



**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 2014**

**Unaudited Financial Statement and Dividend Announcement for the Financial Year Ended 31 December 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.

	Group		change %	Group		change %
	Q4			12 months		
	Unaudited Oct to Dec 2014 RMB'000	Unaudited Oct to Dec 2013 RMB'000		Unaudited Jan to Dec 2014 RMB'000	Unaudited Jan to Dec 2013 RMB'000	
Revenue	23,920	5,754	315.7%	72,387	36,548	98.1%
Cost of sales	(17,175)	(6,307)	172.3%	(50,207)	(31,568)	59.0%
Gross profit	<b>6,745</b>	<b>(553)</b>	NM	<b>22,180</b>	<b>4,980</b>	345.4%
Financial income	39	13	200.0%	178	87	104.6%
Other income	(27)	(10)	170.0%	416	516	-19.4%
Selling and distribution expenses	(313)	(432)	-27.5%	(1,468)	(1,534)	-4.3%
Administrative expenses	(3,288)	(7,430)	-55.7%	(12,009)	(18,878)	-36.4%
Financial costs	(1,739)	(1,538)	13.1%	(6,474)	(6,148)	5.3%
Other expenses	(42)	(57,040)	-99.9%	(78)	(79,533)	-99.9%
Share of results of associated companies	(130)	(676)	-80.8%	(795)	(1,758)	-54.8%
<b>Profit/(loss) before income tax</b>	<b>1,245</b>	<b>(67,666)</b>	NM	<b>1,950</b>	<b>(102,268)</b>	NM
Income tax expense	(1,268)	(113)	1022.1%	(1,854)	(877)	111.4%
<b>Profit/(loss) for the year and representing total comprehensive income/(loss) and attributable to owners of the Company *</b>	<b>(23)</b>	<b>(67,779)</b>	-100.0%	<b>96</b>	<b>(103,145)</b>	NM

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

	Group			Group		
	Q4		change %	12 months		change %
	Unaudited Oct to Dec 2014 RMB'000	Unaudited Oct to Dec 2013 RMB'000		Unaudited Jan to Dec 2014 RMB'000	Unaudited Jan to Dec 2013 RMB'000	
Inventories written down	-	265	NM	-	265	NM
Impairment loss on trade receivables	-	56,767	NM	-	79,098	NM
Depreciation of property, plant and equipment	201	205	-2.0%	827	928	-10.9%
Amortisation of intangible asset	323	638	-49.4%	1,227	1,205	1.8%
Gain on disposal of property, plant, equipment	-	-		(190)	(271)	-29.9%
Operating lease expenses	258	260	-0.8%	1,040	1,374	-24.3%
Interest expense	1,739	1,538	13.1%	6,474	6,148	5.3%
Interest income	(39)	(13)	200.0%	(178)	(87)	104.6%
Inventories recognised as an expense in cost of goods sold	11,021	3,224	241.8%	31,440	15,226	106.5%
Employee compensations	2,299	5,000	-54.0%	7,998	10,913	-26.7%
Exchange loss	84	18	366.7%	41	106	-61.3%

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 2014 RMB'000	Unaudited 31 Dec 2013 RMB'000	Unaudited 31 Dec 2014 RMB'000	Unaudited 31 Dec 2013 RMB'000
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	10,469	11,386	4	6
Intangible assets	6,966	5,538	-	-
Club membership	763	810	-	-
Investment in subsidiary	-	-	152,494	152,494
Investment in associates	3,715	5,578	4,845	5,913
	<b>21,913</b>	<b>23,312</b>	<b>157,343</b>	<b>158,413</b>
<b>CURRENT ASSETS</b>				
Gross amount due from customers for contract work-in-progress	17,207	19,585	-	-
Inventories	1,747	2,372	-	-
Trade and other receivables	205,926	206,184	41,629	40,554
Prepayments	175,188	169,313	178	139
Bank deposits pledged	62,172	500	-	-
Cash and bank balances	75,051	52,987	1,945	557
	<b>537,291</b>	<b>450,941</b>	<b>43,752</b>	<b>41,250</b>
<b>TOTAL ASSETS</b>	<b>559,204</b>	<b>474,253</b>	<b>201,095</b>	<b>199,663</b>
<b>CURRENT LIABILITIES</b>				
Gross amount due to customers for contract work-in-progress	1,772	1,542	-	-
Trade and other payables	39,927	47,564	492	259
Loans and borrowings	172,600	80,000	-	-
Other liabilities	19,148	26,362	1,424	1,594
Income tax payable	1,261	-	-	-
	<b>234,708</b>	<b>155,468</b>	<b>1,916</b>	<b>1,853</b>
<b>NET CURRENT ASSETS</b>	<b>302,583</b>	<b>295,473</b>	<b>41,836</b>	<b>39,397</b>
<b>Non-current liabilities</b>				
Deferred taxation liabilities	4,643	4,643	-	-
<b>TOTAL LIABILITIES</b>	<b>239,351</b>	<b>160,111</b>	<b>1,916</b>	<b>1,853</b>
<b>NET ASSETS</b>	<b>319,853</b>	<b>314,142</b>	<b>199,179</b>	<b>197,810</b>
<b>Equity attributable to equity holders of the Company</b>				
Share capital	211,449	205,834	211,449	205,834
Reserves	108,404	108,308	(12,270)	(8,024)
<b>TOTAL EQUITY</b>	<b>319,853</b>	<b>314,142</b>	<b>199,179</b>	<b>197,810</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>559,204</b>	<b>474,253</b>	<b>201,095</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	
	Unaudited As at 31.12.2014 RMB'000	Unaudited As at 31.12.2013 RMB'000
<b>Amount repayable in one year or less, or on demand</b>		
- secured	60,232	-
- unsecured	112,600	80,000
	172,832	80,000
	172,832	80,000
 <b>Amount repayable after one year</b>		
- secured	-	-
- unsecured	-	-
	-	-
	-	-

**Details of any collateral**

As at 31 December 2014, RMB110.0 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, additional loans of RMB60.0 million (31 December 2013: nil) were secured by bank deposits pledged of RMB62.0 million (31 December 2013: nil).

On 10 November 2014, the Group entered into an arrangement with Bank of Jilin Co, Ltd to factor certain debts with a customer from the steel manufacturing industry of RMB2.6 million (31 December 2013: nil). In the event of default by the customer, the Group is still liable to repay the principal amount and the accrued interest to the Bank of Jilin Co, Ltd. Alternatively, the Group can also choose not to make the repayment, but to convert the factored debts into a loan, which will then be guaranteed by way of a corporate guarantee from the Company.

As at 31 December 2014, the Group also has RMB0.2 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.**

	Group	
	Unaudited 12 months ended	
	31.12.14	31.12.13
	RMB'000	RMB'000
<b>Cash Flows from Operating Activities</b>		
Profit/(loss) before taxation	1,950	(102,268)
<u>Adjustments for :</u>		
Fair value of shares issued pursuant to LET Performance Share scheme	-	2,070
Inventories written down	-	265
Depreciation of property, plant and equipment	827	928
Gain on disposal of property, plant and equipment	(190)	(271)
Amortisation of intangible assets	1,227	1,205
Impairment on trade receivables	-	79,098
Finance costs	6,474	6,148
Interest income	(178)	(87)
Share of results of associated companies	795	335
Impairment loss on investment in associate	-	1,423
Unrealised exchange loss	56	93
Total adjustments	9,011	91,207
<b>Operating profit/(loss) before working capital changes</b>	<u>10,961</u>	<u>(11,061)</u>
<b><u>Changes in working capital</u></b>		
Decrease in gross amount due from customers for contract work-in-progress	2,378	25,775
Decrease in inventories	625	653
Decrease in trade and other receivables	1,326	22,668
Increase in prepayments	(5,875)	(30,470)
Increase in gross amount due to customers for contract work-in-progress	230	1,542
Decrease in trade and other payables	(7,584)	(9,321)
Decrease in other liabilities	(7,214)	(2,278)
Total changes in working capital	<u>(16,114)</u>	<u>8,569</u>
<b>Cash used in operations</b>	(5,153)	(2,492)
Interest paid	(6,474)	(6,148)
Interest income received	178	87
Income tax paid	(593)	(357)
<b>Net cash used in operating activities</b>	<u>(12,042)</u>	<u>(8,910)</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(5)	(96)
Additions to intangible assets	(2,608)	-
Investment in associate	-	(4,874)
<b>Net cash flows used in investing activities</b>	<u>(2,613)</u>	<u>(4,970)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of new ordinary shares pursuant to the private placement	5,823	9,749
Share issuance expenses	(208)	-
Proceeds from bills payable	232	-
Proceeds from loans and borrowings	172,600	80,000
Repayments of loans and borrowings	(80,000)	(80,000)
(Increase)/decrease in bank deposits pledged	(61,672)	834
<b>Net cash flows generated from financing activities</b>	<u>36,775</u>	<u>10,583</u>
Net increase/(decrease) in cash and cash equivalents	22,120	(3,297)
Exchange differences on translation of cash and cash equivalents	(56)	(64)
<b>Cash and cash equivalents as at 1 January</b>	<u>52,987</u>	<u>56,348</u>
<b>Cash and cash equivalents as at 31 Dec (Note B)</b>	<u><u>75,051</u></u>	<u><u>52,987</u></u>

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

**Note A:**

The net proceeds on disposals of property, plant and equipment amounting to RMB285,000 (2013:RMB1,026,000) have been offset against the balances owing to trade creditors as part settlement for trade payable balances.

	<b>Group</b>	
	<b>As at 31 December</b>	
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Note B: Cash and cash equivalents</b>	<b>2014</b>	<b>2013</b>
Cash at bank and on hand	137,223	53,487
Less: bank deposits pledged	(62,172)	(500)
Cash and cash equivalents	<u>75,051</u>	<u>52,987</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 common reserve RMB'000	Merger reserve RMB'000	Accumulated profits RMB'000	Total equity RMB'000
<b>Balance at 1 January 2014</b>	205,834	31,230	(454)	77,532	314,142
Profit for the year and total comprehensive profit	-	-	-	96	96
Issuance of new ordinary shares	5,823	-	-	-	5,823
Share issuance expenses	(208)	-	-	-	(208)
Appropriation of profit to reserve	-	518	-	(518)	-
<b>Balance at 31 December 2014</b>	<b>211,449</b>	<b>31,748</b>	<b>(454)</b>	<b>77,110</b>	<b>319,853</b>

Attributable to the owners of the Company

	Share capital RMB'000	PRC statutory common reserve RMB'000	Merger reserve RMB'000	Accumulated profits RMB'000	Total equity RMB'000
<b>Balance at 1 January 2013</b>	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
<b>Balance at 31 December 2013</b>	<b>205,834</b>	<b>31,230</b>	<b>(454)</b>	<b>77,532</b>	<b>314,142</b>

- 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**

	<b>Share capital RMB'000</b>	<b>Accumulated loss RMB'000</b>	<b>Total equity RMB'000</b>
<b>Balance at 1 January 2014</b>	205,834	(8,024)	197,810
Loss for the year and total comprehensive loss	-	(4,246)	(4,246)
Issuance of new ordinary shares	5,823	-	5,823
Share issuance expenses	(208)	-	(208)
<b>Balance at 31 December 2014</b>	<u>211,449</u>	<u>(12,270)</u>	<u>199,179</u>

	<b>Share capital RMB'000</b>	<b>Accumulated profits RMB'000</b>	<b>Total equity RMB'000</b>
<b>Balance at 1 January 2013</b>	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
<b>Balance at 31 December 2013</b>	<u>205,834</u>	<u>(8,024)</u>	<u>197,810</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**

	<b>Company</b>	
	<b>Number of shares</b>	<b>Share capital RMB'000</b>
<b>As at 1 January 2014</b>	527,959,000	205,834
Issuance of new shares	24,000,000	5,823
Share issuance expenses	-	(208)
<b>Issued and fully paid-up as at 31 December 2014</b>	<u>551,959,000</u>	<u>211,449</u>

On 25 August 2014, the Company undertook a private placement which comprised the placement of 24,000,000 new ordinary shares in the capital of the Company at \$0.05 for each new share.

The Company obtained the in-principle approval from the SGX-ST for the listing and quotation for 24,000,000 new shares on 4 September 2014 and these new shares were successfully listed and quoted on the Main Board of the SGX-ST on 11 September 2014.

Consequent to the private placement, the issued share capital of the Company increased from 527,959,000 shares to 551,959,000 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 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>Company</b>	
	<b>31.12.2014</b>	<b>31.12.2013</b>
Total number of shares issued at end of year	<u>551,959,000</u>	<u>527,959,000</u>

The Company does not have any treasury shares as at 31 December 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 December 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 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.**

The same accounting policies and methods of computation have been applied in the financial statements as in the most recently audited annual financial statements as at 31 December 2013 except for the adoption of Financial Reporting Standards ("FRSs") which are relevant to the Group's operations and became effective for the financial years beginning on or after 1 January 2014.

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

The adoption of the new and revised FRSs have no material effect on the Group's and Company's accounting policies or have any significant impact on the financial statements.

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 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 535,292,333 ordinary shares for the year ended 31 December 2014 (2013: 509,250,593 ordinary shares).

	<b>Group</b>	
	<b>Jan to Dec 2014</b>	<b>Jan to Dec 2013</b>
Profit/(loss) after tax attributable to owners of the Company (RMB'000)	96	(103,145)
Basic earnings/(loss) per share (RMB cents per share)	0.02	(20.25)

There are no potential dilutive options or instruments 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.**

	<b>Group</b>		<b>Company</b>	
	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
Net asset value (RMB'000)	319,853	314,142	199,179	197,810
Net asset value per share (RMB cents per share)	57.95	59.50	36.09	37.47

Net asset value of the Group and Company as at 31 December 2014 and 31 December 2013 was computed based on 551,959,000 ordinary shares and 527,959,000 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**

	4Q2014		4Q2013		FY2014		FY2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Industrial wastegas treatment								
- Dust elimination	13,541	56.6	389	6.8	22,202	30.7	5,932	16.2
- Desulphurisation	1,777	7.4	-	-	6,411	8.9	-	-
Industrial wastewater	1,010	4.2	941	16.3	20,357	28.1	14,626	40.0
Operation and maintenance	7,592	31.8	4,424	76.9	22,417	31.0	15,990	43.8
Design, technical and others	-	-	-	-	1,000	1.3	-	-
	<b>23,920</b>	<b>100.0</b>	<b>5,754</b>	<b>100.0</b>	<b>72,387</b>	<b>100.0</b>	<b>36,548</b>	<b>100.0</b>

**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**

**2014 vs 2013**

Revenue increased by RMB35.9 million or 98.1%, from RMB36.5 million in FY2013 to RMB72.4 million in FY2014. The Group enjoyed healthy revenue increase in all business segments, attributed to an upward price adjustment on the renewal of operation and maintenance ("O&M") contract with a steel maker coupled with higher percentage of works performed for both dust elimination and industrial wastewater segments, which resulted in an increase in revenue of RMB28.5 million in aggregate. Moreover, the Group also benefited from the PRC government's initiatives to tackle pollution by securing new desulphurization contracts and a stand-alone design and technical service contract relating to desulphurization after a lapse of more than a year. Altogether, these new contracts generated total revenue of RMB7.4 million in FY2014.

**Gross profit and gross profit margin**

**2014 vs 2013**

In line with the higher revenue recognized, total gross profit grew from RMB5.0 million in FY2013 to RMB22.2 million in FY2014. Gross profit derived from dust elimination and industrial wastewater segments was RMB4.6 million and RMB3.4 million respectively. Higher price charged for the renewal of O&M contract also contributed to higher gross profit of RMB5.8 million, whereas the new desulphurization contracts and a design and technical service contract secured in 2014 after a lapse of one year added another RMB3.4 million to the overall gross profit.

Overall gross profit margin improved by 17.0%, from 13.6% in FY2013 to 30.6% in FY2014, attributed to the following:

- (i) stand-alone design and technical service contract contributed 99.1% of gross profit margin as only labour cost was incurred which was minimal;
- (ii) the return of desulphurization contract, a key driver of the Group's past lucrative gross profit margin business generated 35.3% to the gross profit margin;
- (iii) higher price charged for the renewal of O&M contract from a steel manufacturer coupled with greater efficiency achieved in managing the treatment plant for two consecutive years added another 21.7% to the gross profit margin; and
- (iv) greater amount of fabrication works, the segment of engineering procurement and engineering contract with the next highest gross profit margin, were performed for both dust elimination and industrial wastewater contracts during the last quarter of FY2014. These contracts generated an increase in gross profit margin of 7.2% and 13.7% 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:- (cont'd)**

**Financial income**

Financial income increased by RMB91,000 or 104.6% in FY2014 as the Group earned higher interest income mainly from an increase in bank deposits pledged and cash and cash equivalents.

**Other income**

Other income for FY2014 declined by RMB0.1 million or 19.4% due to the absence of fines imposed on certain outsourcing parties of RMB0.2 million and lower gain on disposal of motor vehicles of RMB0.1 million to suppliers as part settlement for trade payable balances. The decrease of RMB0.3 million was partly offset by rental income of RMB0.2 million, derived from sub-letting part of the operating plant in FY2014.

**Operating Expenses**

In FY2014, the fluctuation in selling and distribution expenses was not material.

Administrative expenses decreased by RMB6.9 million or 36.4%, from RMB18.9 million in FY2013 to RMB12.0 million in FY2014 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, research expenses of RMB1.9 million on new technology relating to the treatment of wastegas and an one-off bonus of RMB0.8 million to retain experienced workers, downward revisions of managements' salaries, bonus and related costs of RMB0.4 million, lower professional fees incurred of RMB0.4 million in FY2014 due to the absence of compliance costs relating to the Enterprise Risk Management programme and share issuance expenses charged directly to administrative expenses and miscellaneous expenses of RMB0.3 million. In addition, travelling and entertainment expenses were also reduced by RMB1.2 million due to the effective cost control measures implemented by the Group. The decrease of RMB7.1 million was partly offset by higher stamp duties paid upon the execution of contracts of RMB0.2 million in FY2014, in line with the overall increase in revenue.

Higher interest expenses of RMB6.5 million were incurred in FY2014 against RMB6.1 million in the same corresponding period due to higher loan quantum obtained, partly offset by lower interest rate offered by China Merchants Bank as the weighted average effective interest rate in FY2014 was 5.8% per annum against 7.2% per annum in FY2013.

Other expenses dipped sharply by RMB79.5 million or 99.9% in FY2014, attributed mainly to the decrease in exchange loss of RMB0.1 million coupled with the absence of impairment loss on long overdue trade receivables of RMB79.1 million and inventory written down of RMB0.3 million relating to the steel parts and components dismantled from the dust elimination system which was previously fabricated for a certain customer.

Share of loss of associated companies decreased by RMB1.0 million or 54.8%, from RMB1.8 million in FY2013 to RMB0.8 million in FY2014 due to the absence of impairment loss recognized of RMB1.4 million relating to the liquidation of an associate company, Pioneer Membrane Pte Ltd, partly offset by higher operating loss recognized of RMB0.4 million on the development of TiO<sub>2</sub> 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 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 RMB1.0 million or 111.4%, from RMB0.9 million in FY2013 to RMB1.9 million in FY2014 due to higher corporate tax provided of RMB1.5 million as the subsidiary generated a chargeable income in FY2014 as opposed to a loss registered in the same period of last year. The higher corporate tax was partly offset by the absence of withholding tax of RMB0.5 million on the potential amount of dividends expected to be declared to finance the working capital of the holding company since the holding company has sufficient working capital in the next twelve months.

In the light of the foregoing, the Group achieved a small profit after taxation of RMB96,000 in FY2014, reversing from a loss after taxation position of 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**

Non-current assets amounted to RMB21.9 million and comprise property, plant and equipment ("PPE") of RMB10.5 million, intangible assets of RMB7.0 million, club membership of RMB0.7 million and investment in associate of RMB3.7 million as at 31 December 2014. The decrease in PPE of RMB0.9 million, from RMB11.4 million as at 31 December 2013 to RMB10.5 million as at 31 December 2014, attributed mainly to disposal of motor vehicles with net book values of RMB0.1 million and depreciation charges of RMB0.8 million during the year, partly offset by the purchase of office furniture.

- 1.1 Intangible assets amounted to RMB7.0 million and comprise two patents of RMB2.6 million and deferred development costs of RMB4.4 million as at 31 December 2014. The increase in intangible assets of RMB1.4 million was attributed mainly to new patent of RMB2.6 million on an internally developed new dust elimination technology with pulsating rotary positioning mechanism to clean dust, partly offset by amortization of RMB1.2 million during the year. Both patents have remaining tenure of 5 months (2013:17 months) and 119 months (2013: nil) respectively, while the deferred development costs have a remaining tenure of 47 months (2013: 59 months) as at 31 December 2014.
- 1.2 Club membership which has a remaining useful life of 197 months (2013: 209 months) amounted to RMB0.7 million as at 31 December 2014, lower by RMB47,000 due to amortization during the year.
- 1.3 Investment in associates decreased by RMB1.9 million, from RMB5.6 million as at 31 December 2013 to RMB3.7 million as at 31 December 2014 due mainly to the share of post-acquisition loss of RMB0.8 million in Nano Sun Pte Ltd and reversal of remaining cost of investment in Pioneer membrane Pte Ltd ("Pioneer") of RMB1.1 million to other receivables since the Group has ceased its significant influence over the company due to Members' Voluntary liquidation. The amount of RMB1.1 million was subsequently received in January 2015.

**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 RMB537.3 million and RMB450.9 million as at end of 31 December 2014 and 31 December 2013 respectively. Our current assets accounted for 96.1% and 95.1% of our total assets as at 31 December 2014 and 31 December 2013 respectively.

- 2.1 Gross amount due from customers for contract work-in-progress amounted to RMB17.2 million and RMB19.6 million as at 31 December 2014 and 31 December 2013 respectively and accounted for 3.2% and 4.3% of our current assets as at 31 December 2014 and 31 December 2013 respectively. The decrease of RMB2.4 million was attributed to an increase in progress billings during the financial year for achieving certain milestones as stipulated in the contracts.
- 2.2 Inventories decreased by RMB0.6 million, from RMB2.4 million as at 31 December 2013 to RMB1.8 million as at 31 December 2014, attributed to drawn down of raw materials for the projects.
- 2.3 Trade and other receivables comprise trade receivables, bills receivable, retention receivables and other receivables amounted to RMB205.9 million and RMB206.2 million as at 31 December 2014 and 31 December 2013 respectively, and accounted for approximately 38.0% and 45.7% of our current assets as at the respective balance sheet dates. Trade receivables and retention receivables amounted to RMB1192.3 million as at 31 December 2014, representing a decrease of approximately RMB7.3 million from 31 December 2013. The decrease was attributed to collections of trade receivables and retention monies during the year. Included in trade receivables was an arrangement with Bank of Jilin, Co Ltd to factor certain debts of RMB2.6 million with a customer from the steel manufacturing industry. However, such arrangement came with recourse that in the event of default by the customer, the Group is still liable to repay the principal amount and interest to the bank of Jilin Co, Ltd.
- 2.4 Bills receivable amounted to RMB4.4 million and RMB3.5 million as at 31 December 2014 and 31 December 2013 respectively. The increase of RMB0.9 million was due to more bills receivable offered by the customers as a form of settlement for their outstanding debts.

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

- 2.5** Other receivables comprise advances to employees for business purposes, amount recoverable from the liquidation of Pioneer, bidding deposits and VAT and other recoverable. Other receivables amounted to RMB9.2 million and RMB3.1 million as at 31 December 2014 and 31 December 2013 respectively. The increase of RMB6.1 million was attributed mainly to increase in advances to employees of RMB5.0 million for their business trips, which were in line with the overall increase in revenue and amount recoverable of RMB1.1 million from Pioneer pursuant to the shareholders' agreement dated 8 October 2012 as the company was placed under Members' Voluntary liquidation.
- 2.6** Prepayments comprise prepaid operating expenses, advances to trade and non-trade suppliers amounted to RMB175.2 million and RMB169.3 million as at 31 December 2014 and 31 December 2013 respectively. The increase of RMB5.9 million was attributed to more advance payments made to certain suppliers for the manufacture of finished components as well as part of the tender requirements by certain customers to demonstrate the Group's financial abilities to undertake projects. Certain advances will be refunded back if the tenders for certain contracts are not successful.
- 2.7** Bank deposits pledged increased substantially by RMB61.7 million, from RMB0.5 million as at 31 December 2013 to RMB62.2 million as at 31 December 2014 to secure the additional bank loans of RMB60.0 million from China Merchants bank and another RMB0.2 million to obtain the bills payable facilities. The increase of RMB62.2 million was partly offset by the absence of bank deposit of RMB0.5 million, previously held in a designated bank account as performance guarantee for certain construction contract.
- 2.8** Cash and cash equivalents amounted to RMB75.1 million and RMB53.0 million as at 31 December 2014 and 31 December 2013 respectively, and accounted for approximately 14.0% and 11.8% of our current assets as at the respective balance sheet dates.

**3. Current liabilities**

Our current liabilities comprise mainly gross amount due to customers for contract work-in-progress, trade and other payables, loans and borrowings, other liabilities and income tax payable. Our current liabilities amounted to RMB234.7 million and RMB155.5 million as at 31 December 2014 and 31 December 2013 respectively, and accounted for approximately 98.1% 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 increased by RMB0.3 million, from RMB1.5 million as at 31 December 2013 to RMB1.8 million as at 31 December 2014 due to excess payments made by certain customer for works not performed during the year.
- 3.2** Trade and other payables comprise mainly trade payables, retention monies, bills payable and other payables. Trade payables including retention monies amounted to RMB36.4 million as at 31 December 2014, representing a decrease of approximately RMB7.9 million when compared against 31 December 2013 as a result of payments to suppliers during the year.
- 3.3** Other payables comprise primarily VAT and other operating tax payables and accruals of other operating expenses for which invoices have already been received. Other payables amounted to RMB3.3 million each as at 31 December 2014 and 31 December 2013 respectively. Higher VAT payables of RMB0.4 million, in line with the increase in revenue, were neutralized by a decrease in other operating expenses of RMB0.4 million as a result of payments made during the year.
- 3.4** Bills payable increased by RMB0.2 million (31 December 2013: nil) as we have started to utilize the bills payable facilities in FY2014.
- 3.5** Loans and borrowings increased by RMB92.6 million, from RMB80.0 million as at 31 December 2013 to RMB172.6 million as at 31 December 2014 as a result of additional loans received from China Merchants Bank of RMB90.0 million as part of the bank's initiative to support environmental companies from Changchun City. In addition, there was a factoring arrangement with Bank of Jilin Co, Ltd amounting to RMB2.6 million with a customer from the steel manufacturing industry. Such arrangement came with recourse that in the event of default by the customer, the Group is still liable to repay the principal amount as well as the accrued interest to the Bank of Jilin Co, Ltd.
- 3.6** Other liabilities comprise accrued output VAT, purchases, salaries and related costs, operating expenses, welfare expenses and advances from customers. Other liabilities amounted to RMB19.1 million and RMB26.4 million as at 31 December 2014 and 31 December 2013 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:- (cont'd)**

- 3.7** Accrued output VAT, purchases, payroll and related expenses, operating expenses and welfare expenses amounted to RMB5.1 million and RMB26.3 million as at 31 December 2014 and 31 December 2013 respectively. The decrease of RMB21.2 million was attributed to lower accrued purchases of RMB20.6 million as we have received billings for the raw materials purchased as well as payments for purchases during the year, accrued welfare expenses of RMB0.5 million due to part payments of bonus accrued in 2013 for the purpose of retaining experienced workers and accrued operating expenses of RMB0.1 million due to payments during the year.
- 3.8** Advances from customers amounted to RMB14.0 million as at 31 December 2014, representing an increase of approximately RMB13.9 million over end of FY2013. The increase was attributed to signing of new contracts during the year.
- 3.9.** Income tax payable increased by RMB1.3 million, from Nil as at 31 December 2013 to RMB1.3 million as at 31 December 2014 due to taxable profits generated by the subsidiary in 2014 as opposed to a loss recorded in 2013.

**4. Non-current liability**

Deferred tax liability as at 31 December 2014 and 31 December 2013 remained unchanged at RMB4.6 million as no further tax was provided on the potential amount expected to be declared in the form of dividend to finance the operating expenses of the holding company since the holding company has sufficient funds in the next twelve months.

**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 December 2014 and 31 December 2013, our shareholder's equity increased from RMB314.1 million to RMB319.8 million due mainly to the issuance of new ordinary shares of RMB5.8 million as a result of a private placement and profit after tax of RMB0.1 million, partly offset by share issuance expenses of RMB0.2 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 FY2014, operating profit before working capital changes amounted to RMB11.0 million. Net cash flows used in operating activities amounted to RMB23.0 million attributed mainly to:

- (i) an increase in prepayments of RMB5.9 million;
- (ii) a decrease in trade and other payables of RMB7.6 million;
- (iii) a decrease in other liabilities of RMB7.2 million;
- (iv) payments of interest expense of approximately RMB6.5 million incurred on the loans from China Merchant Bank; and
- (v) corporate tax paid of RMB0.6 million.

The cash outflows were partly offset by:

- (i) a decrease in gross amount due from customers for work-in-progress of RMB2.4 million;
- (ii) a decrease in inventories of RMB0.6 million;
- (iii) a decrease in trade and other receivables of RMB1.3 million;
- (iv) an increase in gross amount due to customers for work-in-progress of RMB0.3 million; and
- (v) interest income received of RMB0.2 million.

Net cash outflows from investing activities of approximately RMB2.6 million, attributed to the purchase of office furniture and development costs capitalized of RMB2.6 million in aggregate.

Net cash inflows from financing activities of approximately RMB36.7 million, generated from share proceeds of RMB5.8 million as a result of the issuance of 24 million new shares pursuant to a placement exercise on 25 August 2014, successful loan renewal and fresh loans of RMB170.0 million were approved and received from China Merchants Bank coupled with debt factoring arrangement with Bank of Jilin Co, Ltd of RMB2.6 million. In addition, the commencement of the use of the facilities resulted in proceeds received from bills payable of RMB7.4 million. The increase in cash inflows of RMB185.8 million were partly offset by the cash outflows from share issuance expenses of RMB0.2 million, full repayments of bank loans and borrowings of RMB80.0 million upon maturity, increased in bank deposits pledged of RMB61.7 million in order to secure both additional loans and bills payable facilities coupled by the settlements of bills payable of RMB7.2 million during the year.

Overall our cash and cash equivalents increased by approximately RMB22.1 million in FY2014; partly offset by the exchange loss of RMB56,000 on translation of cash and cash equivalents to RMB22.1 million. In the light of the foregoing, overall cash and cash equivalents increased from RMB53.0 million as at 31 December 2013 to RMB75.1 million as at 31 December 2014.

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.**

China's GDP grew 7.4% percent in 2014, which was slightly below market expectations, and this registered the weakest expansion when compared against past years. Stepping into 2015, the Chinese economy is displaying further signs of weakness with reports of slowing exports and a contracting Purchasing Managers Index. This raises hope that the PRC government would inject more economic stimulus into the market in order to grow the economy in 2015. So far, China has taken moves to cut rates and bank reserve ratios, expand investment in infrastructure and deepen reforms in various sectors, and the Group is a beneficiary of these favourable expansionary economic policies. The increase in loan quantum from China Merchants Bank would enable us to undertake more industrial wastegas and wastewater projects in FY2015. This endorsement from the bank augurs well for us especially in this challenging business climate where collections remain slow, and we have to work extremely hard to stay profitable and maintain a healthy cash flow in the Group.

The Group will continue to leverage on new technology and innovation, and the continuous financial support from the bank to strengthen its competitive edge over its competitors. Our management is also actively looking for potential opportunities in mergers and acquisitions activities so as to diversify into other complementary environmental businesses that would provide stable income to the Group. As at 31 December 2014, the Group has secured an order book of approximately RMB160.0 million.

**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 2014 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.**

<b>Segmental information</b> <b>(RMB'000)</b>	<b>Dust elimination</b>	<b>Desulphurisation</b>	<b>Industrial wastewater</b>	<b>Operation and maintenance</b>	<b>Design, Technical services &amp; Others</b>	<b>Total</b>
<b>2014</b>						
<b>Revenue</b>						
Sales to external customers	22,202	6,411	20,357	22,417	1,000	72,387
<b>Results</b>						
Segment gross profit	5,632	2,261	5,033	8,263	991	22,180
<b>2013</b>						
<b>Revenue</b>						
Sales to external customers	5,932	-	14,626	15,990	-	36,548
<b>Results</b>						
Segment gross profit	1,081	(135)	1,608	2,426	-	4,980

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 2014, revenue from three (2013: three) major customers amounted to RMB22.4 million, RMB9.5 million and RMB8.5 million (2013: RMB16.0 million, RMB11.9 million and RMB2.0 million), arising from sales by the operation and maintenance and industrial wastewater segment. In FY2013, the sales derived from these major customers were from the industrial wastewater, operation and maintenance and dust elimination 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**

	<b>Group</b>		
	<b>2014</b>	<b>2013</b>	<b>change</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
Sales reported for the first half year	25,915	24,737	4.8%
Operating loss after tax reported for the first half year	(1,849)	(31,250)	-94.1%
Sales reported for the second half year	46,472	11,811	293.5%
Operating profit/(loss) after tax reported for the second half year	1,945	(71,895)	NM

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

Not applicable.

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	46	Cousin of Lin Baiyin *	<p><b>(1) Procurement Manager – Leader Environmental Technologies Limited</b></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><b>(2) Director of Jilin Anjie Environmental Engineering Co., Ltd.</b></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 2014, 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 the 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	(4,531)	421
<b>Total</b>	<b>78,161</b>	<b>(73,209)</b>	<b>-</b>	<b>(4,531)</b>	<b>421</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.

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

### Private placement on 25 August 2014

<u>Usage of private placement proceeds</u>	RMB'000
Gross proceeds received, earmarked as working capital for the Company	5,823
<b>Amount utilised as follows:</b>	
Directors' remunerations, Directors' fees and staff payroll and related costs	(2,137)
Compliance costs	(1,138)
Insurance	(45)
Legal fees incurred on the renewal of bank loans	(27)
Printing and courier charges	(124)
Others *	(419)
Exchange gain	29
Balance as at 31 December 2014	<u>1,962</u>

\* Others comprised of office rental, travelling and entertainment expenses.

**BY ORDER OF THE BOARD**  
**Leader Environmental Technologies Limited**

Lin Baiyin  
Executive Chairman and Chief Executive Officer

27 February 2015