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 Third Quarter and the Nine Months Ended 30 September 2015

Unaudited Financial Statement and Dividend Announcement for the Third Quarter Ended 30 September 2015 of Leader Environmental Technologies Limited ("Company") 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

	Group Unaudited 3 Months Ended			Group Unaudited 9 Months Ended		
	30.9.15 RMB'000	**30.9.14 RMB'000**	**Change %**	**30.9.15 RMB'000**	**30.9.14 RMB'000**	**Change %**
Revenue	7,073	22,552	-68.6%	31,417	48,467	-35.2%
Cost of sales	(5,279)	(15,750)	-66.5%	(18,863)	(33,032)	-42.9%
Gross profit	**1,794**	**6,802**	-73.6%	**12,554**	**15,435**	-18.7%
Financial income	41	99	-58.6%	1,166	139	738.8%
Other income	5	420	-98.8%	148	443	-66.6%
Selling and distribution expenses	(389)	(348)	11.8%	(1,379)	(1,155)	19.4%
Administrative expenses	(6,451)	(2,972)	117.1%	(12,796)	(8,721)	46.7%
Finance cost	(1,911)	(1,678)	13.9%	(5,737)	(4,735)	21.2%
Other expenses	(250,354)	(36)	NM	(250,479)	(36)	NM
Share of results of associate company	-	(206)	NM	(275)	(665)	-58.6%
(Loss)/profit before tax	**(257,265)**	**2,081**	NM	**(256,798)**	**705**	NM
Taxation	4,643	(113)	NM	4,009	(586)	NM
(Loss)/profit for the period representing total comprehensive (loss)/profit	**(252,622)**	**1,968**	NM	**(252,789)**	**119**	NM
attributable to owners of the Company	**(252,622)**	**1,968**	NM	**(252,789)**	**119**	NM

There are no 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)/profit before income tax is arrived at after charging/(crediting) the following:

	Unaudited 3 Months Ended			Unaudited 9 Months Ended		
	30.9.15 RMB'000	30.9.14 RMB'000	Change %	30.9.15 RMB'000	30.9.14 RMB'000	Change %
Depreciation of property, plant and equipment	208	209	-0.5%	617	626	-1.4%
Gain on disposal of property, plant and equipment	-	(190)	NM	-	(190)	NM
Amortisation of intangible assets	355	302	17.5%	1,084	904	19.9%
Allowance for impairment of trade receivables	161,213	-	NM	161,213	-	NM
Allowance for impairment of advances to supplier	84,743	-	NM	84,743	-	NM
Tax recoverable written off	503	-	NM	503	-	NM
Impairment loss on investment in associate	3,440	-	NM	3,440	-	NM
Operating lease expenses	264	261	1.1%	776	782	-0.8%
Interest expense	1,911	1,678	13.9%	5,737	4,735	21.2%
Interest income	(41)	(99)	-58.6%	(1,166)	(139)	738.8%
Inventories recognised as an expense in cost of goods sold	5,299	17,316	-69.4%	7,721	20,419	-62.2%
Employee compensations	1,527	1,797	-15.0%	5,276	5,699	-7.4%
Fair value of shares issued pursuant to LET Performance Share scheme	2,798	-	NM	2,798	-	NM
Exchange loss/(gain)	396	(20)	NM	521	(43)	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	Unaudited	Unaudited	Unaudited
	30.9.15	31.12.14	30.9.15	31.12.14
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	11,202	10,469	2	4
Intangible assets	5,916	6,966	-	-
Club membership	729	763	-	-
Investment in subsidiary	-	-	71,715	152,494
Investment in associate	-	3,715	-	4,845
	17,847	**21,913**	**71,717**	**157,343**
CURRENT ASSETS				
Gross amount due from customers for contract work-in-progress	40,660	17,207	-	-
Inventories	1,340	1,747	-	-
Trade and other receivables	38,477	205,926	10	41,629
Prepayments	131,511	175,188	137	178
Bank deposits pledged	17,960	62,172	-	-
Cash and cash equivalents	39,002	75,051	9,900	1,945
	268,950	**537,291**	**10,047**	**43,752**
TOTAL ASSETS	**286,797**	**559,204**	**81,764**	**201,095**
Equity attrubutable to owners of the Company				
Share capital	224,747	211,449	224,747	211,449
Reserves	31,294	31,294	-	-
Accumulated (loss)/profit	(175,679)	77,110	(144,385)	(12,270)
	80,362	**319,853**	**80,362**	**199,179**
Non-controlling interest	6	-	-	-
TOTAL EQUITY	**80,368**	**319,853**	**80,362**	**199,179**
Non-current liabilities				
Deferred tax liabilites	-	4,643	-	-
CURRENT LIABILITIES				
Gross amount due to customers for contract work-in-progress	44,913	1,772	-	-
Trade and other payables	30,805	39,927	418	492
Loans and borrowings	127,000	172,600	-	-
Other liabilities	3,564	19,148	984	1,424
Income tax payable	147	1,261	-	-
	206,429	**234,708**	**1,402**	**1,916**
TOTAL LIABILITIES	**206,429**	**239,351**	**1,402**	**1,916**
TOTAL EQUITY AND LIABILITIES	**286,797**	**559,204**	**81,764**	**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 30.9.2015 RMB'000	As at 31.12.2014 RMB'000
Amount repayable in one year or less, or on demand		
- secured	17,000	60,232
- unsecured	110,000	112,600
	127,000	172,832
Amount repayable after one year		
- secured	-	-
- unsecured	-	-
	-	-

Details of any collateral

As at 30 September 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).

There were no bills payable to suppliers as at 30 September 2015 (31 December 2014: RMB0.2 million) as the outstanding bills had matured and were fully settled in 3Q2015.

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 9 months ended	
	30.9.15	**30.9.14**
	RMB'000	**RMB'000**
Cash Flows from Operating Activities		
(Loss)/profit before tax	(256,798)	705
Adjustments for :		
Fair value of shares issued pursuant to LET Performance Share Scheme	2,798	-
Depreciation of property, plant and equipment	617	626
Amortisation of intangible assets	1,084	904
Gain on disposal of property, plant and equipment	-	(190)
Interest income	(1,166)	(139)
Finance costs	5,737	4,735
Share of results of associate	275	665
Impairment loss on investment in associate	3,440	-
Allowance for impairment of trade receivables	161,213	-
Allowance for impairment of advances to supplier	84,743	-
Tax recoverable written off	503	-
Unrealised exchange gain	-	(52)
Total adjustments	259,244	6,549
Operating profit before working capital changes	2,446	7,254
Increase in gross amount due from customers for contract work-in-progress	(23,453)	(7,619)
Decrease in inventories	407	148
Decrease in trade and other receivables	6,242	783
Increase in prepayments	(41,569)	(27,728)
Increase/(decrease) in gross amount due to customers for contract work-in-progress	43,141	(1,542)
(Decrease)/increase in trade and other payables	(8,890)	427
Decrease in other liabilities	(15,584)	(8,891)
Cash flows used in operations	(37,260)	(37,168)
Interest income received	1,166	139
Interest expenses paid	(5,737)	(4,735)
Income taxes paid	(1,748)	-
Net cash used in operating activities	(43,579)	(41,764)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(1,350)	(5)
Net cash used in investing activities	(1,350)	(5)
Cash Flows from Financing Activities		
Proceeds from issuance of new shares pursuant to the private placement	10,749	5,823
Share issuance expenses	(249)	(208)
Proceeds from loans and borrowings	47,000	30,000
Repayments of loans and borrowings	(92,600)	-
(Repayments of)/proceeds from bills payable - net	(232)	715
Decrease/(increase) in bank deposits pledged	44,212	(30,214)
Net cash generated from financing activities	8,880	6,116
Net decrease in cash and cash equivalents	(36,049)	(35,653)
Exchange differences on translation of cash and cash equivalents	-	52
Cash and cash equivalents at 1 January	75,051	52,987
Cash and cash equivalents as at 30 September (Note A)	**39,002**	**17,386**

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	
	30.9.15	**30.9.14**
Note A: Cash and cash equivalents	**RMB'000**	**RMB'000**
Cash and bank balances	56,962	46,300
Short-term deposits	-	1,800
	56,962	48,100
Less: bank deposits pledged	(17,960)	(30,714)
Cash and cash equivalents	39,002	17,386

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

Group

	Attributable to the owners of the Company					
	Share capital RMB'000	**PRC statutory common reserve RMB'000**	**Merger reserve RMB'000**	**Accumulated profit/(loss) RMB'000**	**Non-controlling interest RMB'000**	**Total equity RMB'000**
Balance at 1 January 2015	211,449	31,748	(454)	77,110	-	319,853
Loss for the period, representing comprehensive loss for the period	-	-	-	(252,789)	-	(252,789)
Issuance of new shares	10,749	-	-	-	-	10,749
Share issue expenses	(249)	-	-	-	-	(249)
Grant of shares under LET Performance share scheme	2,798	-	-	-	-	2,798
	224,747	31,748	(454)	(175,679)	-	80,362
Incorporation of new subsidiary	-	-	-	-	6	6
Balance at 30 September 2015	224,747	31,748	(454)	(175,679)	6	80,368

	Share capital RMB'000	**PRC statutory common reserve RMB'000**	**Merger reserve RMB'000**	**Accumulated profits RMB'000**	**Total equity RMB'000**
Balance at 1 January 2014	205,834	31,230	(454)	77,532	314,142
Profit for the period, representing comprehensive profit for the period	-	-	-	119	119
Issuance of new shares	5,823	-	-	-	5,823
Share issue expenses	(208)	-	-	-	(208)
Balance at 30 September 2014	211,449	31,230	(454)	77,651	319,876

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

Company — **Attributable to the owners of the Company**

	Share capital RMB'000	Accumulated loss RMB'000	Total RMB'000
Balance at 1 January 2015	211,449	(12,270)	199,179
Loss for the period, representing comprehensive loss for the period	-	(132,115)	(132,115)
Issuance of new shares	10,749	-	10,749
Share issue expenses	(249)	-	(249)
Grant of shares under LET Performance share scheme	2,798	-	2,798
Balance at 30 September 2015	224,747	(144,385)	80,362

	Share capital RMB'000	Accumulated loss RMB'000	Total RMB'000
Balance at 1 January 2014	205,834	(8,024)	197,810
Loss for the period, representing comprehensive loss for the period	-	(3,002)	(3,002)
Issuance of new shares	5,823	-	5,823
Share issue expenses	(208)	-	(208)
Balance at 30 September 2014	211,449	(11,026)	200,423

1(e) Changes in issuer's share capital (for the issuer) arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on

	Company	
	Number of shares	Share capital RMB'000
As at 1 January 2015	551,959,000	211,449
Issuance of new shares pursuant to a private placement	51,300,000	10,749
Share issue expenses	-	(249)
	603,259,000	221,949
Grant of shares under LET Performance Share Scheme	13,950,000	2,798
Issued and fully paid-up as at 30 September 2015	617,209,000	224,747

On 22 June 2015, the Company undertook a private placement which comprised the placement of 51,300,000 new ordinary shares in the capital of the Company at $0.045 for each new share.

The Company obtained the in-principle approval from the SGX-ST for the listing and quotation for 51,300,000 new shares on 7 July 2015 and these new shares were successfully listed and quoted on the Main Board of the SGX-ST on 16 July 2015.

Consequent to the private placement, the issued share capital of the Company increased from 551,959,000 ordinary shares to 603,259,000 ordinary shares.

Subsequently on 2 September 2015, the Company allotted and issued, an aggregate of 13,950,000 new shares to 20 employees of the subsidiary in accordance with the terms of the LET Performance Share Scheme. These new employee shares are moratorised for a period of 6 months and there are undertakings by these employees to remain in the employment of the Company for a period of 2 years. The new shares constituted approximately 2.3% of the issued shares of the Company and the last traded market price of the shares prior to the issue and allotment date was S$0.045.

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 September 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

	30.9.2015	31.12.2014
Total number of shares issued at end of period/year	617,209,000	551,959,000

The Company does not have any treasury shares as at 30 September 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 September 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)/earnings per share is based on the Group’s net (loss)/profit attributable to owners of the Company for the respective periods divided by the weighted average of 567,799,269 ordinary shares for the nine month ended 30 September 2015 (9M2014: 529,736,778 ordinary shares).

	Group 9 months ended 30 September	
	2015	**2014**
(Loss)/profit after tax attributable to owners of the Company (RMB'000)	(252,789)	119
Basic (loss)/earnings per share (RMB cents per share)	(44.52)	0.02

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**	
	30.9.15	**31.12.14**	**30.9.15**	**31.12.14**
Net asset value (RMB'000)	80,362	319,853	80,362	199,179
Net asset value per share (RMB cents per share)	13.02	57.95	13.02	36.09

Net asset value for the Group and Company as at 30 September 2015 and 31 December 2014 were computed based on 617,209,000 and 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

<u>Consolidated Statement of Comprehensive Income</u>

Revenue

	3Q2015 RMB'000	%	3Q2014 RMB'000	%	9M2015 RMB'000	%	9M2014 RMB'000	%
Industrial wastegas treatment								
- Dust elimination	5,362	75.8	5,545	24.6	13,338	42.4	8,661	17.9
- Desulphurization	335	4.8	4,634	20.5	12,000	38.2	4,634	9.6
- Denitrification	1,204	17.0	-	-	2,322	7.4	-	-
Industrial wastewater	172	2.4	8,612	38.2	374	1.2	19,347	39.9
Design, Technical and others	-	-	-	-	-	-	1,000	2.0
Operation and maintenance	-	-	3,761	16.7	3,383	10.8	14,825	30.6
	7,073	100.0	22,552	100.0	31,417	100.0	48,467	100.0

<u>Revenue</u>

9M2015 vs 9M2014

Revenue decreased by RMB17.0 million or 35.2%, from RMB48.4 million in 9M2014 to RMB31.4 million in 9M2015 due to the decrease in revenue of industrial wastewater segment of RMB18.9 million, operation and maintenance segment of RMB11.4 million and design and technical segment of RMB1.0 million, partially offset by the increase in revenue of desulphurization segment of RMB7.4 million, dust elimination segment of RMB4.6 million and de-nitrification segment of RMB2.3 million.

The decrease in revenue from industrial wastewater segment in 9M2015 was because there was no new contract and the works performed were mainly at the tail ends where substantial construction and engineering works had already been completed in 2014. There was no contribution generated from the operation and maintenance ("O&M") segment in 3Q2015 as management no longer deemed the contract to be economically viable. The contract was terminated as such. The absence of design and technical contract in 9M2015 also contributed to the decrease in overall revenue because most customers do not offer stand-alone contracts of late.

The increase in revenue from dust elimination segment was due to increased amount of construction and engineering works were performed on a new large scale dust elimination contract applying our latest in-house developed technology, whereas in 9M2014, the contracts undertaken were smaller. Contributions from desulphurization segment also improved the revenue due to more contracts (9M2015: 4 contracts, 9M2014: 2 contracts) and works performed. The successful bidding and commencement of construction and engineering works for a de-nitrification contract also accounted for the increase in revenue. There was no such contract in 9M2014.

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

Gross profit and gross profit margin

Gross profit decreased by RMB2.8 million or 18.7%, from RMB15.4 million in 9M2014 to RMB12.6 million in 9M2015 which was in line with the above-mentioned explanations for the decrease in revenue.

Fluctuation in overall gross profit margin was due to changes in sales mix which improved by 8.1%, from 31.9% in 9M2014 to 40.0% in 9M2015 due to the absence of a small dust elimination contract in 9M2015 which generated a gross profit margin of only 2.4% coupled by a premium was charged on a customer for successful application of the latest patented dust elimination technology. Both accounted for the increase in gross profit margin from 18.4% in 9M2014 to 46.2% in 9M2015. Lower operating expenses incurred on the O&M contract, resulting from improved efficiency, also lifted the gross profit margin by 16.8%.

The overall increase in gross profit margin was partly offset by the industrial wastewater contracts due to unexpected costs incurred for the inspections on 2 projects by the authorities. Consequently, gross profit margin from the industrial wastewater segment was negative in 9M2015 as opposed to 21.5% in 9M2014. In addition, the desulphurization contracts undertaken in 9M2015 also pulled down the overall gross margin as the average gross margins derived from these contracts were only 33.1% against 70.3% in the same period last year because the higher gross profit margin achieved in 9M2014 was skewed by a desulphurization contract in 3Q2014 which generated 98.8% of gross profit margin.

Financial income

Financial income for 9M2015 increased by RMB1.1 million from RMB0.1 million in 9M2014 to RMB1.2 million in 9M2015 due primarily to financial income relating to bank deposits pledged in 2014 which was received and recorded in 1Q2015.

Other income

Other income for 9M2015 decreased by RMB0.3 million or 66.6%, from RMB0.4 million in 9M2014 to RMB0.1 million in 9M2015 due mainly to the absence of rental income of RMB0.2 million, derived from sub-letting part of the operating plant in 9M2014 and gain on disposal of motor vehicle amounting to RMB0.2 million. Other income in 9M2015 solely relates to RMB0.1 million from the liquidation of Pioneer Membrane Pte Ltd.

Other items of expense

For 9M2015, selling and distribution expenses increased by RMB0.2 million or 19.4%, from RMB1.2 million in 9M2014 to RMB1.4 million in 9M2015 as a result of pay increments and travelling and promotional expenses of RMB0.3 million in aggregate, partly offset by higher miscellaneous expenses of RMB0.1 million.

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

Administrative expenses increased by RMB4.1 million or 46.7%, from RMB8.7 million in 9M2014 to RMB12.8 million in 9M2015 due to a non-cash charge of RMB2.8 million, being the fair value of the 13.95 million ordinary shares issued to 20 employees pursuant to the Company's Performance Share Scheme, higher welfare expenses for the employees of RMB0.2 million, professional fees of RMB0.5 million for internal audit and valuation of the proposed target company, travelling and entertainment expenses of RMB0.2 million to perform due diligence works on the potential acquisition, amortization expenses of RMB0.2 million as the patent registered on the in-house developed dust elimination technology only commenced amortization in December 2014, and miscellaneous expenses of RMB0.4 million. The increase of RMB4.3 million was partly offset by downward revisions of Directors' remunerations and staff payroll amounting to RMB0.2 million in aggregate.

Higher finance costs of RMB5.7 million were incurred in 9M2015 against RMB4.7 million in the corresponding period of last year due to an increase in loan quantum obtained, from RMB110.0 million in 9M2014 to RMB127.0 million in 9M2015, partly offset by lower interest rate offered by China Merchants Bank.

Other expenses of RMB250.5 million in 9M2015 comprised the following:

		RMB'000
(i)	Impairment loss on investment in associate	3,440
(ii)	Allowances for impairment of trade receivables	161,213
(iii)	Allowance for impairment of advances to supplier	84,743
(iv)	Others	1,083
		250,479

(i) **<u>Impairment loss on investment in associate</u>**

On 19 July 2013, the Group invested in a start-up Nanosun Pte Ltd ("investee"), taking a 20% equity stake for a consideration of RMB4.9 million (SGD1.0 million) with a view that the company can help the Group grow the water business beyond China. The period we allowed ourselves was 2 years to see results. Investee got off to a rough start as the gestation period for development testing was longer than expected, which is typical of high tech companies. By 2014, the investee expensed more than RMB3.4 million to set up basic infrastructure. The investee had to overcome cash flow issues to sustain development. We understand that through the investee's founder's and CEO's own efforts and contacts, the company was in talks with Economic Development Board (EDB) and Nanyang Technological University for funding and grants to finance its business activities. The company also received a small sales order to deliver small portable water system to an Indonesian client. The investee is confident that the company will be able to bring these plans to fruition which explained why we did not consider the need for impairment in FY2014.

However, being high tech, research and development activities are likely to be capital intensive; there will still be needs for more capital injections. In adhering to our policy of 2 year evaluation, our management deemed it prudent and necessary to impair the remaining carrying value of the investment of RMB3.4 million in 3Q2015.

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

(ii) **Allowance for impairment of trade receivables**

The Group had performed a critical review of its trade receivables and prepayments (advance payments to trade supplier) which led to the impairment of the following trade receivables and prepayments:

Name of customer	Contract sum RMB'000	Amounts received to-date RMB'000	Amounts oustanding RMB'000	Amounts impaired RMB'000	Ageing
辽宁省岭南环保高新技术产业园发展有限公司	116,500	53,096	63,404	63,404	> 4 years
新疆新源欣节能科技有限公司	95,347	4,000	91,347	91,347	> 4 years
通化钢铁股份有限公司	126,117	112,001	14,116	2,000	> 4 years
北京建工金源环保发展有限公司	7,710	5,730	1,980	1,980	> 3years
Others (comprised 6 customers whose oustanding amounts ranges from RMB0.1 million to RMB0.7 million)	29,505	25,915	3,590	2,482	ranging from > 3 years to > 5 years
	375,179	200,742	174,437	161,213	

辽宁省岭南环保高新技术产业园发展有限公司 ("Lingnan")

Lingnan is a state owned environmental enterprise which undertakes mostly large scale environment contracts and some of these contracts are either partially or fully funded by the PRC government. In January 2010, a desulphurization contract of RMB116.5 million was outsourced to our operating subsidiary. We were advised by Lingnan that this was a large scale project, fully funded by the PRC government, and would require a longer duration to complete. The contract was completed in November 2012. Over the course of three financial years, Lingnan received a total funding of RMB40.5 million from the PRC government to finance the above-mentioned contract and this amount was subsequently remitted to us. With the remittance, Lingnan's outstanding debt amount was RMB76.0 million. This outstanding amount included retention monies of RMB11.7 million which had fallen due in November 2013, one year after the project completion date. Lingnan did not receive further funding from the PRC government in 2013 and they held several dialogues with the government officials to follow up on the balance amounts, but to no avail. Lingnan came to a decision to utilize its internal funding of RMB10.0 million and RMB2.6 million in 2013 and 2014 respectively to partially repay its outstanding debts when they failed to receive a response from the government. With the additional receipts of RMB12.6 million from Lingnan, the outstanding debts were further reduced to RMB63.4 million. No impairment was made in FY2014 as management took into consideration that the customer's operations were still sound and was still servicing the debt outstanding. In December 2014, Lingnan served a payment notice to us that they will make a substantial installment payment by September 2015.

The above payment was not received to-date. In October 2015, Lingnan informed us that they can no longer adhere to the earlier commitment made in December 2014 because their business is severely impacted by the slowdown in the Chinese economy and the PRC had not disbursed the funding. Lingnan's cash flow has deteriorated as a result of substantial bad debts and is facing going concern issues. In the light of the foregoing, management is of the view that the probability of recovering the outstanding debts from Lingnan is remote. As a result, management decided to impair the entire trade receivable in 3Q2015. However, we did not commence legal proceedings against Lingnan as we have thus far maintained a cordial relationship with Lingnan, and we hope to continue to follow up closely with the company on the overdue debts. We do not rule out the possibility of seeking legal recourse against Lingnan.

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

新疆新源欣节能科技有限公司 ("Xinyuan")

Xinyuan is a technological company mainly into scientific research and provision of technical services. We were awarded desulphurization contracts by Xinyuan amounting to RMB95.3 million in October 2010. We were informed by the customer that these contracts were to be fully funded by the PRC government. All project works were successfully completed in September 2012; by then Xinyuan had apprised us of the delay in the receipt of the government funding and they could only make a token partial payment from their internal funds. An initial amount of RMB1 million was received from them only in December 2013. By March 2014, Xinyuan informed us that the anticipated government funding has been rescinded and they would propose to repay the contract sum as follows: RMB20 million by August 2015, RMB30 million by end of 2016 and the remaining RMB41.3 million by end of 2017. In December 2014, an additional RMB3 million was collected and the customer reassured us that they would be able to adhere to the proposed repayment schedule. Accordingly, no impairment was deemed necessary on this trade debt as at the end of FY2014.

Our sales manager remained in constant contact with the customer in 2015 and observed that the customer's business had worsened significantly in the recent months. No further payment was received from Xinyuan since the last payment of RMB3 million collected in December 2014; which is way short of the supposed repayment of RMB20 million. In September 2015, Xinyuan informed us that they are no longer able to adhere to the proposed repayment schedule as the company faced severe cash flow constraints and is on the brink of bankruptcy. Their planned investments have failed to take off and attempts to seek government's assistance and funding have proved to be futile. To-date, RMB91.3 million remains outstanding and overdue from Xinyuan, including the project retention monies of RMB9.5 million which had fallen due in September 2014, 2 years after the project completion date. The recent developments do purport that the likelihood of recovering any substantial amount of this trade receivable is highly remote and it is therefore prudent and appropriate to impair the outstanding debt amount in its entirety. Nevertheless, we intend to commence legal proceedings against the customer.

通化钢铁股份有限公司 ("Tonggang")

Our operating subsidiary, Jilin Anjie Environmental Engineering Co., Ltd ("Anjie") had constructed and installed six sets of desulphurization systems for the state-owned steel maker amounting to RMB63.0 million in September 2010 and also provided operation and maintenance (O&M) works on these systems of RMB63.1 million in September 2012. A total of RMB112.0 million had been received from Tonggang, the last payment being 2014, leaving an outstanding balance of RMB14.1 million. Notwithstanding the difficult business environment faced by the customer as demand of steel fell sharply due to the tightening of the housing market by the PRC government, they could still keep up their installment payments every year. As a result, we did not impair the trade receivables in FY2014, considering the fact that the company was supported by the PRC government and they were still considered creditworthy by servicing the debts owed to us every year. Going into the first six months of FY2015, we did not receive any payments from the customer and the sales manager obtained an update from Tonggang that they proposed a payment schedule to repay the outstanding debts of RMB14.1 million within 2 years. Subsequently, in September 2015, the customer approached us to re-negotiate the outstanding debts and requested for a discount of RMB2.0 million as they advised that their cash flows remained tight due to the slowdown in the Chinese economy, but they assured us that they will pay the discounted debts of RMB12.1 million within a 2 year period. Management deliberated and approved the discount of RMB2.0 million out of goodwill and proposed to impair the amount in 3Q2015.

北京建工金源环保发展有限公司 ("Jinyuan")

Jinyuan is in the water treatment business. An industrial wastewater project with a contract sum of RMB7.7 million was awarded to us in November 2009 and only completed in September 2013 because the customer needed a bit more time to prepare the site for the construction and installation work. We were informed by Jinyuan that this contract was also fully funded by the local government. A disbursement of RMB5.7 million was released to Jinyuan by the local authority and the funding was subsequently remitted to us. With this payment, the outstanding amount due from Jinyuan was RMB2.0 million. The outstanding debt included RMB0.4 million of retention monies which had fallen due in September 2014, one year after the project was completed. No impairment of the debt was considered in FY2014 since we had already received approximately 74% of the contract sum from Jinyuan, albeit delayed, because of the detailed and lengthy approving process by the local authority to verify the certification works on each progress achieved. Based on the payment schedule furnished by Jinyuan in August 2014, the remaining outstanding amount of approximately RMB2.0 million should be received prior to May 2015. However, many months had lapsed and there is still no information from Jinyuan whether the payment is still forthcoming from the authority. In view of this uncertainty, management decided to impair the trade receivable and retention monies in 3Q2015.

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

(iii) **Allowance for impairment of advances to supplier**

Advance payments of RMB66.4 million were made to a trade supplier, 长春欣园经贸有限公司, at end of December 2013 to tender for new desulphurization projects relating to 2 customers, namely,长春市供热(集团)有限公司 , and 通化钢铁股份有限公司, and both projects have not started any work in FY2014 and 9M2015 because they are waiting for the funding from PRC government. In addition, Anjie also made two other payments amounting to RMB18.3 million to the same supplier in 2015 to tender for desulphurization contracts relating to another 2 customers, namely, 中铁一局集团市政环保工程有限公司兰州分公司 and 宁夏电投银川热电有限公司. For these two contracts, work already started in June and July 2015.

The advance payment is a common industry practice in China because during the tendering process, the main contractor has to prove to the customers that his company has the financial ability to undertake these projects. The above-mentioned supplier is one of the trusted suppliers in Jilin Changchun. The company has been in this business for more than 10 years and has always been the number one choice of majority of the customers. When it comes to supplier, the Group is always careful in its selection and thorough due diligence is usually performed and approved by the risk management team before the purchasing team proceed to do business with the supplier. The purchasing staff normally visits and checks on the suppliers on a monthly basis and to report immediately to the risk management team if there is anything unusual, a quarterly report of any findings will also be submitted to the risk management team for review. Nothing had come to the attention of the purchasing staff when they performed the checks in FY2014 that the supplier was facing any financial difficulty and would not be able to fulfil its obligation under contract. In fact, we had worked closely with this supplier for a few other projects in the past and there were no complaints. As a result, management did not consider these advance payments were at risk. In early March of this year, we had submitted tenders for two projects and had to make advance payments of RMB10.0 million each to this supplier for the reason as mentioned above. However this time round, Anjie failed in both tenders and the advance payments of RMB20.0 million were returned promptly by this supplier, a testament to the supplier's integrity, which explained why management did not consider the need for any impairment in FY2014.

The good working relationship with the supplier continued into 2Q2015 with no major issues noted, so it never crossed management's mind that the supplier was in deep trouble until recent checks conducted by the purchasing staff in July and August 2015. During his observation, he noted that the supplier is now facing financial difficulties caused by the recent slowdown in the Chinese economy, with fewer customers visiting the supplier to place orders for raw materials and more complaints received from customers. The problems became more severe during our last visit in September 2015 as we are unable to contact the key management staff who had since left the company, hence, making the prospects of recovering the debt bleak. The purchasing staff was also informed by one of the remaining staff of the company that the company may be forced into liquidation if the business conditions do not improve. The report placed the management on high alert as we have another two contracts of which work already started in 2015 and we may need to quickly source for another replacement supplier. Accordingly, management decided that the advances to this supplier of RMB84.7 million are to be fully impaired in 3Q2015. Management will be initiating legal proceedings against the supplier to recover the long overdue debts.

Other than those highlighted above, management is of the view that the trade receivables and prepayments as at 30 September 2015 do not require any impairment because they are deemed to be recoverable.

(iv) Others amounting to RMB1.1 million comprised of tax recoverable of RMB0.5 million written off, exchange loss of RMB0.5 million and flood prevention fund of RMB0.1 million.

The decline in the share of results of associate company of RMB0.4 million in 9M2015 was attributed to no equity accounting was performed for the investment in associate in 3Q2015. The Group recognised instead the remaining carrying value of its investment as at 1 July 2015 as impairment loss under other expenses, the investee company is still in a loss making position after an investment period of over 2 years and there is no sign of turnaround in the foreseeable future.

Income tax expense

For 9M2015, tax expense of RMB4.0 million relates to deferred tax written back of RMB4.6 million, partly offset by corporate tax payable on PRC subsidiary's taxable profits of RMB0.6 million in 1Q and 2Q of FY2015.

In the light of the foregoing, the Group reported a substantial loss after taxation of RMB256.9 million in 9M2015, reversing from a profit after taxation position of RMB0.1 million in 9M2014.

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 RMB17.8 million and comprise property, plant and equipment ("PPE") of RMB11.2 million, intangible assets of RMB5.9 million and club membership of RMB0.7 million as at 30 September 2015. The increase in PPE of RMB0.7 million was attributed to purchase of computers and motor vehicle amounting to RMB1.3 million during the period, partly offset by the depreciation charges of RMB0.6 million.

1.1 Intangible assets amounted to RMB5.9 million and comprise patent of RMB2.4 million and deferred development costs of RMB3.5 million as at 30 September 2015. The decrease in intangible assets of RMB1.1 million was attributed mainly to amortisation in 9M2015. The patents in relation to a dust precipitator was fully amortised and internally developed new dust elimination technology with pulsating rotary positioning mechanism have a remaining tenure of 110 months (2014: 119 months) as at 30 September 2015 respectively. In the case of the deferred development costs, they have an average amortisation period of 38 months (2014: 47 months) as at 30 September 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 amortise the club membership on a straight line basis over its useful life of 20 years. As at 30 September 2015, the club membership has a remaining useful life of 188 months (2014: 197 months).

1.3 Investment in associate decreased by RMB3.7 million, from RMB3.7 million as at 31 December 2014 to nil as at 30 September 2015 due mainly to the recognition of the share of post-acquisition loss of RMB0.3 million in Nano Sun Pte Ltd for the period ended 30 June 2015 and impairment loss of RMB3.4 million in Q32015 as the company is still making losses after more than 2 years of investment (please refer to page 14 for the details relating to the impairment).

1.4 <u>The Company</u>

The Company has impaired approximately RMB121.3 million (RMB2014: nil) on the carrying amount of its investment in the subsidiary, Jilin Anjie Engineering Co., Ltd as at 30 September 2015. The impairment was made in view of the impairment of assets made by the subsidiary during the current period. Management is in the process of performing a detailed assessment of the recoverable amount of the investment in subsidiary and will provide a full assessment of its operation before the end of the year.

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 RMB269.0 million and RMB537.3 million as at end of 30 September 2015 and 31 December 2014 respectively. Our current assets accounted for 93.8% and 96.1% of our total assets as at 30 September 2015 and 31 December 2014 respectively.

2.1 Amount due from customers for contract work-in-progress amounted to RMB40.7 million and RMB17.2 million as at 30 September 2015 and 31 December 2014 respectively and accounted for 15.1% and 3.2% of our current assets as at 30 September 2015 and 31 December 2014 respectively. The increase of RMB23.5 million was attributed to more contracts undertaken have yet to reach their billing milestones.

2.2 Inventories decreased by RMB0.4 million, from RMB1.7 million as at 31 December 2014 to RMB1.3 million as at 30 September 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 receivables and other receivables amounted to RMB38.5 million and RMB205.9 million as at 30 September 2015 and 31 December 2014 respectively, and accounted for approximately 14.3% and 38.3% of our current assets as at the respective balance sheet dates. Trade receivables and retention receivables amounted to RMB34.8 million as at 30 September 2015, representing a decrease of approximately RMB157.5 million from 31 December 2014. The decrease was attributed to trade receivables written off of RMB161.2 million (please refer to page 15 and 16 for the details of the impairment) and net additions to trade receivables of RMB3.7 million 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)

2.4 Bills receivable amounted to RMB50,000 and RMB4.4 million as at 30 September 2015 and 31 December 2014 respectively. The decrease of RMB4.4 million was due to majority of the bills receivable had matured and were presented to the bank for payments in this financial period.

2.5 Other receivables comprise advances to employees for business purposes, bidding deposits and VAT and other recoverable. Other receivables amounted to RMB3.7 million and RMB9.2 million as at 30 September 2015 and 31 December 2014 respectively. The decrease of RMB5.5 million was in line with the decrease in advances to employees of RMB4.6 million and amount recovered of RMB1.1 million from Pioneer Membrane Pte. Ltd upon completion of Members' Voluntary liquidation, partly offset by VAT recoverable of RMB0.2 million as certain contracts undertaken in 9M2015 have yet to reach their billing milestones.

2.6 Prepayments comprising prepaid operating expenses, advances to trade and non-trade suppliers amounted to RMB131.5 million and RMB175.2 million as at 30 September 2015 and 31 December 2014 respectively. The decrease of RMB43.7 million was attributed to advances to trade and non-trade suppliers written off of RMB84.7 million (please refer to page 17 for the details of the impairment) and RMB0.5 million respectively, partly offset by advance payments of RMB41.5 million 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. The advances will be refunded back if the tenders for certain contracts are not successful.

2.7 Bank deposits pledged decreased by RMB44.2 million, from RMB62.2 million as at 31 December 2014 to RMB18.0 million as at 30 September 2015 which was in line with the decrease in loans and borrowings.

2.8 Cash and cash equivalents amounted to RMB39.0 million and RMB75.1 million as at 30 September 2015 and 31 December 2014 respectively, and accounted for 14.5% and 14.0% of our current assets as at the respective balance sheet dates.

3. Current liabilities

Our current liabilities comprise mainly trade and other payables, loans and borrowings, other liabilities and income tax payable. Our current liabilities amounted to RMB206.4 million and RMB234.7 million as at 30 September 2015 and 31 December 2014 respectively, and accounted for approximately 100.0% 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 which amounted to RMB44.9 million and RMB1.8 million as at 30 September 2015 and 31 December 2014 respectively. The increase in gross amount due to customers for contract work-in-progress of RMB43.1 million was attributed to more on-going contracts been performed as at 9M2015, with advances received previously from customers according to the terms of the contracts.

3.2 Trade and other payables comprise mainly trade payables, retention monies and other payables. Trade payables including retention monies amounted to RMB28.9 million as at 30 September 2015, representing a decrease of approximately RMB7.5 million when compared against 31 December 2014, 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 for which invoices have already been received. Other payables amounted to RMB1.9 million and RMB3.3 million as at 30 September 2015 and 31 December 2014 respectively. The decrease was in line with the decrease in revenue.

3.4 Bills payable decreased by RMB0.2 million, from RMB0.2 million as at 31 December 2014 to nil as at 30 September 2015 as we had fully settled the bills payable during the financial period.

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 September 2015 as a result of repayments made during the financial period.

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 RMB3.6 million and RMB19.1 million as at 30 September 2015 and 31 December 2014 respectively.

3.7 Accrued output VAT, purchases, salaries and related expenses, operating expenses and welfare expenses amounted to RMB3.6 million and RMB5.1 million as at 30 September 2015 and 31 December 2014 respectively. The decrease of RMB1.5 million was in line with the decrease in revenue.

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

3.8 Advances from customers amounted to nil as at 30 September 2015, representing a decrease of RMB14.0 million over end of FY2014 as no new contracts were signed in 3Q2015.

3.9 Income tax payable amounted to RMB0.1 million and RMB1.3 million as at 30 September 2015 and 31 December 2014 respectively. The decrease of RMB1.2 million was attributed mainly to payments of corporate tax of RMB1.8 million during the financial period, partly offset by the aggregate of tax provisions of RMB0.6 million relating to 1Q and 2Q this year.

4. Non-current liability

Deferred tax liability decreased by RMB4.6 million as at 30 September 2015 as the past years of deferred tax provisions were written back in 3Q2015 as the subsidiary no longer have any accumulated profits to declare any potential dividend to the holding company to finance its operation due to the huge loss suffered in 3Q2015.

5. Total equity

The Group's total equity comprises share capital, PRC statutory reserve fund, merger reserve, accumulated loss and non-controlling interest. Between 30 September 2015 and 31 December 2014, our shareholder's equity decreased from RMB319.9 million to RMB80.4 million due mainly to the share issuance expenses of RMB0.2 million and loss after tax of RMB252.8 million. The decrease of RMB253.0 million was partly offset by the issuance of new ordinary shares amounting to RMB10.7 million pursuant to a private placement exercise, award of performance shares under LET Performance Share scheme of RMB2.8 million. In addition, the Group also accounted for non-controlling interest of RMB6,000, derived from the incorporation of a new subsidiary which was 95.1% owned.

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 9M2015, operating profit before working capital changes amounted to RMB2.4 million. Net cash flows used in operating activities amounted to RMB46.1 million attributed mainly to:

(i) an increase in gross amount due from customers for work-in-progress of RMB23.5 million;

(ii) an increase in prepayments of RMB41.6 million;

(iii) a decrease in trade and other payables of RMB8.9 million;

(iv) A decrease in other liabilities of RMB15.5 million;

(v) payments of interest expense of approximately RMB5.7 million incurred on the loans mainly from China Merchant Bank; and

(vi) payments of income tax of RMB1.8 million.

These were partly offset by:

(i) a decrease in inventories of RMB0.4 million;

(ii) a decrease in trade and other receivables of RMB6.2 million;

(iii) a increase in gross amount due from customers for work-in-progress of RMB43.1 million; and

(iv) interest income received of RMB1.2 million.

Net cash outflows from investing activities of approximately RMB1.3 million due to purchase of computers and motor vehicle.

Net cash inflows from financing activities of approximately RMB8.9 million were attributed to gross proceeds received of RMB10.7 million from the issuance of new ordinary shares pursuant to a placement exercise on 22 June 2015, fresh loans obtained of RMB47.0 million from China Merchants Bank and a decrease in bank deposits pledged of RMB44.2 million for the purpose of securing short term bank loans. The increase of RMB101.9 million was partly offset by share issuance expenses of RMB0.2 million, repayments of loans and borrowings, and bills payable of RMB92.6 million and RMB0.2 million respectively.

Overall our cash and cash equivalents decreased by approximately RMB36.1 million in 9M2015. In the light of the foregoing, overall cash and cash equivalents decreased from RMB75.1 million as at 31 December 2014 to RMB39.0 million as at 30 September 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.

China is now entering into a new phase of slow growth as the Chinese government begins to implement measures to attain an equitable and sustainable economic structure. In the meantime, the broad construction sector is facing a protracted downturn. Many of our customers and suppliers have endured long periods of enormous financial headwinds; battling dwindling margins and increasing operating costs; severely cash-strapped and unable to obtain external financing as banks have become more cautious about lending. Many of them are now on the verge of business cessation. Our stepped-up efforts to recover certain long outstanding trade receivables have met with little success. On the contrary, our most recent conference with these customers and suppliers have led us to conclude that the likelihood of recovering any substantial part of these over dues are lamentably remote, and therefore management's decision to impair these receivables and prepayments in the current financial period. The write-down of these doubtful receivables was necessary to reflect fairly the financial position of our Group. The Board wishes to reiterate that the decision to impair these receivables for accounting purposes does not preclude any continuing efforts by management to pursue the recovery of these debts; whether partially or in full. Management shall contemplate seeking legal recourse if necessary and as a last resort.

The Board acknowledges the severity of the Group's impairment of its receivables and prepayments. Such massive write-offs should not recur going forward. As part of the efforts to mitigate such operating risks, the Board intends to convene an internal audit by external parties to review the Group's policies and internal controls on certain key business processes; namely, customer acceptance, supplier acceptance, collection of trade receivables and cash disbursement. In the interim, the Board has also resolved that all payments, whether in advance or in arrears, to any single supplier above RMB10 million will require prior approval from the Board.

Management will exercise more stringency in accepting customer contracts. The financial health of the counterparty, new or existing customers alike, shall be rigorously assessed prior to any contract acceptances. Collection of customer deposits upfront will be a precondition to the undertaking of new projects. Advances to suppliers will be proscribed unless under compelling circumstances and management is able to ascertain that any resultant financial risk is remote or insignificant. The Group will also adopt uniform policies and standards when assessing new contracts**,** regardless of whether they are government or privately funded projects**.** The adoption of a more cautious business strategy should help to mitigate the Group's exposure to credit risks and market risks in the longer term. However, the pitfall of such prudency is its impending adverse impact on the Group's operations. In tandem with the expected business slowdown, management intends to reduce the working capital loan from RMB127 million to RMB80 million by the end of the current financial year. The partial pay-down of the bank loans is expected to be funded by the receipts from the outstanding trade receivables as well as the refund of certain prepayments made to suppliers. To-date, the Group has collected approximately RMB6.4 million from its trade receivables and prepayments subsequent to 30 September 2015 and a further RMB41.0 million is expected to be collected by year end. Management is of the view that the remaining receivables and prepayments outstanding as at 30 September 2015 are unlikely to default. There is adequate working capital to meet the needs of the Group's operations for at least the next 12 months.

The business environment in China remains largely challenging. Notwithstanding the competitive edge of our dust elimination technology over our competitors, the incessant slowdown of the broader Chinese economy will undoubtedly pose challenges to our growth plans for the short-to-medium term. Much will hinge on the Chinese government's strategies and plans to rescue its flagging economy. The Group's operating cash flows will continue to be of primary concern to the Board, along with the controls to be put in place to better safeguard the Group's financial assets. The huge impairment loss on the trade receivables, advances to supplier and investment in associate for the current quarter is likely to result in the Group reporting a net loss for the current financial year.

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 nine months ended 30 September 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 September 2015, the net proceeds from the Company's initial public offering have been utilised as follows:

Usage of IPO proceeds	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	(4,952)	-
Total	78,161	(73,209)	-	(4,952)	-

For full details regarding the change in use of the IPO proceeds of RMB4,952,000, from "increasing and enhancing research and development activities, investment in capital expenditures and increase in sales and marketing activities in the representative offices to general working capital for the Company", please refer to the Company's announcement dated 14 June 2013.

The amount of RMB5.0 million was fully 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	(3,280)
Compliance costs	(1,517)
Insurance	(86)
Legal fees incurred on the renewal of bank loans	(71)
Printing and courier charges	(124)
Others *	(774)
Exchange gain	29
Balance as at 30 September 2015	-

* Others comprised office rental, travelling and promotional expenses.

Private placement on 22 June 2015

Usage of private placement proceeds	**RMB'000**
Gross proceeds received, earmarked as working capital for the Company	4,214
Amount utilised as follows:	
Directors' remunerations, Directors' fees and staff payroll and related costs	(218)
Compliance costs	(737)
Legal fees incurred for the private placement and advisory work	(140)
Others *	(157)
Balance as at 30 September 2015	2,962

* Others comprised office rental, travelling and promotional expenses.

The gross proceeds of RMB6,285,735 (S$1,350,000) which had been earmarked for construction and operation of new energy generation (solar photovoltaic, wind and hydro, water management and other related environmental projects) remained unused as at 30 September 2015.

BY ORDER OF THE BOARD
Leader Environmental Technologies Limited

Lin Baiyin
Executive Chairman and Chief Executive Officer

13 November 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 third quarter and the nine months' financial results for the period ended 30 September 2015 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD
Leader Environmental Technologies Limited

Lin Baiyin	Zang Linying
Executive Chairman and Chief Executive Officer	Executive Director and Finance Director

13 November 2015