



**Leader Environmental Technologies Limited**

利德环保技术有限公司

(Incorporated in the Republic of Singapore on 15 August 2006)

(Company Registration Number: 200611799H)

**Unaudited Results for the First Quarter and the three Months Ended 31 March 2016**

**Unaudited Financial Statement and Dividend Announcement for the First Quarter (3 months) Ended 31 March 2016 of Leader Environmental Technologies Limited (“Company”) and Its Subsidiaries (Collectively, “Group”)**

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

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

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

	<b>Group</b>		<b>change</b>
	<b>Unaudited 3 Months Ended</b>		
	<b>31.3.16</b>	<b>31.3.15</b>	
	<b>("1Q2016")</b>	<b>("1Q2015")</b>	<b>%</b>
	<b>RMB'000</b>	<b>RMB'000</b>	
Revenue	2,644	10,017	(73.6)
Cost of sales	(1,468)	(4,155)	(64.7)
Gross profit	<b>1,176</b>	<b>5,862</b>	(79.9)
Financial income	106	1,087	(90.2)
Other income	403	-	NM
Selling and distribution expenses	(446)	(513)	(13.1)
Administrative expenses	(3,338)	(3,024)	10.4
Finance costs	(1,096)	(1,888)	(41.9)
Other expenses	-	(166)	NM
Share of results of associate company	-	(217)	NM
<b>(Loss)/profit before taxation</b>	<b>(3,195)</b>	<b>1,141</b>	NM
Taxation	(1)	(620)	(99.8)
<b>(Loss)/profit for the period and total comprehensive (loss)/income for the period*</b>	<b>(3,196)</b>	<b>521</b>	NM
<b>(Loss)/profit and total comprehensive (loss)/income for the period attributable to:</b>			
Owners of the Company	(3,178)	521	NM
Non-controlling interest	(18)	-	NM
	<b>(3,196)</b>	<b>521</b>	

\* There are no other comprehensive (loss)/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:

	<b>Group</b>		<b>change</b>
	<b>Unaudited 3 Months Ended</b>		
	<b>31.3.16</b>	<b>31.3.15</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
Depreciation of property, plant and equipment	220	200	10.0
Fixed asset written off	32	-	NM
Amortisation of intangible assets and club membership	355	366	(3.0)
Operating lease expenses	259	256	1.2
Interest expense	1,096	1,888	(41.9)
Interest income	(106)	(1,087)	(90.2)
Inventories recognised as an expense in cost of goods sold	34	137	(75.2)
Employee compensations	1,866	1,896	(1.6)
Exchange (gain)/loss	(367)	166	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 As at		Company As at	
	31.3.16 RMB'000	31.12.15 RMB'000	31.3.16 RMB'000	31.12.15 RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	10,718	10,970	1	2
Intangible assets	5,230	5,573	-	-
Club membership	705	717	-	-
Investment in subsidiaries	-	-	75,000	75,000
	<b>16,653</b>	<b>17,260</b>	<b>75,001</b>	<b>75,002</b>
<b>Current assets</b>				
Gross amount due from customers for contract work-in-progress	21,110	18,193	-	-
Inventories	1,342	1,342	-	-
Trade and other receivables	17,948	30,230	-	-
Prepayments	103,890	116,355	89	69
Bank deposits pledged	78	17,960	-	-
Cash and cash equivalents	17,025	26,097	9,058	9,371
	<b>161,393</b>	<b>210,177</b>	<b>9,147</b>	<b>9,440</b>
<b>Total assets</b>	<b>178,046</b>	<b>227,437</b>	<b>84,148</b>	<b>84,442</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and Reserves</b>				
Share capital	224,747	224,747	224,747	224,747
Reserves	31,294	31,294	-	-
Accumulated loss	(198,631)	(195,453)	(142,382)	(141,891)
	<b>57,410</b>	<b>60,588</b>	<b>82,365</b>	<b>82,856</b>
Non-controlling interest	-	18	-	-
<b>Total equity</b>	<b>57,410</b>	<b>60,606</b>	<b>82,365</b>	<b>82,856</b>
<b>Current liabilities</b>				
Gross amount due to customers for contract work-in-progress	-	573	-	-
Trade and other payables	28,314	61,772	886	421
Loans and borrowings	80,000	97,000	-	-
Other liabilities	12,173	7,338	897	1,165
Income tax payable	149	148	1	-
	<b>120,636</b>	<b>166,831</b>	<b>1,783</b>	<b>1,586</b>
<b>Total equity and liabilities</b>	<b>178,046</b>	<b>227,437</b>	<b>84,148</b>	<b>84,442</b>

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

	<b>Group</b>	
	<b>As at 31.3.16</b>	<b>As at 31.12.15</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Amount repayable in one year or less, or on demand</b>		
- secured	-	17,000
- unsecured	80,000	80,000
	<b>80,000</b>	<b>97,000</b>
<b>Amount repayable after one year</b>		
- secured	-	-
- unsecured	-	-
	<b>-</b>	<b>-</b>

**Details of any collateral**

As at 31 March 2016, RMB80.0 million (31 December 2015: RMB80.0 million) of the short term loans and borrowings were guaranteed by way of a corporate guarantee from the Company and personal guarantees by the Executive Chairman cum Chief Executive Officer of the Company and his spouse. No new loan was obtained during the financial period. The loan amount of RMB17.0 million as at 31 December 2015, which were secured by bank deposits pledged of RMB18.0 million, were repaid in full on 29 January 2016.

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

**Consolidated statement of cash flows**

	Group	
	Unaudited 3 months ended	
	31.3.16	31.3.15
	RMB'000	RMB'000
<b>Cash Flows from Operating activities</b>		
(Loss)/profit before taxation	(3,195)	1,141
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	220	200
Amortisation of intangible assets and club membership	355	366
Fixed asset written off	32	-
Interest income	(106)	(1,085)
Interest expense	1,096	1,888
Share of results of associate company	-	218
Unrealised exchange (gain)/loss	(367)	75
Total adjustments	1,230	1,662
<b>Operating (loss)/profit before changes in working capital</b>	<b>(1,965)</b>	<b>2,803</b>
Increase in gross amount due from customers for contract work-in-progress	(2,917)	(12,295)
Decrease in inventories	-	11
Decrease in trade and other receivables	12,324	11,673
Decrease/(increase) in prepayments	12,465	(18,612)
Decrease in gross amount due to customers for contract work-in-progress	(573)	(1,772)
Decrease in trade and other payables	(13,536)	(8,182)
Increase in other liabilities	4,835	6,613
Total changes in working capital	12,598	(22,564)
<b>Cash generated from/(used in) operations</b>	<b>10,633</b>	<b>(19,761)</b>
Interest income received	64	1,085
Interest paid	(1,096)	(1,888)
Income tax paid	-	(1,114)
<b>Net cash generated from/(used in) operating activities</b>	<b>9,601</b>	<b>(21,678)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from loans and borrowings	30,000	47,000
Repayments of loans and borrowings	(47,000)	(90,000)
Repayments of third party loan	(20,000)	-
Proceeds from bills payable	78	526
Decrease in bank deposits pledged	17,882	43,427
<b>Net cash (used in)/generated from financing activities</b>	<b>(19,040)</b>	<b>953</b>
Net decrease in cash and cash equivalents	(9,439)	(20,725)
Exchange differences on translation of cash and cash equivalents	367	(75)
Cash and cash equivalents at 1 January	26,097	75,051
<b>Cash and cash equivalents at 31 March (Note A)</b>	<b>17,025</b>	<b>54,251</b>

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

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

	<b>Group</b>	
	<b>As at</b>	
	<b>31.3.16</b>	<b>31.3.15</b>
	<b>2016</b>	<b>2015</b>
<b>Note A: Cash and cash equivalents</b>		
Cash and bank balances	17,103	72,996
Less: bank deposits pledged	(78)	(18,745)
Cash and cash equivalents	<u>17,025</u>	<u>54,251</u>

As at 31 March 2016, the Group has RMB78,000 (31 March 2015: RMB0.8 million) of bills payable to suppliers which are secured by bank deposits pledged. These bills payable have a maturity period of 180 days and are non-interest bearing.

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

Group

	<u>Attributable to the owners of the Company</u>						Total equity RMB'000
	Share capital RMB'000	PRC statutory common reserve RMB'000	Merger reserve RMB'000	Accumulated loss RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	
<b>Balance at 1 January 2016</b>	224,747	31,748	(454)	(195,453)	60,588	18	60,606
Loss for the period, representing total comprehensive loss for the period	-	-	-	(3,178)	(3,178)	(18)	(3,196)
<b>Balance at 31 Mar 2016</b>	<u>224,747</u>	<u>31,748</u>	<u>(454)</u>	<u>(198,631)</u>	<u>57,410</u>	<u>-</u>	<u>57,410</u>

	<u>Attributable to the owners of the Company</u>					Total equity RMB'001
	Share capital RMB'000	PRC statutory common reserve RMB'000	Merger reserve RMB'000	Accumulated profits RMB'001		
<b>Balance at 1 January 2015</b>	211,449	31,748	(454)	77,110		319,853
Profit for the period, representing total comprehensive profit for the period	-	-	-	521		521
<b>Balance at 31 Mar 2015</b>	<u>211,449</u>	<u>31,748</u>	<u>(454)</u>	<u>77,631</u>		<u>320,374</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**

	<b>Share capital RMB'000</b>	<b>Accumulated loss RMB'000</b>	<b>Total RMB'000</b>
<b>At 1 January 2016</b>	224,747	(141,891)	82,856
Loss for the period, representing total comprehensive expense for the period	-	(491)	(491)
<b>At 31 March 2016</b>	<u>224,747</u>	<u>(142,382)</u>	<u>82,365</u>

	<b>Share capital RMB'000</b>	<b>Accumulated loss RMB'000</b>	<b>Total RMB'000</b>
<b>At 1 January 2015</b>	211,449	(12,270)	199,179
Loss for the period, representing total comprehensive expense for the period	-	(1,110)	(1,110)
<b>At 31 March 2015</b>	<u>211,449</u>	<u>(13,380)</u>	<u>198,069</u>



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

Not applicable.

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

Not applicable. The Company does not have any convertibles as at 31 March 2016 and 31 December 2015.

**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**

	Company	
	31 Mar 2016	31 Dec 2015
Total number of shares issued at end of period/year	617,209,000	<u>617,209,000</u>

The Company does not have any treasury shares as at 31 March 2016 and 31 December 2015.

**1(g)(ii) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable. The Company does not have any treasury shares as at 31 March 2016 and 31 December 2015.

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

The financial statements presented have not been audited or reviewed by the Company's auditors.

**3. Where the figures have been audited or reviewed, please provide a statement on whether there are any qualifications or emphasis of matter.**

Not applicable.

**4. Whether the same accounting policies and 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 2015 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 2016.

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

Nil.

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

The calculation of basic (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 617,209,000 ordinary shares for the three-month ended 31 March 2016 (1Q2015: 551,959,000 ordinary shares).

	<b>Group</b>	
	<b>3 months</b>	
	<b>Jan to Mar 2016</b>	<b>Jan to Mar 2015</b>
(Loss)/profit after tax attributable to owners of the Company (RMB'000)	<u>(3,196)</u>	<u>521</u>
Basic (loss)/earnings per share (RMB cents per share)	<u>(0.52)</u>	<u>0.09</u>

\*There were no potential dilutive options or instruments for both financial periods.

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

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

	<b>Group</b>		<b>Company</b>	
	<b>31 Mar 2016</b>	<b>31 Dec 2015</b>	<b>31 Mar 2016</b>	<b>31 Dec 2015</b>
Net asset value (RMB'000)	57,410	60,588	82,365	82,856
Net asset value per share (RMB cents per share)	9.30	9.82	13.34	13.42

Net asset value for the Group and Company as at 31 March 2016 and 31 December 2015 was computed based on 617,209,0000 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**

	1Q2016		1Q2015	
	RMB'000	%	RMB'000	%
<b>Industrial wastegas treatment</b>				
- Dust elimination	738	27.9	3,202	32.0
- Desulphurization	1,906	72.1	4,812	48.0
	<u>2,644</u>	<u>100.0</u>	<u>8,014</u>	<u>80.0</u>
<b>Operation and maintenance</b>	-	-	2,003	20.0
	<u>2,644</u>	<u>100.0</u>	<u>10,017</u>	<u>100.0</u>

**Revenue**

Total revenue decreased by 73.6% or RMB7.4 million, from RMB10.0 million in 1Q2015 to RMB2.6 million in 1Q2016 as smaller amount of industrial wastegas contracts were scheduled, which accounted mainly for the decrease in revenue contribution from the industrial wastegas segment of RMB5.4 million. In addition, there was also no revenue contribution from operation and maintenance segment in 1Q2016 as the contract was terminated in FY2015 as opposed to RMB2.0 million of revenue contribution in the same corresponding period of last year.

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

**Gross profit and gross profit margin**

Gross profit decreased by RMB4.7 million or 79.9%, from RMB5.9 million in 1Q2015 to RMB1.2 million in 1Q2016 which were in line with smaller amount of contracts performed.

Gross profit margin decreased by 14.0%, from 58.5% in 1Q2015 to 44.5% in 1Q2016 as a result of lower gross profit margin derived from desulphurization contract and dust elimination contract of 23.0% and 14.1% respectively. The desulphurization contract performed in 1Q2015 commanded a higher gross profit margin than the same on-going contract in 1Q2016 because the high gross margin segment of the engineering, procurement and construction works were mainly scheduled and performed in 2015. In the case of dust elimination contract, higher premium was charged in 1Q2015 when compared against 1Q2016 because of the lower technology content required for the on-going project.

**Financial income**

Higher financial income was derived in 1Q2015 of RMB1.0 million because it inadvertently included interest income of RMB1.0 million which relates to FY2014.

**Other income**

In 1Q2016, other income comprised mainly exchange gain of RMB0.3 million, derived from the revaluation of SGD bank balances, as opposed to the exchange loss of RMB0.2 million in 1Q2015.

**Other items of expense**

For 1Q2016, selling and distribution expenses decreased by RMB0.1 million or 13.1%, from RMB0.5 million in 1Q2015 to RMB0.4 million in 1Q2016 due to the resignation of sales manager and lower office expenses of RMB0.2 million in aggregate. The decrease of RMB0.2 million was partly offset by increase in miscellaneous expenses of RMB0.1 million.

For 1Q2016, the increase in administrative expenses of RMB0.3 million or 10.4% was attributed to new payroll of RMB0.6 million relating to the new subsidiary set up in 4Q2015 for the photovoltaic business, partly offset by the decrease in staff payroll and related costs of RMB0.3 million as there were fewer contract workers engaged due to the slowdown in operations in 1Q2016.

Lower finance costs of RMB1.1 million were incurred in 1Q2016 against RMB1.9 million in the same corresponding period of last year due to lower loan quantum obtained and interest rate offered by China Merchants Bank.

The share of results of associated company decreased by RMB0.2 million, from RMB0.2 million in 1Q2015 to nil in 1Q2016 because the investment was fully impaired in FY2015.

**Income tax expense**

Income tax expense decreased by RMB0.6 million in 1Q2016 because the subsidiaries were in loss making position, so no corporate taxes have to be paid.

**Profit after taxation**

In line with the overall decline in the revenue and gross profit for 1Q2016, the Group recorded a loss after tax of RMB3.2 million as opposed to a profit after taxation of RMB0.5 million.

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

**Balance sheet review**

Our non-current assets amounted to RMB16.6 million and comprised property, plant and equipment ("PPE") of RMB10.7 million, intangible assets of RMB5.2 million and club membership of RMB0.7 million as at 31 March 2016. The decrease in PPE of RMB0.3 million was attributed mainly to depreciation and fixed asset written off in 1Q2016.

Intangible assets amounted to RMB5.2 million and comprised patents of RMB2.2 million and deferred development costs of RMB3.0 million as at 31 March 2016. The decrease in intangible assets of RMB0.4 million was attributed mainly to amortization in 1Q2016. The patent in relation to an internally developed new dust elimination technology with pulsating rotary positioning mechanism have a remaining tenure of 104 months (2015: 107 months) as at 31 March 2016 respectively. In the case of the deferred development costs, they have an average amortization period of 32 months (2015: 35 months) as at 31 March 2016.

Club membership which has a remaining useful life of 182 months (2015: 185 months) amounted to RMB0.7 million each as at 31 March 2016 and as at 31 December 2015 respectively.

Our 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 RMB161.4 million and RMB210.2 million as at end of 31 March 2016 and 31 December 2015 respectively. Our current assets accounted for 90.6% and 92.4% of our total assets as at 31 March 2015 and 31 December 2015 respectively.

Gross amount due from customers for contract work-in-progress amounted to RMB21.1 million and RMB18.2 million as at 31 March 2016 and 31 December 2015 respectively and accounted for 13.1% and 8.7% of our current assets as at 31 March 2016 and 31 December 2015 respectively. The increase of RMB2.9 million was mainly due to new work performed in 1Q2016 which have yet to reach agreed billing milestone.

Inventories remained flat at RMB1.3 million for the period/year ended as at 31 March 2016 and 31 December 2015 respectively.

Trade and other receivables comprise trade receivables, bills receivable, retention monies and other receivables amounted to RMB17.9 million and RMB30.2 million as at 31 March 2016 and 31 December 2015 respectively, and accounted for approximately 11.1% and 14.4% of our current assets as at the respective balance sheet dates. Trade receivables and retention monies amounted to RMB14.0 million as at 31 March 2016, representing a decrease of RMB6.5 million from 31 December 2015 as a result of collections during the period.

There was no outstanding bill receivables in 1Q2016 as the amounts of RMB3.5 million were received in full from the customers as at 31 March 2016.

Other receivables comprised advances to employees for business purposes, bidding deposits and tax recoverable. Other receivables amounted to RMB3.9 million and RMB6.2 million as at 31 March 2016 and 31 December 2015 respectively. The decrease of RMB2.3 million was in line with the decrease in revenue.

Prepayments comprised prepaid operating expenses, advances to trade and non-trade suppliers amounted to RMB103.9 million and RMB116.4 million as at 31 March 2016 and 31 December 2015 respectively. The decrease of RMB12.5 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. It must include a discussion of the following:- (cont'd)**

Bank deposits pledged decreased by RMB17.9 million, from RMB18.0 million as at 31 December 2015 to RMB78,000 as at 31 March 2016 because the bank deposits pledged was set-off against the bank loans of RMB17.0 million which was due on 29 January 2016.

Cash and cash equivalents amounted to RMB17.0 million and RMB26.1 million as at 31 March 2016 and 31 December 2015 respectively, and accounted for 10.5% and 12.4% of our current assets as at the respective balance sheet dates.

Our current liabilities comprised mainly gross amount due to customers for contract work-in-progress, trade and other payables, loans and borrowings, other liabilities and income tax payable. Our current liabilities amounted to RMB120.6 million and RMB166.8 million as at 31 March 2016 and 31 December 2015 respectively, and accounted for 100.0% each of our total liabilities as at the respective balance sheet dates.

Gross amount due to customers for contract work-in-progress decreased by RMB0.6 million because of billings and lower advances received for on-going contracts which were in line with the decrease in revenue.

Trade payables including retention monies amounted to RMB26.0 million, representing a decrease of RMB13.5 million over FY2015. The decrease was in line with the decrease in revenue.

Other payables comprised primarily VAT, other operating tax payables and other operating expenses. Other payables amounted to RMB2.3 million and RMB22.2 million as at 31 March 2016 and 31 December 2015 respectively. The decrease of RMB19.9 million was mainly due to the repayments of third party loan during the period.

New bills payable of RMB78,000 was issued to supplier as at 31 March 2016.

Loans and borrowings decreased from RMB97.0 million as at 31 December 2015 to RMB80.0 million as at 31 March 2016 as a result of repayments made during the period.

Other liabilities comprised accrued purchases, VAT, salaries and travelling expenses, other operating expenses, advances from customers and welfare expenses. Other liabilities amounted to RMB12.1 million and RMB7.3 million as at 31 March 2016 and 31 December 2015 respectively.

Accrued purchases, payroll and related expenses, operating expenses and welfare expenses amounted to RMB6.9 million each as at 31 March 2016 and 31 December 2015 respectively.

Advances from customers were RMB5.3 million and RMB0.4 million as at 31 March 2016 and 31 December 2015 respectively. The increase of RMB4.9 million was attributed to advances received for signing of more contracts during the period.

Income tax payable remained flat at RMB0.1 million each as at 31 March 2016 and 31 December 2015.

**Shareholder's equity**

The Group's total shareholder's equity comprises share capital, PRC statutory reserve fund, merger reserve and accumulated profits. Between 31 March 2016 and 31 December 2015, our shareholder's equity decreased from RMB60.6 million to RMB57.4 million due mainly to the loss after taxation of RMB3.2 million.

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

**CASHFLOWS**

In 1Q2016, operating loss before working capital changes amounted to RMB2.0 million. Net cash flows from operating activities, after accounting for working capital changes, interest paid, interest income received and corporate tax amounted to RMB9.6 million and comprised the following:

- (i) an decrease in trade and other receivables of RMB12.3 million;
- (ii) an decrease in prepayments of RMB12.5 million;
- (iii) an increase in other liabilities of RMB4.8 million; and
- (iv) interest income received of RMB64,000.

The cash outflows were partly offset by:

- (i) an increase in gross amount due from customers for contract work in progress of RMB2.9 million;
- (ii) an decrease in trade and other payables of RMB13.5 million;
- (iii) a decrease in gross amount due to customers for contract work in progress of RMB0.6 million; and
- (iv) payments of interest expenses of RMB1.1 million.

Net cash outflows from financing activities of approximately RMB19.0 million, attributed to repayments of bank loans and borrowings, and third party loan of RMB47.0 million and RMB20.0 million respectively. The decrease of RMB67.0 million was partly offset by fresh loans obtained from China Merchants Bank of RMB30.0 million and a decrease in bank deposits pledged of RMB17.9 million which was in line with the decrease in bank loans and borrowings and proceeds from bills payable of RMB78,000.

Overall our cash and cash equivalents decreased by approximately RMB9.4 million in 1Q2016, further decreased by RMB0.3 million as a result of exchange loss from translation of cash and cash equivalents. In the light of the foregoing, overall cash and cash equivalents decreased from RMB26.1 million as at 31 December 2015 to RMB17.0 million as at 31 March 2016.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.



**10. A commentary of the competitive conditions of the industry in which the group operates and any known factors that might affect the group in the next reporting period and the next 12 months has been provided.**

The Chinese economy has posted another set of disappointing data recently as the official Purchasing Manager's Index eased from March's 50.2 to 50.1 in April 2016. To add to the global economic woes and uncertainties, China's central bank has weakened the yuan against the dollar by another 0.6 percent recently, the biggest downward move since August last year. Such a move may create further pessimism in the already weak market. With no sign of recovery from the protracted economic downturn in the PRC, the business environment will undoubtedly remain challenging for the Group in the next twelve months. It is imperative that the Group focuses on the recovery of outstanding receivables and be selective in signing and embarking on new contracts.

Since the preceding quarters, the Board has focused primarily on the management of the Group's operating cash flows. The Group will unquestionably benefit from an improved and stronger balance sheet going forward. While much remains to be done, the Board is encouraged by the Group's achievement of its first operating cash flow positive quarter in 1Q2016 since FY2010. Notwithstanding the Group's lower cash balances as at 31 March 2016, management is confident that there is sufficient liquidity to meet its operational needs in the next twelve months.

**11. Dividend**

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

Any dividend recommended for the current financial period reported on?

No.

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

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

No.

**(c) Date Payable**

Not applicable.

**(d) Book Closure Date.**

Not applicable.

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

No dividend for the three months ended 31 March 2016 is declared or recommended.

**13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group has not obtained a general mandate from its shareholders for IPTs.

**14. Update of usage of IPO proceeds**

As at 31 March 2016, the net proceeds from the Company's initial public offering and private placement have been utilized as follows:

**Private placement on 22 June 2015**

<b><u>Usage of private placement proceeds</u></b>	<b>RMB'000</b>
Gross proceeds received, earmarked as working capital for the Company	4,214
<b>Amount utilised as follows:</b>	
Directors' remunerations, Directors' fees and staff payroll and related costs	(1,018)
Compliance costs	(808)
Legal fees incurred for the loan renewal, private placement and advisory work	(183)
Printing and courier charges	(127)
Intercompany settlement	(92)
Others *	(308)
Balance as at 31 March 2016	<u><u>1,678</u></u>

\* 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 31 March 2016.

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

Lin Baiyin  
Executive Chairman and Chief Executive Officer

6 May 2016

**Confirmation by the Board pursuant to Rule 720(1) of the Listing Manual**

On behalf of the Board of Directors of the Company, we confirm that we have procured all the required undertakings to comply with the Exchange's listing rules from all the Directors and Executive Officers of the Company.

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

On behalf of the Board of Directors of the Company, we confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim financial results for the first quarter ended 31 March 2016 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

6 May 2016