



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

Unaudited Results for the Second Quarter and the Six Months Ended 30 June 2014

Unaudited Financial Statement and Dividend Announcement for the Half-year Ended 30 June 2014 of Leader Environmental Technologies Limited (the "Company" or "LET") and Its Subsidiary (Collectively, the "Group")

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) Income statement and statement of comprehensive income, or a statement of comprehensive income, for the group together with a comparative statement for the corresponding period of immediately preceding year.

The Group's operations are principally conducted in the People's Republic of China ("PRC"). Accordingly, the consolidated financial statements have been prepared in Chinese Renminbi ("RMB"), being the functional currency of the Group.

Consolidated Statement of Comprehensive Income

	Unaudited Apr to Jun 2014 RMB'000	Unaudited Apr to Jun 2013 RMB'000	change %	Unaudited Jan to Jun 2014 RMB'000	Unaudited Jan to Jun 2013 RMB'000	change %
Revenue	7,781	16,508	-52.9%	25,915	24,737	4.8%
Cost of sales	(4,957)	(14,448)	-65.7%	(17,282)	(20,521)	-15.8%
Gross profit	2,824	2,060	37.1%	8,633	4,216	104.8%
Financial income	14	44	-68.2%	40	72	-44.4%
Other income	2	15	-86.7%	23	327	-93.0%
Selling and distribution expenses	(428)	(320)	33.8%	(807)	(818)	-1.3%
Administrative expenses	(2,866)	(5,669)	-49.4%	(5,749)	(8,511)	-32.5%
Finance cost	(1,687)	(1,483)	13.8%	(3,057)	(3,141)	-2.7%
Other expenses	-	(22,444)	NM	-	(22,518)	NM
Share of loss of associate companies	(233)	(224)	4.0%	(459)	(297)	54.5%
Loss before taxation	(2,374)	(28,021)	-91.5%	(1,376)	(30,670)	-95.5%
Taxation	211	(464)	-145.5%	(473)	(580)	-18.4%
Loss for the period representing total comprehensive loss attributable to owners of the Company*	(2,163)	(28,485)	-92.4%	(1,849)	(31,250)	-94.1%

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

	Group			Group		
	Q2		change %	6 months		change %
	Unaudited Apr to Jun 2014 RMB'000	Unaudited Apr to Jun 2013 RMB'000		Unaudited Jan to Jun 2014 RMB'000	Unaudited Jan to Jun 2013 RMB'000	
Depreciation of property, plant and equipment	209	241	-13.3%	417	483	-13.7%
Gain on disposal of property, plant and equipment	-	-	-	-	(82)	NM
Amortisation of intangible assets	300	190	57.9%	602	378	59.3%
Impairment loss on trade receivables	-	22,331	NM	-	22,331	NM
Operating lease expenses	262	365	-28.2%	521	872	-40.3%
Interest expense	1,687	1,483	13.8%	3,057	3,141	-2.7%
Interest income	(14)	(44)	-68.2%	(40)	(72)	-44.4%
Inventories recognised as an expense in cost of goods sold	2,664	4,997	-46.7%	3,103	5,655	-45.1%
Employee compensations	2,054	2,129	-3.5%	3,902	3,945	-1.1%
Exchange (gain)/loss	(2)	49	NM	(23)	123	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 30 Jun 2014 RMB'000	Unaudited 31 Dec 2013 RMB'000	Unaudited 30 Jun 2014 RMB'000	Unaudited 31 Dec 2013 RMB'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	10,974	11,386	5	6
Intangible assets	4,959	5,538	-	-
Club membership	787	810	-	-
Investment in subsidiary	-	-	152,494	152,494
Investment in associates	5,119	5,578	5,913	5,913
	21,839	23,312	158,412	158,413
CURRENT ASSETS				
Gross amount due from customers for contract work-in-progress	16,908	19,585	-	-
Inventories	2,381	2,372	-	-
Trade and other receivables	203,944	206,184	40,556	40,554
Prepayments	192,825	169,313	87	139
Bank deposits pledged	38,559	500	-	-
Cash and cash equivalents	13,645	52,987	39	557
	468,262	450,941	40,682	41,250
TOTAL ASSETS	490,101	474,253	199,094	199,663
CURRENT LIABILITIES				
Gross amount due to customers for contract work-in-progress	-	1,542	-	-
Trade and other payables	52,315	47,564	435	259
Loans and borrowings	110,000	80,000	-	-
Other liabilities	10,078	26,362	2,857	1,594
Income tax payable	571	-	-	-
	172,964	155,468	3,292	1,853
NET CURRENT ASSETS	295,298	295,473	37,390	39,397
Non-current liabilities				
Deferred tax liabilities	4,844	4,643	-	-
TOTAL LIABILITIES	177,808	160,111	3,292	1,853
NET ASSETS	312,293	314,142	195,802	197,810
Equity attributable to owners of the Company				
Share capital	205,834	205,834	205,834	205,834
Reserves	30,776	30,776	-	-
Accumulated profits/(loss)	75,683	77,532	(10,032)	(8,024)
TOTAL EQUITY	312,293	314,142	195,802	197,810
TOTAL EQUITY AND LIABILITIES	490,101	474,253	199,094	199,663

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

	Group	
	As at 30 Jun 2014 RMB'000	As at 31 Dec 2013 RMB'000
Amount repayable in one year or less, or on demand		
- secured	37,241	-
- unsecured	80,000	80,000
	117,241	80,000
 Amount repayable after one year		
- secured	-	-
- unsecured	-	-
	-	-

Details of any collateral

As at 30 June 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, the additional loans of RMB30.0 million (31 December 2013: nil) were secured by bank deposits of RMB31.4 million (31 December 2013: nil).

As at 30 June 2014, the Group also has RMB7.2 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 cash flows

	Group	
	Unaudited 6 months ended 30.6.14	Unaudited 6 months ended 30.6.13
	RMB'000	RMB'000
Cash Flows from Operating Activities		
Loss before tax	(1,376)	(30,671)
<u>Adjustments for:</u>		
Fair value of shares issued pursuant to LET Performance Share Scheme	-	2,070
Depreciation of property, plant and equipment	417	483
Amortisation of intangible assets	602	378
Gain on disposal of property, plant and equipment (Note A)	-	(82)
Impairment loss on trade receivables	-	22,331
Finance costs	3,057	3,141
Interest income	(40)	(72)
Share of results of associate	459	297
Unrealised exchange (gain)/loss	(18)	124
Total adjustments	4,477	28,670
Operating profit/(loss) before working capital changes	3,101	(2,001)
<u>Changes in working capital</u>		
Decrease in gross amount due from customers for contract work-in-progress	2,677	7,873
Increase in inventories	(9)	(143)
Decrease in trade and other receivables	2,539	14,463
Increase in prepayments	(23,512)	(55,143)
Decrease in gross amount due to customers for contract work-in-progress	(1,542)	-
Decrease in trade and other payables	(2,490)	(2,825)
Decrease in other liabilities	(16,284)	(1,569)
Cash flows used in operating activities	(35,520)	(39,345)
Interest income received	40	72
Interest paid	(3,057)	(3,141)
Income taxes paid	-	(349)
Net cash used in operating activities	(38,537)	(42,763)
Cash flows from investing activities		
Purchase of property, plant and equipment	(5)	-
Net cash used in investing activities	(5)	-
Cash flows from financing activities		
Proceeds from bills payable	7,241	-
Proceeds from loans and borrowings	30,000	30,000
Repayments of loans and borrowings	-	(30,000)
(Increase)/decrease in bank deposits pledged	(38,059)	450
Net cash (used in)/from financing activities	(818)	450
Net decrease in cash and cash equivalents	(39,360)	(42,313)
Exchange differences on translation of cash and cash equivalents	18	(124)
Cash and cash equivalents at 1 January	52,987	56,348
Cash and cash equivalents at 30 June (Note B)	13,645	13,911

Note A: The net proceed on disposal of property, plant and equipment amounting to nil (1HY2013: RMB118,000) has been offset against the balance owing to a trade creditor as it relates to an agreement with a certain supplier to use the subsidiary's motor vehicle as part settlement for raw materials purchased.

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

Consolidated statement of cash flows (cont'd)

	Group	
	As at 30 June	
	RMB'000	RMB'000
Note B: Cash and cash equivalents	2014	2013
Cash and bank balances	52,204	14,795
Less: bank deposits pledged	(38,559)	(884)
Cash and cash equivalents	<u>13,645</u>	<u>13,911</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

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'001
At 1 January 2014	205,834	31,230	(454)	77,532	314,142
Loss for the period, representing total comprehensive loss for the period	-	-	-	(1,849)	(1,849)
At 30 June 2014	<u>205,834</u>	<u>31,230</u>	<u>(454)</u>	<u>75,683</u>	<u>312,293</u>

	Share capital RMB'000	PRC statutory reserve fund RMB'000	Merger reserve RMB'000	Accumulated profits RMB'000	Performance share reserve RMB'000	Total equity RMB'000
At 1 January 2013	194,015	31,230	(454)	180,677	-	405,468
Loss for the period, representing total comprehensive loss for the period	-	-	-	(31,250)	-	(31,250)
Grant of shares under LET performance share scheme	-	-	-	-	2,070	2,070
At 30 June 2013	<u>194,015</u>	<u>31,230</u>	<u>(454)</u>	<u>149,427</u>	<u>2,070</u>	<u>376,288</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

	Share capital RMB'000	Accumulated loss RMB'000	Total RMB'001
At 1 January 2014	205,834	(8,024)	197,810
Loss for the period, representing total comprehensive loss for the period	-	(2,008)	(2,008)
At 30 June 2014	<u>205,834</u>	<u>(10,032)</u>	<u>195,802</u>

	Share capital RMB'000	Accumulated loss RMB'000	Performance share scheme RMB'000	Total RMB'000
At 1 January 2013	194,015	731	-	194,746
Loss for the period, representing total comprehensive loss for the period	-	(4,794)	-	(4,794)
Grant of shares under LET performance share scheme	-	-	2,070	2,070
At 30 June 2013	<u>194,015</u>	<u>(4,063)</u>	<u>2,070</u>	<u>192,022</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 30 June 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**

	30 Jun 2014	31 Dec 2013
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 30 June 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 30 June 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 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 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 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 527,959,000 ordinary shares for the six month ended 30 June 2014 (1HY2013: 493,273,111 ordinary shares).

	Group	
	6 months	
	Jan to Jun 2014	Jan to Jun 2013
Loss after tax attributable to owners of the Company (RMB'000)	<u>(1,849)</u>	<u>(31,250)</u>
Basic loss per share (RMB cents per share)	<u>(0.35)</u>	<u>(6.34)</u>

*There were no potential dilutive options for the periods.

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

- (a) current financial period reported on; and
- (b) immediately preceding financial year.

	Group		Company	
	30 June 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Net asset value (RMB'000)	<u>312,293</u>	<u>314,142</u>	<u>195,802</u>	<u>197,810</u>
Net asset value per share (RMB cents per share)	<u>59.15</u>	<u>59.50</u>	<u>37.09</u>	<u>37.47</u>

Net asset value for the Group and Company as at 30 June 2014 and 31 December 2013 were computed based on 527,959,000 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	2Q2014		2Q2013		1HY2014		1HY2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Industrial wastegas treatment								
- Dust elimination	119	1.5	2,111	12.8	3,116	12.0	4,954	20.0
Industrial wastewater	2,596	33.4	10,740	65.1	10,735	41.4	10,740	43.4
Design, technical & others	-	-	-	-	1,000	3.9	-	-
Operation and maintenance	5,066	65.1	3,657	22.1	11,064	42.7	9,043	36.6
	<u>7,781</u>	<u>100.0</u>	<u>16,508</u>	<u>100.0</u>	<u>25,915</u>	<u>100.0</u>	<u>24,737</u>	<u>100.0</u>

Revenue

Total revenue increased by RMB1.2 million or 4.8%, from RMB24.7 million in 1HY2013 to RMB25.9 million in 1HY2014 due to higher revenue of RMB2.0 million recognized relating to the operation and maintenance work as we have raised the price when we renewed the contract with the customer in 3Q2013, coupled by an one off revenue recorded for a design and technical service relating to desulphurization of RMB1.0 million. The increase of RMB3.0 million was partly offset by lower revenue of RMB1.8 million recognized for dust elimination contracts due to fewer contracts performed.

Gross profit and gross profit margin

Total gross profit increased by RMB4.4 million or 104.8% to RMB8.6 million in 1HY2014 which was attributed to the followings:

- (i) higher percentage of dust elimination works performed in 1HY2014 for one of the contracts contributed to higher gross profit of RMB0.3 million;
- (ii) price adjustment on the renewal of operation and maintenance contract added another RMB1.9 million to the gross profit;
- (iii) service rendered for a design and technical work as opposed to nil in 1HY2013 resulted in another RMB1.0 million increase in gross profit;
- (iv) the absence of the imposition of taxes in 1HY2014 against RMBRMB0.7 million of such payments in 1HY2013 on two of the desulphurization contracts performed previously also gave rise to the increase; and
- (v) more profitable segment of the works were performed on the industrial wastewater contracts in spite of the decrease in revenue, accounted for the remaining increase in gross profit of RMB0.5 million.

Overall gross profit margin increased by 16.3%, from 17.0% in 1HY2013 to 33.3% in 1HY2014 as we performed works for a large scale dust elimination contract which generated higher gross margin of 49.2% in 1HY2014 as opposed to 23.9% in 1HY2013. Higher gross margin was also attributed to a stand-alone contract from design and technical service which generated 98.2% of the gross margin as minimal cost was incurred. In addition, the increase in the price charged and greater efficiencies achieved in operating and maintaining the desulphurization systems also resulted in higher gross margin generated of 14.3%.

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

Financial income

The fluctuation in financial income was not significant between 1HY2014 and 1HY2013.

Other income

Other income for 1HY2014 decreased by approximately RMB0.3 million or 93.0%, from RMB0.3 million in 1HY2013 to RMB31,000 in 1HY2014 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.

Other items of expense

For 1HY2014, selling and distribution remained flat at RMB0.8 million.

Administrative expenses decreased by RMB2.8 million or 32.5%, from RMB8.5 million in 1HY2013 to RMB5.7 million in 1HY2014 due to the absence of 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, downward revisions of managements' salaries and related costs of RMB0.2 million, lower professional fees incurred of RMB0.4 million in aggregate in 1HY2014 due to the absence of compliance cost relating to the placement exercise and the Enterprise Risk Management programme. In addition, travelling and entertainment expenses were also reduced by RMB0.1 million due to the effective cost control measures implemented by the Group.

Finance cost remained relatively flat at RMB3.1 million as the lower interest paid as a result of better interest rate offered by China Merchants Bank was partly offset by an increase in loan quantum.

Other expenses decreased by RMB22.5 million in 1HY2014, attributed mainly to the absence of impairment loss of RMB22.3 million on the trade receivables for two customers who communicated to us that they are unable to repay their outstanding debts coupled by no exchange loss recognised and contributions to Flood Prevention Fund in 1HY2014 as opposed to RMB0.1 million each of such expenses in 1HY2013.

Share of loss of associated companies increased by RMB0.2 million or 54.5%, from RMB0.3 million in 1HY2013 to RMB0.5 million in 1HY2014 due to higher operating losses shared on the development of the Titanium Dioxide membrane.

Income tax expense

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

Income tax expense decreased by RMB0.1 million or 18.4%, from RMB0.6 million in 1HY2013 to RMB0.5 million in 1HY2014 as higher expenses incurred in 1HY2013 were not expected to be deductible for income tax, which explained the reason for the higher income tax provided in 1HY2013.

Profit after taxation

In the light of the foregoing, a loss of RMB1.8 million was registered in 1HY2014 as compared to RMB31.3 million of losses suffered 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. (cont'd)

Financial position

1. Non-current assets

Non-current assets amounted to RMB21.8 million and comprise property, plant and equipment ("PPE") of RMB11.0 million, intangible assets of RMB4.9 million, club membership of RMB0.8 million and investment in associates of RMB5.1 million as at 30 June 2014. The decrease in PPE of RMB0.4 million was attributed to depreciation during the period, partly offset by the purchase of furniture costing RMB5,000.

- 1.1** Intangible assets amounted to RMB4.9 million and comprise patent of RMB42,000 and deferred development costs of RMB4.9 million as at 30 June 2014. The decrease in intangible assets of RMB0.6 million was attributed mainly to amortization in 1HY2014. The patent and deferred development costs have a remaining tenure of 11 months (2013:17 months) and 53 months (2013: 59 months) as at 30 June 2014 respectively.
- 1.2** Club membership which has a remaining useful life of 203 months (2013: 209 months) amounted to RMB0.8 million as at 30 June 2014 and as at 31 December 2013 respectively.
- 1.3** Investment in associates decreased by RMB0.5 million, from RMB5.6 million as at 31 December 2013 to RMB5.1 million as at 30 June 2014 due mainly to the share of post-acquisition loss of RMB0.5 million in Nano Sun Pte Ltd.

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 RMB468.2 million and RMB450.9 million as at end of 30 June 2014 and 31 December 2013 respectively. Our current assets accounted for 95.5% and 95.1% of our total assets as at 30 June 2014 and 31 December 2013 respectively.

- 2.1** Amount due from customers for contract work-in-progress amounted to RMB16.9 million and RMB19.6 million as at 30 June 2014 and 31 December 2013 respectively and accounted for 3.6% and 4.3% of our current assets as at 30 June 2014 and 31 December 2013 respectively. The decrease of RMB2.7 million was attributed to progress billings during the period.
- 2.2** Inventories remained flat RMB2.4 million for the period/year ended as at 30 June 2014 and 31 December 2013 respectively.
- 2.3** Trade and other receivables comprise trade receivables, bills receivable, retention monies and other receivables amounted to RMB203.9 million and RMB206.2 million as at 30 June 2014 and 31 December 2013 respectively, and accounted for 43.6% and 45.7% of our current assets as at the respective balance sheet dates. Trade receivables and retention monies amounted to RMB196.1 million as at 30 June 2014, representing a decrease of approximately RMB3.5 million from 31 December 2013. The decrease was due mainly to collections during the period.
- 2.4** Bills receivable received from the customers for settlement of debts amounted to RMB4.6 million and RMB3.5 million as at 30 June 2014 and 31 December 2013 respectively. The increase of RMB1.1 million was attributed to more bills receivable from customers for the settlement of trade receivables.
- 2.5** Other receivables comprise advances to employees for business purposes, bidding deposits and tax recoverable. Other receivables amounted to RMB3.2 million and RMB3.1 million as at 30 June 2014 and 31 December 2013 respectively.
- 2.6** Prepayments comprise prepaid operating expenses, advances to trade and non-trade suppliers amounted to RMB192.8 million and RMB169.3 million as at 30 June 2014 and 31 December 2013 respectively. The increase of RMB23.5 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 increased by approximately RMB38.0 million, from RMB0.5 million as at 31 December 2013 to RMB38.5 million as at 30 June 2014 due to bank deposits pledged of RMB31.4 million to secure the additional bank loans of RMB30.0 million from China Merchants bank and another RMB7.2 million to obtain the bills payable facilities.
- 2.8** Cash and cash equivalents amounted to RMB13.7 million and RMB53.0 million as at 30 June 2014 and 31 December 2013 respectively, and accounted for 2.9% and 11.8% of our current assets as at the respective balance sheet dates.

3. Current liabilities

Current liabilities comprise mainly gross amount due to customers for contract work-in-progress, trade and other payables, loans and borrowings, other liabilities, as well as income tax payable. Our current liabilities amounted to RMB173.0 million and RMB155.5 million as at 30 June 2014 and 31 December 2013 respectively, and accounted for 97.3% and 97.1% of total liabilities as at the respective balance sheet dates.

- 3.1** Gross amount due to customers for contract work-in-progress amounted to nil and RMB1.5 million as at 30 June 2014 and 31 December 2013 respectively and accounted for nil and 1.0% of our current liabilities as at 30 June 2014 and 31 December 2013 respectively. The decrease was due to the absence of advances from a customer.
- 3.2** Trade payables amounted to RMB43.5 million, representing a decrease of approximately RMB0.8 million over FY2013 due to payments made during the period.
- 3.3** Other payables comprise primarily VAT and other operating tax payables and accruals of other operating expenses. Other payables amounted to RMB1.6 million and RMB3.3 million as at 30 June 2014 and 31 December 2013 respectively. The decrease was due to payments made during the period.
- 3.4** Bills payable increased by RMB7.2 million (31 December 2013: nil) as we have started to utilize the bills payable facilities as at 30 June 2014.
- 3.5** Loans and borrowings increased from RMB80.0 million as at 31 December 2013 to RMB110.0 million as at 30 June 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.
- 3.6** Other liabilities comprise accrued purchases, salaries and travelling expenses and advances from customers. Other liabilities amounted to RMB10.1 million and RMB26.4 million as at 30 June 2014 and 31 December 2013 respectively.
- 3.7** Accrued output VAT, purchases, salaries and related expenses, operating expenses and welfare expenses amounted to RMB10.1 million and RMB26.4 million as at 30 June 2014 and 31 December 2013 respectively. The decrease of RMB16.3 million was attributed to lower accrued purchases of RMB18.4 million as we have received billings for the raw materials purchased as well as payments made for these purchase during the period, partly offset by accrued output VAT and higher operating expenses, salaries and related expenses of RMB2.1 million in aggregate as they remained unpaid as at 30 June 2014.
- 3.8** Advances from customers received as a result of signing of new contracts amounted to RMB46,000 and RMB34,000 as at 30 June 2014 and 31 December 2013 respectively.
- 3.9** Income tax payable amounted to RMB0.6 million and nil as at 30 June 2014 and 31 December 2013 respectively. The increase of RMB0.6 million was attributed mainly to income tax derived from taxable profit generated by the subsidiary in 1Q2014 which has not been paid as at 30 June 2014.

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

4. Non-current liability

As at 30 June 2014, our deferred tax liability 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 RMB0.2 million was provided in 1HY2014 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 June 2014 and 31 December 2013, our shareholder's equity decreased from RMB314.1 million to RMB312.3 million due mainly to the loss after taxation of RMB1.8 million in 1HY2014.

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 1HY2014, operating profit before changes in working capital amounted to RMB3.1 million. Net cash flows used in operating activities amounted to RMB41.6 million attributed mainly to:

- (i) an increase in prepayments of RMB23.5 million;
- (ii) a decrease in trade and other payables of RMB2.5 million;
- (iii) a decrease in other liabilities of RMB16.3 million;
- (iv) a decrease in gross amount due to customers for work-in-progress of RMB1.5 million; and
- (v) payment of interest expense of approximately RMB3.0 million incurred on the loans and borrowings from China Merchant Bank; and

The decrease was partly offset by:

- (i) a decrease in gross amount due from customers for work-in-progress of RMB2.7 million; and
- (ii) a decrease in trade and other receivables of RMB2.5 million;

Net cash used in investing activities of RMB5,000 due to acquisition of furniture.

Net cash used in financing activities of RMB0.8 million were due to increase in bank deposits pledged of RMB38.0 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 RMB7.2 million.

Overall cash and cash equivalents decreased by RMB39.3 million in 1HY2014. As a result of the foregoing, overall cash and cash equivalent decreased from RMB53.0 million as at 31 December 2013 to RMB13.7 million as at 30 June 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 Chinese economy remains challenging as liquidity crunch continues to plague PRC companies. Accordingly, the postponement of works under certain contracts to second half of FY2014 has deferred the revenue recognition from the industrial wastegas contracts in 2Q2014. Barring any unforeseen circumstances and with continuous support from the PRC government in its various initiatives to tackle pollution in China, we remain optimistic that we will achieve a better financial performance in second half of this year. In addition, we will continue to focus on the collections of trade receivables so as to improve the overall cash flow position of the Group.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

(c) Date Payable

Not applicable.

(d) Book Closure Date.

Not applicable.

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

No dividend for the six months ended 30 June 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 and placement proceeds

As at 30 June 2014, the net proceeds from the Company's initial public offering 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	Amount utilised 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	(4,501)	451
Total	78,161	(73,209)	-	(4,501)	451

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.

The amount of RMB4.5 million was utilized for the payments of operating expenses of the subsidiary.

<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	(55,052)	-
General working capital for the Company	-	8,022	(8,022)	-
Total	63,074	63,074	(63,074)	-

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 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	(4,836)	39
Total	9,749	(9,710)	39

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 RMB4.8 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 August 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 second quarter and the six months' financial results for the period ended 30 June 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

13 August 2014