



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 2015

Unaudited Financial Statement and Dividend Announcement for the Half-year Ended 30 June 2015 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 2015 ("2Q2015") RMB'000	Unaudited Apr to Jun 2014 ("2Q2014") RMB'000	change %	Unaudited Jan to Jun 2015 ("HY2015") RMB'000	Unaudited Jan to Jun 2014 ("HY2014") RMB'000	change %
Revenue	14,327	7,781	84.1%	24,344	25,915	-6.1%
Cost of sales	(9,429)	(4,957)	90.2%	(13,584)	(17,282)	-21.4%
Gross profit	4,898	2,824	73.4%	10,760	8,633	24.6%
Financial income	38	14	171.4%	1,125	40	2712.5%
Other income	143	2	7050.0%	143	23	521.7%
Selling and distribution expenses	(477)	(428)	11.4%	(990)	(807)	22.7%
Administrative expenses	(3,321)	(2,866)	15.9%	(6,345)	(5,749)	10.4%
Finance costs	(1,938)	(1,687)	14.9%	(3,826)	(3,057)	25.2%
Other expenses	41	-	NM	(125)	-	NM
Share of results of associate company	(58)	(233)	-75.1%	(275)	(459)	-40.1%
Profit/(loss) before taxation	(674)	(2,374)	-71.6%	467	(1,376)	NM
Taxation	(14)	211	NM	(634)	(473)	34.0%
Loss for the period representing total comprehensive expense attributable to owners of the Company*	(688)	(2,163)	-68.2%	(167)	(1,849)	-91.0%

* There are no other comprehensive income and expense 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:

	Group			Group		
	Unaudited Apr to Jun 2015 RMB'000	Unaudited Apr to Jun 2014 RMB'000	change %	Unaudited Jan to Jun 2015 RMB'000	Unaudited Jan to Jun 2014 RMB'000	change %
Depreciation of property, plant and equipment	209	209	-	409	417	(1.9)
Amortisation of intangible assets	363	300	21.0	729	602	21.1
Operating lease expenses	256	262	(2.3)	512	521	(1.7)
Interest expense	1,938	1,687	14.9	3,826	3,057	25.2
Interest income	(38)	(14)	171.4	(1,125)	(40)	2,712.5
Inventories recognised as an expense in cost of goods sold	2,285	2,664	(14.2)	2,422	3,103	(21.9)
Employee compensations	1,853	2,054	(9.8)	3,749	3,902	(3.9)
Exchange (gain)/loss	(41)	(2)	NM	125	(23)	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 2015 RMB'000	Unaudited 31 Dec 2014 RMB'000	Unaudited 30 Jun 2015 RMB'000	Unaudited 31 Dec 2014 RMB'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	10,080	10,469	3	4
Intangible assets	6,260	6,966	-	-
Club membership	740	763	-	-
Investment in subsidiary	-	-	152,494	152,494
Investment in associate	3,439	3,715	4,845	4,845
	20,519	21,913	157,342	157,343
CURRENT ASSETS				
Gross amount due from customers for contract work-in-progress	35,047	17,207	-	-
Inventories	1,438	1,747	-	-
Trade and other receivables	191,059	205,926	40,562	41,629
Prepayments	196,398	175,188	202	178
Bank deposits pledged	22,739	62,172	-	-
Cash and cash equivalents	45,057	75,051	1,215	1,945
	491,738	537,291	41,979	43,752
TOTAL ASSETS	512,257	559,204	199,321	201,095
CURRENT LIABILITIES				
Gross amount due to customers for contract work-in-progress	-	1,772	-	-
Trade and other payables	33,708	39,927	1,015	492
Loans and borrowings	127,000	172,600	-	-
Other liabilities	27,058	19,148	898	1,424
Income tax payable	162	1,261	-	-
	187,928	234,708	1,913	1,916
NET CURRENT ASSETS	303,810	302,583	40,066	41,836
Non-current liabilities				
Deferred tax liabilities	4,643	4,643	-	-
TOTAL LIABILITIES	192,571	239,351	1,913	1,916
NET ASSETS	319,686	319,853	197,408	199,179
Equity attributable to owners of the Company				
Share capital	211,449	211,449	211,449	211,449
Reserves	31,294	31,294	-	-
Accumulated profits/(loss)	76,943	77,110	(14,041)	(12,270)
TOTAL EQUITY	319,686	319,853	197,408	199,179
TOTAL EQUITY AND LIABILITIES	512,257	559,204	199,321	201,095

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 2015 RMB'000	As at 31 Dec 2014 RMB'000
Amount repayable in one year or less, or on demand		
- secured	17,785	60,232
- unsecured	110,000	112,600
	127,785	172,832
Amount repayable after one year		
- secured	-	-
- unsecured	-	-
	-	-

Details of any collateral

As at 30 June 2015, RMB110.0 million (31 December 2014: RMB110.0 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 RMB17.0 million (31 December 2014: RMB60.0 million) were secured by bank deposits of RMB18.0 million (31 December 2014: RMB62.0 million).

As at 30 June 2015, the Group also has RMB0.8 million (31 December 2014: RMB0.2 million) of bills payable to suppliers which are secured by bank deposits pledged of RMB0.8 million (31 December 2014: RMB0.2 million). 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-Jun-15	30-Jun-14
	RMB'000	RMB'000
Cash Flows from Operating Activities		
Profit/(loss) before tax	467	(1,376)
<u>Adjustments for :</u>		
Depreciation of property, plant and equipment	408	417
Amortisation of intangible assets	729	602
Finance costs	3,826	3,057
Interest income	(1,125)	(40)
Share of results of associate	276	459
Unrealised exchange loss/(gain)	27	(18)
Total adjustments	4,141	4,477
Operating profit before changes in working capital	4,608	3,101
<u>Changes in working capital</u>		
(Increase)/decrease in gross amount due from customers for contract work-in-progress	(17,840)	2,677
Decrease/(increase) in inventories	309	(9)
Decrease in trade and other receivables	14,867	2,539
Increase in prepayments	(21,210)	(23,512)
Decrease in gross amount due to customers for contract work-in-progress	(1,772)	(1,542)
Decrease in trade and other payables	(6,772)	(2,490)
Increase/(decrease) in other liabilities	7,910	(16,284)
Cash used in operations	(19,900)	(35,520)
Interest income received	1,125	40
Interest paid	(3,826)	(3,057)
Income taxes paid	(1,733)	-
Net cash used in operating activities	(24,334)	(38,537)
Cash flows from investing activities		
Purchase of property, plant and equipment	(19)	(5)
Net cash used in investing activities	(19)	(5)
Cash flows from financing activities		
Proceeds from bills payable	553	7,241
Proceeds from loans and borrowings	47,000	30,000
Repayments of loans and borrowings	(92,600)	-
Decrease/(increase) in bank deposits pledged	39,433	(38,059)
Net cash used in financing activities	(5,614)	(818)
Net decrease in cash and cash equivalents	(29,967)	(39,360)
Exchange differences on translation of cash and cash equivalents	(27)	18
Cash and cash equivalents at beginning of year	75,051	52,987
Cash and cash equivalents at end of year (Note A)	45,057	13,645

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 A: Cash and cash equivalents	2015	2014
Cash and bank balances	67,796	52,204
Less: bank deposits pledged	(22,739)	(38,559)
Cash and cash equivalents	<u>45,057</u>	<u>13,645</u>

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

The Group

Attributable to the owners of the Company

	PRC				
	statutory				
	Share capital RMB'000	reserve fund RMB'000	Merger reserve RMB'000	Accumulated profits RMB'000	Total equity RMB'000
At 1 January 2015	211,449	31,749	(454)	77,109	319,853
Loss for the period, representing total comprehensive loss for the period	-	-	-	(167)	(167)
At 30 June 2015	<u>211,449</u>	<u>31,749</u>	<u>(454)</u>	<u>76,942</u>	<u>319,686</u>

	PRC				
	statutory				
	Share capital RMB'000	reserve fund RMB'000	Merger reserve RMB'000	Accumulated profits RMB'000	Total equity RMB'000
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>

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)**

The Company

	Share capital RMB'000	Accumulated loss RMB'000	Total RMB'000
At 1 January 2015	211,449	(12,270)	199,179
Loss for the period, representing total comprehensive loss for the period	-	(1,771)	(1,771)
At 30 June 2015	<u>211,449</u>	<u>(14,041)</u>	<u>197,408</u>

	Share capital RMB'000	Accumulated loss RMB'000	Total RMB'000
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>

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 2015 and 31 December 2014.

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 2015	31 Dec 2014
Total number of shares issued at end of period/year	<u>551,959,000</u>	<u>551,959,000</u>

The Company does not have any treasury shares as at 30 June 2015 and 31 December 2014.

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 2015 and 31 December 2014.

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.**

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 2014 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 2015.

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 551,959,000 ordinary shares for the six month ended 30 June 2015 (HY2014: 527,959,000 ordinary shares).

	Group	
	Jan to Jun 2015	Jan to Jun 2014
Loss after tax attributable to owners of the Company (RMB'000)	<u>(167)</u>	<u>(1,849)</u>
Basic loss per share (RMB cents per share)	<u>(0.03)</u>	<u>(0.35)</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 2015	31 Dec 2014	30 Jun 2015	31 Dec 2014
Net asset value (RMB'000)	<u>319,686</u>	<u>319,853</u>	<u>197,408</u>	<u>199,179</u>
Net asset value per share (RMB cents per share)	<u>57.92</u>	<u>57.95</u>	<u>35.76</u>	<u>36.09</u>

Net asset value for the Group and Company as at 30 June 2015 and 31 December 2014 were computed based on 551,959,000 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

	2Q2015		2Q2014		HY2015		HY2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Industrial wastegas treatment								
- Dust elimination	4,774	33.4%	119	1.5	7,976	32.8%	3,116	12.0
- Desulphurization	6,853	47.8%	-	-	11,665	47.9%	-	-
- Denitrification	1,118	7.8%	-	-	1,118	4.6%	-	-
Industrial wastewater	202	1.4%	2,596	33.4	202	0.8%	10,735	41.4
Design, technical & others	-	-	-	-	-	-	1,000	3.9
Operation and maintenance	1,380	9.6%	5,066	65.1	3,383	13.9%	11,064	42.7
	14,327	100.0	7,781	100.0	24,344	100.0%	25,915	100.0

Revenue

Total revenue decreased by RMB1.6 million or 6.1%, from RMB25.9 million in HY2014 to RMB24.3 million in HY2015 due to the absence of design and technical contract of RMB1.0 million, lower contributions from industrial wastewater contracts of RMB10.5 million, which was in line with fewer contracts performed in HY2015 and operation and maintenance of RMB7.7 million as we have agreed with the customer to scale down the amount of work. The overall decrease of RMB19.2 million was partly offset by desulphurization and denitrification contracts performed of RMB11.7 million and RMB1.1 million respectively as there were no such contributions in HY2014. In addition, the drop in revenue was also mitigated by higher contribution from dust elimination contract of RMB4.8 million as we had won a new large scale dust elimination contract with our latest in-house developed technology whereby substantial works were performed in HY2015.

Gross profit and gross profit margin

Total gross profit increased by RMB2.1 million or 24.6% to RMB10.8 million in HY2015 as a result of substantial works performed on a large scale dust elimination contract which contributed to an increase in gross profit of RMB2.9 million and the return of both desulphurization and denitrification works rendered in HY2015 also boosted the gross profit by another RMB3.8 million and RMB0.7 million respectively. The overall increase in gross profit of RMB7.4 million was partly offset by the absence of design and technical contract of RMB1.0 million, lower gross profit from industrial wastewater contracts of RMB2.5 million due to fewer contracts performed and operation and maintenance contract of RMB1.8 million as we have agreed with the customer to scale down the amount of work and early termination of contract.

Overall gross profit margin increased by 10.9%, from 33.3% in HY2014 to 44.2% in HY2015 on the back of higher gross margin generated of 7.2% as we charged a as we charged the customer at a slight premium due to our successful application of the latest patented dust elimination technology, the return of denitrification work added 63.7% to the gross margin as the segment of engineering, procurement and construction works performed involved the highest gross margin and lower operating expenses incurred on the operation and maintenance contract also improved the gross profit margin by 20.8% as we are preparing the handover of the wastegas treatment system. The increase was partly offset by the absence of design and technical works which usually generates gross profit margin of more than 90% since only labour costs are involved. The gross margin was further weakened by the industrial wastewater contract, 4.9% in HY2015 as opposed to 23.5% in HY2014, as the contract was near its tail end. In addition, the return of desulphurization contracts in HY2015 also pulled down the overall gross margin as the average gross margins derived from these contracts were only 32.8%.

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 for HY2015 increased by RMB1.1 million from RMB40,000 in HY2014 to RMB1.1 million in HY2015 due primarily to financial income relating to bank deposits pledged in 2014 which was received and recorded in 1Q2015.

Other income

Other income for HY2015 increased by RMB0.1 million or 521.7%, from RMB23,000 in HY2014 to RMB143,000 in HY2015 due to the final distribution in specie received of RMB143,000 from the liquidation of Pioneer Membrane Pte Ltd, partly offset by the absence of exchange gain of RMB23,000.

Other items of expense

For HY2015, selling and distribution expenses increased by RMB0.2 million or 22.7%, from RMB0.8 million in HY2014 to RMB1.0 million in HY2015 as a result of pay increments, higher office expenses incurred on the tendering of contracts for second half of the year and travelling and promotional expenses of RMB0.2 million in aggregate.

Administrative expenses increased by RMB0.6 million or 10.4%, from RMB5.7 million in HY2014 to RMB6.3 million in HY2015 due to higher welfare expenses for the employees of RMB0.1 million, travelling expenses of RMB0.1 million to perform due diligence works on the potential acquisition, insurance of RMB0.1 million as a result of increase in premiums on the motor vehicles, professional fees of RMB0.2 million to perform valuation on the target company, amortization expenses of RMB0.1 million as the patent registered on the in-house developed dust elimination technology only commenced amortization in December 2014 and miscellaneous expenses of RMB0.2 million. The increase of RMB0.8 million was partly offset by downward adjustments of Directors' remunerations and staff payroll amounting to RMB0.2 million in aggregate.

Higher finance costs of RMB3.8 million were incurred in HY2015 against RMB3.1 million in the corresponding period of last year due to an increase in loan quantum obtained, from RMB110.0 million in HY2014 to RMB127.0 million in HY2015, partly offset by lower interest rate offered by China Merchants Bank.

The other expenses for HY2015 relate to exchange loss of RMB0.1 million arising from the translation of Singapore dollar bank balances. There was no such expense in HY2014.

Share of results of associated company declined by RMB0.2 million or 40.1% as the associate posted a smaller loss in HY2015.

Income tax expense

Income tax expense increased by RMB0.1 million or 34.0%, from RMB0.5 million in HY2014 to RMB0.6 million in HY2015 which was in line with the higher taxable profits generated by our PRC subsidiary.

Profit after taxation

The Group recorded a lower loss after taxation of RMB0.2 million in HY2015 against RMB1.8 million in the corresponding period of last year as a result of higher gross profit and financial income, partly offset by higher operating expenses.

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 RMB20.5 million and comprise property, plant and equipment ("PPE") of RMB10.1 million, intangible assets of RMB6.3 million, club membership of RMB0.7 million and investment in associate of RMB3.4 million as at 30 June 2015. The decrease in PPE of RMB0.4 million was attributed mainly to depreciation during the financial period.

- 1.1 Intangible assets amounted to RMB6.3 million and comprise patents of RMB2.5 million and deferred development costs of RMB3.8 million as at 30 June 2015. The decrease in intangible assets of RMB0.7 million was attributed mainly to amortization in HY2015. The patents in relation to a dust precipitator and internally developed new dust elimination technology with pulsating rotary positioning mechanism have a remaining tenure of nil (2014: 5 months) and 113 months (2014: 119 months) as at 30 June 2015 respectively. In the case of the deferred development costs, they have an average amortization period of 41 months (2014: 47 months) as at 30 June 2015.
- 1.2 Club membership of RMB0.7 million relates to a golf club membership acquired in May 2011. The Group's accounting policy is to amortize the club membership on a straight line basis over its useful life of 20 years. As at 30 June 2015, the club membership has a remaining useful life of 191 months (2014: 197 months).
- 1.3 Investment in associate decreased by RMB0.3 million, from RMB3.7 million as at 31 December 2014 to RMB3.4 million as at 30 June 2015 due mainly to the share of post-acquisition loss of RMB0.3 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 RMB491.7 million and RMB537.3 million as at end of 30 June 2015 and 31 December 2014 respectively. Our current assets accounted for 96.0% and 96.1% of our total assets as at 30 June 2015 and 31 December 2014 respectively.

- 2.1 Amount due from customers for contract work-in-progress relates to unbilled trade receivables and amounted to RMB35.0 million and RMB17.2 million as at 30 June 2015 and 31 December 2014 respectively, constituting 7.1% and 3.2% of our current assets as at the respective dates. The increase of RMB17.8 million was attributed to more contracts undertaken have yet to reach their billing milestones.
- 2.2 Inventories decreased marginally from RMB1.7 million as at 31 December 2014 to RMB1.4 million as at 30 June 2015. We normally do not maintain high level of inventories in the warehouse due to relatively short purchasing lead time.
- 2.3 Trade and other receivables comprise trade receivables, bills receivable, retention monies and other receivables amounted to RMB191.1 million and RMB205.9 million as at 30 June 2015 and 31 December 2014 respectively, and accounted for 38.9% and 38.3% of our current assets as at the respective balance sheet dates. Trade receivables and retention monies amounted to RMB187.8 million as at 30 June 2015, representing a decrease of approximately RMB4.5 million from 31 December 2014. The decrease was attributed mainly to collections during the period.
- 2.4 Bills receivable received from the customers for settlement of debts amounted to nil and RMB4.4 million as at 30 June 2015 and 31 December 2014 respectively. All the outstanding bills receivable have matured and were presented to the bank for payments in this financial period, which explained for the decrease in bills receivable of RMB4.4 million.
- 2.5 Other receivables comprise advances to employees for business purposes, bidding deposits and tax recoverable. Other receivables amounted to RMB3.3 million and RMB9.2 million as at 30 June 2015 and 31 December 2014 respectively. The decrease of RMB5.9 million was in line with the decrease in advances to employees of RMB4.8 million and amount recovered of RMB1.1 million from Pioneer Membrane Pte. Ltd upon completion of Members' Voluntary liquidation.
- 2.6 Prepayments comprise prepaid operating expenses, advances to trade and non-trade suppliers amounted to RMB196.4 million and RMB175.2 million as at 30 June 2015 and 31 December 2014 respectively. The increase of RMB21.2 million was attributed mainly to more advance payments made to certain suppliers of raw materials as part of the tender requirements by the customers. The advances will be refunded back if the tenders for certain contracts are not successful.

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

- 2.7** Bank deposits pledged decreased by RMB39.5 million, from RMB62.2 million as at 31 December 2014 to RMB22.7 million as at 30 June 2015 which was in line with the decrease in loans and borrowings.
- 2.8** Cash and cash equivalents amounted to RMB45.1 million and RMB75.1 million as at 30 June 2015 and 31 December 2014 respectively, and accounted for 9.2% and 14.0% 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 RMB187.9 million and RMB234.7 million as at 30 June 2015 and 31 December 2014 respectively, and accounted for 97.6% and 98.1% of total liabilities as at the respective balance sheet dates.

- 3.1** Gross amount due to customers for contract work-in-progress of RMB1.8 million as at 31 December 2014 relates to advance payment from a customer. There were no such receipts as at 30 June 2015.
- 3.2** Trade payables amounted to RMB29.5 million, representing a decrease of approximately RMB6.9 million over FY2014 due to payments made during the period which was in line with the decrease in revenue and payments made during the financial period.
- 3.3** Other payables comprise primarily VAT and other operating tax payables and accruals of other operating expenses. Other payables amounted to RMB3.4 million and RMB3.3 million as at 30 June 2015 and 31 December 2014 respectively.
- 3.4** Bills payable increased by RMB0.6 million, from RMB0.2 million as at 31 December 2014 to RMB0.8 million as at 30 June 2015 as we had increased the utilization of bills payable facilities as a form of settlement with the suppliers.
- 3.5** Loans and borrowings decreased by RMB45.6 million, from RMB172.6 million as at 31 December 2014 to RMB127.0 million as at 30 June 2015 as a result of repayments made during the financial period.
- 3.6** Other liabilities comprise accrued purchases, salaries and travelling expenses and advances from customers. Other liabilities amounted to RMB27.0 million and RMB19.1 million as at 30 June 2015 and 31 December 2014 respectively.
- 3.7** Accrued output VAT, purchases, salaries and related expenses, operating expenses and welfare expenses amounted to RMB4.1 million and RMB5.1 million as at 30 June 2015 and 31 December 2014 respectively which was in line with the decrease in revenue.
- 3.8** Advances from customers amounted to RMB22.9 million and RMB14.0 million as at 30 June 2015 and 31 December 2014 respectively. The increase of RMB8.9 million was due to signing of more contracts during the financial period.
- 3.9** Income tax payable amounted to RMB0.2 million and RMB1.3 million as at 30 June 2015 and 31 December 2014 respectively. The decrease of RMB1.1 million was due to payments of corporate tax during the financial period.

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 2015, our deferred tax liability remained unchanged at RMB4.6 million.

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 2015 and 31 December 2014, our shareholder's equity decreased from RMB319.9 million to RMB319.7 million due mainly to the loss after taxation of RMB0.2 million in HY2015.

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 HY2015, operating profit before changes in working capital amounted to RMB4.6 million. Net cash used in operating activities amounted to RMB29.0 million attributed mainly to:

- (i) an increase in gross amount due from customers for work-in-progress of RMB17.8 million
- (ii) an increase in prepayments of RMB21.2 million;
- (iii) a decrease in gross amount due to customers for work-in-progress of RMB1.8 million;
- (iv) a decrease in trade and other payables of RMB6.8 million;
- (v) payments of interest expense of approximately RMB3.8 million incurred on the loans and borrowings; and
- (vi) payments of income tax of RMB1.7 million.

The decrease was partly offset by:

- (i) a decrease in inventories of RMB0.3 million;
- (ii) a decrease in trade receivables and other receivables of RMB14.8 million;
- (iii) an increase in other liabilities of RMB7.9 million; and
- (iv) Interest income received of RMB1.1 million.

Net cash used in investing activities of RMB19,000 due to the purchase of computers.

Net cash used in financing activities of RMB5.6 million were due to repayments of loans and borrowings of RMB92.6 million, partly offset by fresh loans obtained of RMB47.0 million from China Merchants Bank, proceeds from bills payable of RMB0.6 million and decrease in bank deposits pledged of RMB39.4 million.

Overall cash and cash equivalents decreased by RMB30.0 million in HY2015. As a result of the foregoing, overall cash and cash equivalent decreased from RMB75.1 million as at 31 December 2014 to RMB45.1 million as at 30 June 2015.

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.

There is still a niggling concern about slowing economic growth in the Chinese economy despite China reporting a 7% growth for its GDP for the second quarter of 2015. Furthermore, recent preliminary figures released showed that its manufacturing sector slumped to its lowest in 15 months in July 2015, purporting that the business environment in China remains largely challenging.

Our Group's operations are likely to tread the path of the Chinese economy as our entire revenue is derived domestically. Although a much needed respite does not appear to be in sight, there are a few positives for the Group that we can take heart from. Our order book remains healthy at RMB104.5 million as at 30 June 2015 and we will continue to secure more contracts in the second half of the financial year. The PRC government's resolve to tackle air pollution by introducing more stringent regulations to tighten various emission requirements works strongly in our favour. We expect the PRC government to roll out more desulphurization and denitrification projects going forward and such projects generally offer better gross profit margins.

Our research and development efforts to enhance and improve our technologies have also paid off. We have recently applied our latest patented dust elimination technology in a project for an oil and gas customer. The project was a success and will certainly put us in good stead to secure more of such large contracts in future. The strength of this latest dust elimination technology lies in its capability to reduce dust emission to almost 15 mg/m³. There are few technologies in the PRC that can achieve similar standards. The common market average dust elimination emission standard is approximately 30 mg/m³, therefore providing us the competitive edge over our competitors during tenders for new contracts.

On the financial front, the Group's operating cash flows continues to be a primary concern of the Board. We shall continue to seek ways to improve the operating cash flows of our PRC subsidiaries. As we strive to shorten the trade receivables collection cycle, much efforts will be directed towards recovering overdue trade receivables and to critically assess if any further impairment on our trade debts is required. Since the onset of the slowdown in the collection of our trade receivables, we have exercised added prudence when accepting new contracts and focused primarily on quality projects. This strategy has served us well and we shall continue to adhere to the strategy as we chart our growth path for the short-to-medium term.

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 2015 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 2015, 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 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	(4,877)	75
Total	78,161	(73,209)	-	(4,877)	75

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 RMB4.9 million was utilized for the payments of operating expenses of the subsidiary.

Private placement on 25 August 2014

Usage of private placement proceeds

RMB'000

Gross proceeds received, earmarked as working capital for the Company 5,823

Amount utilised as follows:

Directors' remunerations, Directors' fees and staff payroll and related costs (3,051)

Compliance costs (1,425)

Insurance (45)

Legal fees incurred on the renewal of bank loans (71)

Printing and courier charges (124)

Others * (706)

Exchange gain 29

Balance as at 30 Jun 2015 430

* Others comprised of office rental, travelling and promotional expenses.

BY ORDER OF THE BOARD
Leader Environmental Technologies Limited

Lin Baiyin
Executive Chairman and Chief Executive Officer

13 August 2015

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 2015 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 2015