199,270</b>	<b>199,663</b>
<b>CURRENT LIABILITIES</b>				
Gross amount due to customers for contract work-in-progress	-	1,542	-	-
Trade and other payables	38,918	47,564	358	259
Loans and borrowings	110,000	80,000	-	-
Other liabilities	27,274	26,362	2,174	1,594
Income tax payable	571	-	-	-
	<b>176,763</b>	<b>155,468</b>	<b>2,532</b>	<b>1,853</b>
<b>NET CURRENT ASSETS</b>	<b>296,625</b>	<b>295,473</b>	<b>38,326</b>	<b>39,397</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	4,750	4,643	-	-
<b>TOTAL LIABILITIES</b>	<b>181,513</b>	<b>160,111</b>	<b>2,532</b>	<b>1,853</b>
<b>NET ASSETS</b>	<b>314,456</b>	<b>314,142</b>	<b>196,738</b>	<b>197,810</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	205,834	205,834	205,834	205,834
Reserves	30,776	30,776	-	-
Accumulated profit/(loss)	77,846	77,532	(9,096)	(8,024)
<b>TOTAL EQUITY</b>	<b>314,456</b>	<b>314,142</b>	<b>196,738</b>	<b>197,810</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>495,969</b>	<b>474,253</b>	<b>199,270</b>	<b>199,663</b>

**1(b)(ii) Borrowings and debt securities (for the group) together with a comparative statement as at the end of the immediately preceding year.**

	Group	
	As at 31 Mar 2014 RMB'000	As at 31 Dec 2013 RMB'000
<b>Amount repayable in one year or less, or on demand</b>		
- secured	6,690	-
- unsecured	110,000	80,000
	116,690	80,000
<b>Amount repayable after one year</b>		
- secured	-	-
- unsecured	-	-
	-	-

**Details of any collateral**

As at 31 March 2014, RMB80.0 million (31 December 2013: RMB80.0 million) of the short term loans and borrowings were guaranteed by way of a corporate guarantee from the Company and personal guarantees by the Executive Chairman cum Chief Executive Officer of the Company and his spouse. In addition, new loans of RMB30.0 million (31 December 2013: nil) were secured by bank deposits of RMB31.8 million (31 December 2013: nil).

As at 31 March 2014, the Group also has RMB6.7 million (31 December 2013: nil) of bills payable to suppliers which are secured by bank deposits pledged. These bills payable have a maturity period of 180 days and are non-interest bearing.

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

**Consolidated statement of cash flows**

	Group	
	Unaudited 3 months ended 31.3.2014	31.3.2013
	RMB'000	RMB'000
<b>Cash Flows from Operating activities</b>		
Profit/(loss) before taxation	998	(2,649)
<u>Adjustments for :</u>		
Depreciation of property, plant and equipment	208	242
Amortisation of intangible assets	302	188
Gain on disposal of property, plant and equipment	-	(82)
Interest income	(26)	(28)
Interest expense	1,370	1,658
Share of results of associates	226	74
Unrealised exchange (gain)/loss	(17)	45
Total adjustments	2,063	2,097
<b>Operating profit/(loss) before changes in working capital</b>	<b>3,061</b>	<b>(552)</b>
(Increase)/decrease in gross amount due from customers for contract work-in-progress	(831)	3,216
(Increase)/decrease in inventories	(25)	131
(Increase)/decrease in trade and other receivables	(989)	23,035
Increase in prepayments	(24,110)	(42,284)
Decrease in gross amount due to customers for contract work-in-progress	(1,542)	-
Decrease in trade and other payables	(15,336)	(10,823)
Increase/(decrease) in other liabilities	912	(2,238)
Total changes in working capital	(41,921)	(28,963)
<b>Cash used in operations</b>	<b>(38,860)</b>	<b>(29,515)</b>
Interest received	26	28
Interest paid	(1,370)	(1,658)
<b>Net cash used in operating activities</b>	<b>(40,204)</b>	<b>(31,145)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(5)	-
<b>Net cash used in investing activities</b>	<b>(5)</b>	<b>-</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from bills payable	6,690	-
(Increase)/decrease in bank deposits pledged	(38,480)	450
Proceeds from loans and borrowings	30,000	-
<b>Net cash (used in)/generated from financing activities</b>	<b>(1,790)</b>	<b>450</b>
Net increase in cash and cash equivalents	(41,999)	(30,695)
Exchange differences on translation of cash and cash equivalents	17	(45)
Cash and cash equivalents at 1 January	52,987	56,348
<b>Cash and cash equivalents at 31 March (Note A)</b>	<b>11,005</b>	<b>25,608</b>

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

**Consolidated statement of cash flows (cont'd)**

	<b>Group</b>	
	<b>As at 31 Mar</b>	
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Note A: Cash and cash equivalents</b>	<b>2014</b>	<b>2013</b>
Cash and bank balances	49,985	21,492
Short term deposits	-	5,000
	<u>49,985</u>	<u>26,492</u>
Less: bank deposits pledged	(38,980)	(884)
Cash and cash equivalents	<u>11,005</u>	<u>25,608</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  
1Q2014**

**Attributable to the owners of the Company**

	Share capital RMB'000	PRC statutory reserve fund RMB'000	Merger reserve RMB'000	Accumulated profits RMB'000	Total equity RMB'000
<b>At 1 January 2014</b>	205,834	31,230	(454)	77,532	314,142
Profit for the period, representing total comprehensive profit for the period	-	-	-	314	314
<b>At 31 March 2014</b>	<u>205,834</u>	<u>31,230</u>	<u>(454)</u>	<u>77,846</u>	<u>314,456</u>

**Group - Statement of changes in equity  
1Q2013**

**Attributable to the owners of the Company**

	Share capital RMB'000	PRC statutory reserve fund RMB'000	Merger reserve RMB'000	Accumulated profits RMB'000	Total equity RMB'000
<b>At 1 January 2013</b>	194,015	31,230	(454)	180,677	405,468
Loss for the period, representing total comprehensive loss for the period	-	-	-	(2,765)	(2,765)
<b>At 31 March 2013</b>	<u>194,015</u>	<u>31,230</u>	<u>(454)</u>	<u>177,912</u>	<u>402,703</u>

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

**Company - Statement of changes in equity  
1Q2014**

	<b>Share capital RMB'000</b>	<b>Accumulated loss RMB'000</b>	<b>Total RMB'000</b>
<b>At 1 January 2014</b>	205,834	(8,024)	197,810
Loss for the period, representing total comprehensive loss for the period	-	(1,072)	(1,072)
<b>At 31 March 2014</b>	<u>205,834</u>	<u>(9,096)</u>	<u>196,738</u>

**Company - Statement of changes in equity  
1Q2013**

	<b>Share capital RMB'000</b>	<b>Accumulated loss RMB'000</b>	<b>Total RMB'000</b>
<b>At 1 January 2013</b>	194,015	731	194,746
Loss for the period, representing total comprehensive loss for the period	-	(1,155)	(1,155)
<b>At 31 March 2013</b>	<u>194,015</u>	<u>(424)</u>	<u>193,591</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**

Not applicable.

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

Not applicable. The Company does not have any convertibles as at 31 March 2014 and 31 December 2013.

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

	<b>31 Mar 2014</b>	<b>31 Dec 2013</b>
Total number of shares issued at end of period/year	<u>527,959,000</u>	<u>527,959,000</u>

The Company does not have any treasury shares as at 31 March 2014 and 31 December 2013.

- 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 March 2014 and 31 December 2013.

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

The financial statements 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 2014, 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 2013.

5. **If there have been any changes to the above, please make adequate disclosure and state the reasons for and effect of the change.**

Nil.

6. **Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding year, after deducting any provision for preference dividends.**

The calculation of basic earnings/(loss) per share is based on the Group's net profit/(loss) attributable to owners of the Company for the respective periods divided by the weighted average of 527,959,000 ordinary shares for the three-month ended 31 March 2014 (1Q2013: 491,612,000 ordinary shares).

	<b>Group</b>	
	<b>3 months</b>	
	<b>Jan to Mar 2014</b>	<b>Jan to Mar 2013</b>
Profit/(loss) after tax attributable to owners of the Company (RMB'000)	314	(2,765)
Basic earnings/(loss) per share (RMB cents per share)	0.06	(0.56)

\*There were no potential dilutive options for the periods.

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

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

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

	<b>Group</b>		<b>Company</b>	
	<b>31 Mar 2014</b>	<b>31 Dec 2013</b>	<b>31 Mar 2014</b>	<b>31 Dec 2013</b>
Net asset value (RMB'000)	314,456	314,142	196,738	197,810
Net asset value per ordinary share based on issued share capital as at end of the period/year (RMB cents per share)	59.56	59.50	37.26	37.47

Net asset value for the Group and Company as at 31 March 2014 and 31 December 2013 was computed based on 527,959,000 shares in issue at the end of the financial period/year respectively.

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

- (a) any significant factors that affected the turnover, costs and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets and liabilities of the Group during the current financial period reported on.

**Review of Group Performance**

**Consolidated Statement of Comprehensive Income**

**Revenue**

	1Q2014		1Q2013	
	RMB'000	%	RMB'000	%
Industrial wastegas treatment - dust elimination	2,997	16.5	2,843	34.5
Industrial wastewater	8,139	44.9	-	-
Design, technical and others	1,000	5.5	-	-
Operation and maintenance	5,998	33.1	5,386	65.5
	<u>18,134</u>	<u>100.0</u>	<u>8,229</u>	<u>100.0</u>

**Revenue**

Total revenue increased by RMB9.9 million or 120.4%, from RMB8.2 million in 1Q2013 to RMB18.1 million in 1Q2014 attributed to higher revenue recognition from dust elimination and operation and maintenance contract of RMB0.2 million and RMB0.6 million respectively. In addition, we also recorded revenue from engineering, procurement and construction works on two industrial wastewater contracts and one design contract of RMB8.1 million and RMB1.0 million respectively in 1Q2014 compared to no revenue for these segments in the same period of last year.

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)**

**Gross profit and gross profit margin**

Total gross profit for 1Q2014 increased by RMB3.6 million or 169.4%, from RMB2.2 million in 1Q2013 to RMB5.8 million in 1Q2014 attributed to higher gross profit derived of RMB0.5 million each from the dust elimination segment and operation and maintenance segment. In addition, the industrial wastewater segment and design, technical and others segment contributed an aggregate of RMB2.6 million to the gross profit in 1Q2014 compared to no gross profit recorded in 1Q2013.

Overall gross profit margin for 1Q2014 increased by 5.8%, from 26.2% in 1Q2013 to 32.0% in 1Q2014 due mainly to a stand-alone design contract performed in 1Q2014 as such contract usually generates higher gross margin as minimal costs are incurred.

**Other income**

Other income for 1Q2014 decreased by approximately RMB0.3 million or 93.3%, from RMB0.3 million in 1Q2013 to RMB21,000 in 1Q2014 due to the absence of gain on disposal of property, plant and equipment and fines imposed on certain outsourcing parties of RMB0.3 million in aggregate.

**Financial income**

The fluctuation in financial income was not significant between 1Q2014 and 1Q2013.

**Other items of expense**

For 1Q2014, selling and distribution expenses decreased by RMB0.1 million or 23.9%, from RMB0.5 million in 1Q2013 to RMB0.4 million in 1Q2014 due to lower office expenses and traveling and entertainment expenses incurred of RMB0.2 million, partly offset by increase in miscellaneous expenses of RMB0.1 million.

For 1Q2014, the increase in administrative expenses of RMB41,000 was marginal.

We incurred lower interest expense of RMB1.4 million in 1Q2014 against RMB1.7 million in the same corresponding period due to lower interest rate (6.0% per annum vs 7.2% per annum) charged by the bank.

For 1Q2014, the fluctuation in other expenses was not material.

Share of results of associated companies increased by RMB0.2 million or 209.6%, from RMB73,000 in 1Q2013 to RMB0.2 million in 1Q2014 due to higher loss shared of RMB0.2 million.

**Income tax expense**

With effect from 1 January 2014, the effective tax rate applicable to our PRC subsidiary is 25% as our tax holiday had ceased on 31 December 2011. Apart from the corporate tax, the Group also provided 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 increased by approximately RMB0.6 million or 489.7%, from RMB0.1 million in 1Q2013 to RMB0.7 million in 1Q2014. The increase was attributed to the small amount of taxable profits of RMB2.3 million (1Q2013: loss before taxation of RMB1.4 million) generated by the subsidiary in 1Q2014.

**Profit after taxation**

In the light of the foregoing, a small profit amounting to RMB0.3 million was registered reversing a loss after taxation of RMB2.8 million in the same period of last year.

**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 position**

**1. Non-current assets**

Our non-current assets amounted to RMB22.6 million and comprised property, plant and equipment ("PPE") of RMB11.2 million, intangible assets of RMB5.2 million, club membership of RMB0.8 million and investment in associates of RMB5.4 million as at 31 March 2014. The decrease in PPE of RMB0.2 million was attributed mainly to depreciation during the period, partly offset by the purchase of furniture costing RMB5,000.

- 1.1** Intangible assets amounted to RMB5.2 million and comprised patent of RMB54,000 and deferred development costs of RMB5.2 million as at 31 March 2014. The decrease in intangible assets of RMB0.3 million was attributed mainly to amortization in 1Q2014. The patent and deferred development costs have a remaining tenure of 14 months (2013:17 months) and 56 months (2013: 59 months) as at 31 March 2014 respectively.
- 1.2** Club membership which has a remaining useful life of 206 months (2013: 209 months) amounted to RMB0.8 million as at 31 April 2014 and as at 31 December 2013 respectively.
- 1.3** Investment in associates decreased by RMB0.2 million, from RMB5.6 million as at 31 December 2013 to RMB5.4 million as at 31 March 2014 due mainly to the share of post-acquisition loss of RMB0.2 million in Nano Sun Pte Ltd.

**2. Current assets**

Our current assets comprise 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 RMB473.4 million and RMB450.9 million as at end of 31 March 2014 and 31 December 2013 respectively. Our current assets accounted for 95.4% and 95.1% of our total assets as at 31 March 2014 and 31 December 2013 respectively.

- 2.1** Amount due from customers for contract work-in-progress amounted to RMB20.4 million and RMB19.6 million as at 31 March 2014 and 31 December 2013 respectively and accounted for 4.3% of our current assets as at 31 March 2013 and 31 December 2012 respectively. The increase of RMB0.8 million was in line with the increase in revenue.
- 2.2** Inventories remained flat RMB2.4 million for the period/year ended as at 31 March 2013 and 31 December 2012 respectively.
- 2.3** Trade and other receivables comprise trade receivables, bills receivable, retention monies and other receivables amounted to RMB207.2 million and RMB206.2 million as at 31 March 2014 and 31 December 2013 respectively, and accounted for approximately 43.8% and 45.7% of our current assets as at the respective balance sheet dates. Trade receivables and retention monies amounted to RMB196.7 million as at 31 March 2014, representing a decrease of approximately RMB2.9 million from 31 December 2013. The decrease was due mainly to collections during the period.
- 2.4** Bills receivables amounted to RMB7.6 million and RMB3.5 million as at 31 March 2014 and 31 December 2013 respectively. The increase of RMB4.1 million was in line with the increase in revenue.
- 2.5** Other receivables comprised advances to employees for business purposes, bidding deposits and tax recoverable. Other receivables amounted to RMB2.9 million and RMB3.1 million as at 31 March 2014 and 31 December 2013 respectively. The decrease of RMB0.2 million was due to submission of claims by certain employees to offset against the advances given for their business trips.
- 2.6** Prepayments comprised prepaid operating expenses, advances to trade and non-trade suppliers amounted to RMB193.4 million and RMB169.3 million as at 31 March 2014 and 31 December 2013 respectively. The increase was attributed to more advance payments made to suppliers of raw materials as part of the tender requirements. The advances will be refunded back from the suppliers if the tenders for certain contracts are not successful.
- 2.7** Bank deposits pledged increased by RMB38.5 million, from RMB0.5 million as at 31 December 2013 to RMB39.0 million as at 31 March 2014 due to bank deposits pledged to secure the additional bank loans of RMB31.8 million from China Merchants bank and bills payable facilities of RMB6.7 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)**

**2.8** Cash and cash equivalents amounted to RMB11.0 million and RMB53.0 million as at 31 March 2014 and 31 December 2013 respectively, and accounted for 2.3% and 11.8% of our current assets as at the respective balance sheet dates.

**3. Current liabilities**

Our current liabilities comprised mainly trade and other payables, loans and borrowings, other liabilities and income tax payable. Our current liabilities amounted to RMB176.8 million and RMB155.5 million as at 31 March 2014 and 31 December 2013 respectively, and accounted for approximately 97.4% and 97.1% of total liabilities as at the respective balance sheet dates.

**3.1** Trade payables amounted to RMB30.3 million, representing a decrease of approximately RMB14.0 million over FY2013. The decrease was due to payments made during the period.

**3.2** Other payables comprised primarily VAT, other operating tax payables and other operating expenses. Other payables amounted to RMB1.9 million and RMB3.3 million as at 31 March 2014 and 31 December 2013 respectively. The decrease in other payables of RMB1.4 million was attributed to lower VAT payables of RMB0.2 million because the billing milestones agreed with certain customers have not been achieved. In addition, other operating expenses also declined by RMB1.2 million due to payments made during the period.

**3.3** Bills payable increased by RMB6.7 million (1Q2013: nil) as we have utilised the bills payable facilities in 1Q2014.

**3.4** Other liabilities comprised accrued purchases, VAT, salaries and travelling expenses, other operating expenses, advances from customers and welfare expenses. Other liabilities amounted to RMB27.3 million and RMB26.4 million as at 31 March 2014 and 31 December 2013 respectively.

**3.5** Accrued output VAT, purchases, salaries and related expenses, operating expenses and welfare expenses amounted to RMB27.3 million and RMB26.4 million as at 31 March 2014 and 31 December 2013 respectively. The increase of RMB0.9 million was attributed to the increase in salaries and related expenses, operating expenses and welfare expenses of RMB0.3 million, which was in line with the increase in revenue, coupled by the fact that there was accrued VAT of RMB0.9 million in 1Q2014 for the engineering and construction works performed after no accruals was recorded as at 31 December 2013. The increase of RMB1.2 million was partly offset by the decrease in accrued purchases of RMB0.3 million as we have received invoices from certain suppliers on the purchases of raw materials.

**3.6** Advances from customers were RMB27,000 and RMB34,000 as at 31 March 2014 and 31 December 2013 respectively.

**3.7** Loans and borrowings increased from RMB80.0 million as at 31 December 2013 to RMB110.0 million as at 31 March 2014 as a result of additional loans received from China Merchants Bank as part of the bank's initiative to support environmental companies from Changchun City.

**4. Non-current liability**

As at 31 March 2014, our deferred tax liabilities amounted to RMB4.8 million, relating to withholding tax on undistributed profits of our PRC subsidiary pursuant to the PRC tax law. An additional deferred tax of RMB0.1 million was provided in 1Q2014 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 31 March 2014 and 31 December 2013, our shareholder's equity increased from RMB314.1 million to RMB314.4 million due mainly to the profit generated of RMB0.3 million in 1Q2014.

**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)**

**CASHFLOWS**

In 1Q2014, operating profit before changes in working capital amounted to RMB3.1 million, adjusted by the net working capital outflows of RMB43.3 million which were as follows:

- (i) an increase in gross amount due from customers for contract work-in-progress of RMB0.8 million which was in line with the increase in revenue;
- (ii) an increase in prepayments of RMB24.1 million due to advance payments made to suppliers of raw materials;
- (iii) an increase in trade and other receivables of RMB1.0 million as this was in line with the increase in revenue;
- (iv) a decrease in gross amount due to customers for contract work-in-progress of RMB1.5 million as no advances were received from customers in 1Q2014;
- (v) a decrease in trade and other payables of RMB15.4 million as a result of settlements; and
- (vi) interest paid of RMB1.4 million in respect of the short term loan obtained from China Merchants Bank.

The decrease was partly offset by:

- (i) an increase in other liabilities of RMB0.9 million which was in line with the increase in business activities; and
- (ii) interest income received of RMB26,000 derived from deposit placed with the banks.

Net cash used in investing activities of RMB5,000 as a result of purchased of furniture.

Net cash used in financing activities of RMB1.8 million were due to increase in bank deposits pledged of RMB38.5 million mainly to secure the additional loans and bills payable facilities, partly offset by fresh loans obtained of RMB30.0 million from China Merchants Bank and proceeds from bills payable of RMB6.7 million.

Overall cash and cash equivalents decreased by RMB42.0 million in 1Q2014. As a result of the foregoing, overall cash and cash equivalent decreased from RMB53.0 million as at 31 December 2013 to RMB11.0 million as at 31 March 2014.

**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 Group will be continuing its efforts to follow up with customers to collect its long overdue debts.

On a brighter note, the Group has received a boost to its working cash flows with additional loans of RMB30.0 million from China Merchants Bank to finance its working capital. Following the advice from the local government in Changchun city, the Chinese bank has launched new initiatives to help environmental companies based in Changchun city. The funding came in at the right time which gave the Group added confidence and financial backing. Consequently, the Group has seized the opportunity to work on the bidding for a number of projects in dust elimination, desulphurization, de-nitrification and industrial wastewater of approximately RMB150.0 million. We have been shortlisted by these customers to undertake the engineering, procurement and construction ("EPC") works and the sales team is presently negotiating for better payment terms with these customers before deciding whether to accept these contracts. Apart from the tenders, we may also embark on the EPC works on another desulphurization contract previously secured in FY2012 of RMB80.0 million. The commencement, to a large extent, hinges on the timing of the release of the funding from the Environmental Bureau.

**11. Dividend**

**(a) Current Financial Period Reported On?**

Any dividend recommended for the current financial period reported on?

No.

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

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

No.

**(c) Date Payable**

Not applicable.

**(d) Book Closure Date.**

Not applicable.

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

No dividend for the three months ended 31 March 2014 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 proceeds

As at 31 March 2014, the net proceeds from the Company's initial public offering and private placement have been utilized 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
<b>Total</b>	<b>78,161</b>	<b>(73,209)</b>	<b>-</b>	<b>4,952</b>

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)	-
<b>Total</b>	<b>63,074</b>	<b>63,074</b>	<b>(62,716)</b>	<b>358</b>

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 IPO proceeds allocated for general working capital of RMB6.7 million was mainly for IPO expenses, whereas, the amount of RMB8.0 million, raised from the private placement, 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**

<b><u>Usage of private placement proceeds</u></b>	<b>Amount allocated RMB'000</b>	<b>Amount utilised RMB'000</b>	<b>Balance RMB'000</b>
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	(4,732)	143
<b>Total</b>	<b>9,749</b>	<b>(9,606)</b>	<b>143</b>

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 TiO<sub>2</sub> membrane and microsphere for purposes of, *inter alia*, treatment of waste water and purification of water.

The funds for general working capital of RMB4.7 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

14 May 2014

**Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual**

On behalf of the Board of Directors of the Company, we confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim financial results for the first quarter ended 31 March 2014 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

14 May 2014