



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 2015

Unaudited Financial Statement and Dividend Announcement for the First Quarter (3 months) Ended 31 March 2015 of Leader Environmental Technologies Limited (“Company”) and Its Subsidiary (Collectively, “Group”)

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

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

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

	Jan to Mar 2015 RMB'000	Jan to Mar 2014 RMB'000	change %
Revenue	10,017	18,134	-44.8%
Cost of sales	(4,155)	(12,325)	-66.3%
Gross profit	5,862	5,809	0.9%
Financial income	1,087	26	4080.8%
Other income	-	21	NM
Selling and distribution expenses	(513)	(379)	35.4%
Administrative expenses	(3,024)	(2,883)	4.9%
Finance costs	(1,888)	(1,370)	37.8%
Other expenses	(166)	-	NM
Share of results of associate company	(217)	(226)	-4.0%
Profit before taxation	1,141	998	14.3%
Taxation	(620)	(684)	-9.4%
Profit for the year and representing total comprehensive income attributable to owners of the Company *	521	314	65.9%

* There are no other comprehensive income items for both financial periods.

1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of immediately preceding year.

(i) Profit before income tax is arrived at after charging/(crediting) the following:

	Group		
	3 months		
	Unaudited Jan to Mar 2015 RMB'000	Unaudited Jan to Mar 2014 RMB'000	change %
Depreciation of property, plant and equipment	200	208	-3.8%
Amortisation of intangible assets and club membership	366	302	21.2%
Operating lease expenses	256	259	-1.2%
Interest expense	1,888	1,370	37.8%
Interest income	(1,087)	(26)	4080.8%
Inventories recognised as an expense in cost of goods sold	137	439	-68.8%
Employee compensations	1,896	1,848	2.6%
Exchange loss/(gain)	166	(21)	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 31 Mar 2015 RMB'000	Unaudited 31 Dec 2014 RMB'000	Unaudited 31 Mar 2015 RMB'000	Unaudited 31 Dec 2014 RMB'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	10,269	10,469	3	4
Intangible assets	6,611	6,966	-	-
Club membership	752	763	-	-
Investment in subsidiary	-	-	152,494	152,494
Investment in associate/s	3,497	3,715	4,845	4,845
	21,129	21,913	157,342	157,343
CURRENT ASSETS				
Gross amount due from customers for contract work-in-progress	29,502	17,207	-	-
Inventories	1,736	1,747	-	-
Trade and other receivables	194,253	205,926	40,611	41,629
Prepayments	193,800	175,188	80	178
Bank deposits pledged	18,745	62,172	-	-
Cash and cash equivalents	54,251	75,051	1,851	1,945
	492,287	537,291	42,542	43,752
TOTAL ASSETS	513,416	559,204	199,884	201,095
CURRENT LIABILITIES				
Gross amount due to customers for contract work-in-progress	-	1,772	-	-
Trade and other payables	32,271	39,927	909	492
Loans and borrowings	129,600	172,600	-	-
Other liabilities	25,761	19,148	906	1,424
Income tax payable	767	1,261	-	-
	188,399	234,708	1,815	1,916
NET CURRENT ASSETS	303,888	302,583	40,727	41,836
Non-current liabilities				
Deferred tax liabilities	4,643	4,643	-	-
TOTAL LIABILITIES	193,042	239,351	1,815	1,916
NET ASSETS	320,374	319,853	198,069	199,179
Capital and Reserves				
Share capital	211,449	211,449	211,449	211,449
Reserves	31,294	31,294	-	-
Retained profits/(loss)	77,631	77,110	(13,380)	(12,270)
TOTAL EQUITY	320,374	319,853	198,069	199,179
TOTAL EQUITY AND LIABILITIES	513,416	559,204	199,884	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 31 Mar 2015 RMB'000	As at 31 Dec 2014 RMB'000
Amount repayable in one year or less, or on demand		
- secured	17,785	60,232
- unsecured	112,600	112,600
	130,385	172,832
Amount repayable after one year		
- secured	-	-
- unsecured	-	-
	-	-

Details of any collateral

As at 31 March 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, additional loans of RMB17.0 million (31 December 2014: RMB60.0 million) were secured by bank deposits pledged of RMB18.0 million (31 December 2014: RMB62.0 million).

On 10 November 2014, the Group entered into an arrangement with Bank of Jilin Co, Ltd to factor certain trade receivable balances of a customer from the steel manufacturing industry of RMB2.6 million (31 December 2014: RMB2.6 million). In the event of default by the customer, the Group is still liable to repay the principal amount and the accrued interest to the Bank of Jilin Co, Ltd. Alternatively, the Group can also choose not to make the repayment, but to convert the factored debts into a loan, which will then be guaranteed by way of a corporate guarantee from the Company. As at 31 March 2015, the amount remained outstanding as the arrangement expires only in May 2015.

As at 31 March 2015, the Group also has RMB0.8 million (31 December 2014: 0.2 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(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	
	31.3.2015	31.3.2014
	RMB'000	RMB'000
Cash Flows from Operating activities		
Profit before taxation	1,141	998
Adjustments for :		
Depreciation of property, plant and equipment	200	208
Amortisation of intangible assets and club membership	366	302
Interest income	(1,085)	(26)
Interest expense	1,888	1,370
Share of results of associate company	218	226
Unrealised exchange loss/(gain)	75	(17)
Total adjustments	1,662	2,063
Operating profit before changes in working capital	2,803	3,061
Increase in gross amount due from customers for contract work-in-progress	(12,295)	(831)
Decrease/(increase) in inventories	11	(25)
Decrease/(increase) in trade and other receivables	11,673	(989)
Increase in prepayments	(18,612)	(24,110)
Decrease in gross amount due to customers for contract work-in-progress	(1,772)	(1,542)
Decrease in trade and other payables	(8,182)	(15,336)
Increase in other liabilities	6,613	912
Total changes in working capital	(22,564)	(41,921)
Cash used in operations	(19,761)	(38,860)
Interest income received	1,085	26
Interest paid	(1,888)	(1,370)
Income tax paid	(1,114)	-
Net cash used in operating activities	(21,678)	(40,204)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	-	(5)
Net cash used in investing activities	-	(5)
Cash Flows from Financing Activities		
Proceeds from loans and borrowings	47,000	30,000
Repayments of loans and borrowings	(90,000)	-
Proceeds from bills payable	526	6,690
Decrease/(increase) in bank deposits pledged	43,427	(38,480)
Net cash generated from/(used in) financing activities	953	(1,790)
Net decrease in cash and cash equivalents	(20,725)	(41,999)
Exchange differences on translation of cash and cash equivalents	(75)	17
Cash and cash equivalents at 1 January	75,051	52,987
Cash and cash equivalents at 31 March (Note A)	54,251	11,005

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)

	Group	
	As at 31 Mar	
	RMB'000	RMB'000
Note A: Cash and cash equivalents	2015	2014
Cash and bank balances	72,996	49,985
Less: bank deposits pledged	(18,745)	(38,980)
Cash and cash equivalents	<u>54,251</u>	<u>11,005</u>

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

The Group

Attributable to owners of the Company

	Share capital RMB'000	PRC statutory reserve fund RMB'000	Merger reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2015	211,449	31,748	(454)	77,110	319,853
Profit for the period, representing total comprehensive income for the period	-	-	-	521	521
At 31 March 2015	<u>211,449</u>	<u>31,748</u>	<u>(454)</u>	<u>77,631</u>	<u>320,374</u>

Attributable to owners of the Company

	Share capital RMB'000	PRC statutory reserve fund RMB'000	Merger reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2014	205,834	31,230	(454)	77,532	314,142
Profit for the period, representing total comprehensive income for the period	-	-	-	314	314
At 31 March 2014	<u>205,834</u>	<u>31,230</u>	<u>(454)</u>	<u>77,846</u>	<u>314,456</u>

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

The Company

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

	Share capital RMB'000	Accumulated loss RMB'000	Total RMB'000
At 1 January 2014	205,834	(8,024)	197,810
Loss for the period, representing total comprehensive expense for the period	-	(1,072)	(1,072)
At 31 March 2014	<u>205,834</u>	<u>(9,096)</u>	<u>196,738</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 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**

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

The Company does not have any treasury shares as at 31 March 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 31 March 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 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 basic earnings per share is based on the Group's net profit attributable to owners of the Company for the respective periods divided by the weighted average of 551,959,000 ordinary shares for the three-month ended 31 March 2015 (1Q2014: 527,959,000 ordinary shares).

	Group	
	3 months	
	Jan to Mar 2015	Jan to Mar 2014
Profit after tax attributable to owners of the Company (RMB'000)	521	314
Basic earnings per share (RMB cents per share)	0.09	0.06

*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.**

	Group		Company	
	31 Mar 2015	31 Dec 2014	31 Mar 2015	31 Dec 2014
Net asset value (RMB'000)	320,374	319,853	198,069	199,179
Net asset value per share (RMB cents per share)	58.04	57.95	35.88	36.09

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

	1Q2015		1Q2014	
	RMB'000	%	RMB'000	%
Industrial wastegas treatment				
- Dust elimination	3,202	32.0	2,997	16.5
- Desulphurization	4,812	48.0	-	-
Industrial wastewater	-	-	8,139	44.9
Design, technical and others	-	-	1,000	5.5
Operation and maintenance	2,003	20.0	5,998	33.1
	<u>10,017</u>	<u>100.0</u>	<u>18,134</u>	<u>100.0</u>

Revenue

Total revenue decreased by RMB8.1 million or 44.8% in 1Q2015 due to the absence of revenue contributions of RMB9.1 million in aggregate from industrial wastewater and design and technical segments. In addition, revenue contribution from operation and maintenance also declined by RMB4.0 million as we have agreed with the customer to scale down the amount of work and early termination of contract. The decrease in revenue of RMB13.1 million was partly offset by the return of engineering, procurement and construction works relating to desulphurization of RMB4.8 million and higher revenue generated from dust elimination segment of RMB0.2 million.

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

Gross profit and gross profit margin

Total gross profit for 1Q2015 increased marginally by RMB53,000.

Overall gross profit margin for 1Q2015 increased by 26.5%, from 32.0% in 1Q2014 to 58.5% in 1Q2015 due to the following:

- (i) higher gross profit margin of 13.5% was generated from dust elimination segment as we charged the customer at a slight premium due to our successful application of the latest patented dust elimination technology; and
- (ii) in 1Q2014, the Group's gross profit margin was weakened by the performance of two industrial wastewater contracts which only generated an average gross profit margin of 20%, whereas in 1Q2015, we have not embarked on such low margin contract. Consequently, gross profit margin was higher in 1Q2015.

The above increase in gross profit margin was partly offset by a drop in gross margin generated by the desulphurization segment in 1Q2015 of 68.5% against 98.7% in the same period of last year. More costs were incurred on the performance of engineering, procurement and construction works in 1Q2015. In 1Q2014, the desulphurization contract solely relate to technical service which involved minimal labour cost.

Financial income

Financial income for 1Q2015 increased by RMB1.1 million as this was in line with the increase in overall bank deposits pledged.

Other income

Other income for 1Q2015 decreased by RMB21,000 due to the absence of exchange gain.

Other items of expense

For 1Q2015, selling and distribution expenses increased by RMB0.1 million or 35.4%, from RMB0.4 million in 1Q2014 to RMB0.5 million in 1Q2015 as a result of higher office expenses incurred on the tendering of contracts.

For 1Q2015, the increase in administrative expenses of RMB0.1 million or 4.9% was attributed to higher welfare expenses for the employees and professional fees incurred of RMB0.1 million each, partly offset by downward adjustments of Directors' remunerations and staff payroll of RMB0.1 million in aggregate.

We incurred higher finance costs of RMB1.9 million in 1Q2015 against RMB1.4 million in the same corresponding period of last year due to an increase in loan quantum obtained, partly offset by lower interest rate offered by China Merchants Bank.

The other expenses for 1Q2015 relate to exchange loss of RMB0.2 million arising from the translation of Singapore dollar bank balances. There was no such expense in 1Q2014.

Share of results of associated company remained flat at RMB0.2 million for both financial periods.

Income tax expense

The effective tax rate applicable to our PRC subsidiary is 25%. Apart from the corporate tax, the Group also provided withholding tax of 10% on the potential amount of dividends expected to be declared to finance the working capital of the holding company and the portion of the distributable profits derived by the PRC subsidiary which is expected to be distributed out as dividend.

Income tax expense decreased by RMB64,000 in 1Q2015 due mainly to no provision of withholding tax on the potential amount of dividends expected to be declared to finance the working capital of the holding company.

Profit after taxation

Notwithstanding the overall decline in the revenue for 1Q2015, the Group registered a higher profit after taxation of RMB0.5 million against RMB0.3 million 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)

Financial position

1. Non-current assets

Our non-current assets amounted to RMB21.1 million and comprised property, plant and equipment ("PPE") of RMB10.3 million, intangible assets of RMB6.6 million, club membership of RMB0.7 million and investment in associate of RMB3.5 million as at 31 March 2015. The decrease in PPE of RMB0.2 million was attributed mainly to depreciation in 1Q2015.

- 1.1** Intangible assets amounted to RMB6.6 million and comprised patents of RMB2.5 million and deferred development costs of RMB4.1 million as at 31 March 2015. The decrease in intangible assets of RMB0.4 million was attributed mainly to amortization in 1Q2015. The patents in relation to a dust precipitator and internally developed new dust elimination technology with pulsating rotary positioning mechanism have a remaining tenure of 2 months (2014: 5 months) and 116 months (2014: 119 months) as at 31 March 2015 respectively. In the case of the deferred development costs, they have an average amortization period of 44 months (2014: 47 months) as at 31 March 2015.
- 1.2** Club membership which has a remaining useful life of 194 months (2014: 197 months) amounted to RMB0.7 million and RMB0.8 million as at 31 March 2015 and as at 31 December 2014 respectively.
- 1.3** Investment in associate decreased by RMB0.2 million, from RMB3.7 million as at 31 December 2014 to RMB3.5 million as at 31 March 2015 due mainly to the share of post-acquisition loss of RMB0.2 million in Nano Sun Pte Ltd.

2. Current assets

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 RMB492.2 million and RMB537.3 million as at end of 31 March 2015 and 31 December 2014 respectively. Our current assets accounted for 95.9% and 96.1% of our total assets as at 31 March 2015 and 31 December 2014 respectively.

- 2.1** Gross amount due from customers for contract work-in-progress amounted to RMB29.5 million and RMB17.2 million as at 31 March 2015 and 31 December 2014 respectively and accounted for 6.0% and 3.2% of our current assets as at 31 March 2015 and 31 December 2014 respectively. The increase of RMB12.3 million was due to less progress billings raised as these works have yet to reach the billing milestones.
- 2.2** Inventories remained flat at RMB1.7 million for the period/year ended as at 31 March 2015 and 31 December 2014 respectively.
- 2.3** Trade and other receivables comprise trade receivables, bills receivable, retention monies and other receivables amounted to RMB194.2 million and RMB205.9 million as at 31 March 2015 and 31 December 2014 respectively, and accounted for approximately 39.5% and 38.3% of our current assets as at the respective balance sheet dates. Trade receivables and retention monies amounted to RMB187.1 million as at 31 March 2015, representing a decrease of RMB5.2 million from 31 December 2014. The decrease was due mainly to collections during the period.
- 2.4** Bills receivables amounted to RMB1.7 million and RMB4.4 million as at 31 March 2015 and 31 December 2014 respectively. The decrease of RMB2.7 million was attributed to settlement of bills receivables by the customers.
- 2.5** Other receivables comprised advances to employees for business purposes, bidding deposits and tax recoverable. Other receivables amounted to RMB5.4 million and RMB9.2 million as at 31 March 2015 and 31 December 2014 respectively. The decrease of RMB3.8 million was in line with the decrease in revenue.
- 2.6** Prepayments comprised prepaid operating expenses, advances to trade and non-trade suppliers amounted to RMB193.8 million and RMB175.2 million as at 31 March 2015 and 31 December 2014 respectively. The increase of RMB18.6 million was attributed to more advance payments made to certain suppliers for the manufacture of finished components as well as part of the tender requirements by certain customers to demonstrate the Group's financial abilities to undertake projects. Certain advances will be refunded if the tenders for certain contracts are not successful.

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

- 2.7** Bank deposits pledged decreased by RMB43.5 million, from RMB62.2 million as at 31 December 2014 to RMB18.7 million as at 31 March 2015 which was in line with the decrease in loans and borrowings.
- 2.8** Cash and cash equivalents amounted to RMB54.3 million and RMB75.1 million as at 31 March 2015 and 31 December 2014 respectively, and accounted for 11.0% and 14.0% of our current assets as at the respective balance sheet dates.

3. Current liabilities

Our current liabilities comprised mainly trade and other payables, loans and borrowings, other liabilities and income tax payable. Our current liabilities amounted to RMB188.4 million and RMB234.7 million as at 31 March 2015 and 31 December 2014 respectively, and accounted for approximately 97.6% and 98.1% of total liabilities as at the respective balance sheet dates.

- 3.1** Gross amount due to customers for contract work-in-progress decreased by RMB1.8 million as there was no advance payments made by customers during the period.
- 3.2** Trade payables including retention monies amounted to RMB29.1 million, representing a decrease of approximately RMB7.3 million over FY2014. The decrease was in line with the decrease in revenue.
- 3.3** Other payables comprised primarily VAT, other operating tax payables and other operating expenses. Other payables amounted to RMB2.4 million and RMB3.3 million as at 31 March 2015 and 31 December 2014 respectively. The decrease of RMB0.9 million was in line with the decrease in revenue and payments during the period.
- 3.4** Bills payable increased by RMB0.6 million, from RMB0.2 million as at 31 December 2014 to RMB0.8 million as at 31 March 2015 as we have increased the utilization of bills payable facilities as a form of payments to suppliers.
- 3.5** Loans and borrowings decreased from RMB172.6 million as at 31 December 2014 to RMB129.6 million as at 31 March 2015 as a result of repayments made during the period.
- 3.6** Other liabilities comprised accrued purchases, VAT, salaries and travelling expenses, other operating expenses, advances from customers and welfare expenses. Other liabilities amounted to RMB25.7 million and RMB19.1 million as at 31 March 2015 and 31 December 2014 respectively.
- 3.7** Accrued output VAT, purchases, salaries and related expenses, operating expenses and welfare expenses amounted to RMB3.7 million and RMB5.1 million as at 31 March 2015 and 31 December 2014 respectively. The decrease of RMB1.4 million was in line with the decrease in revenue.
- 3.8** Advances from customers were RMB22.0 million and RMB14.0 million as at 31 March 2015 and 31 December 2014 respectively. The increase was attributed to advances received for signing of more contracts during the period.
- 3.9** Income tax payable decreased by RMB0.5 million, from RMB1.3 million as at 31 December 2014 to RMB0.8 million as at 31 March 2015 due to payment of income tax during the period partly offset by tax provision for 1Q2015.

4. Non-current liability

Deferred tax liability as at 31 March 2015 and 31 December 2014 remained unchanged at RMB4.6 million as no further tax was provided on the potential amount expected to be declared in the form of dividend to finance the operating expenses of the holding company since the holding company has sufficient funds in the next twelve months.

5. Shareholder's equity

The Group's total shareholder's equity comprises share capital, PRC statutory reserve fund, merger reserve and accumulated profits. Between 31 March 2015 and 31 December 2014, our shareholder's equity increased from RMB319.9 million to RMB320.4 million due mainly to the profit generated of RMB0.5 million in 1Q2015.

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 1Q2015, operating profit before changes in working capital amounted to RMB2.8 million, adjusted by the net working capital outflows of RMB24.5 million which were as follows:

- (i) an increase in gross amount due from customers for contract work-in-progress of RMB12.3 million;
- (ii) an increase in prepayments of RMB18.6 million due to advance payments made to suppliers of raw materials;
- (iii) a decrease in gross amount due to customers for contract work-in-progress of RMB1.8 million;
- (iv) a decrease in trade and other payables of RMB8.2 million;
- (v) interest paid of RMB1.9 million in respect of the short term loan obtained from China Merchants Bank; and
- (vi) income tax paid of RMB1.1 million.

The decrease was partly offset by:

- (i) a decrease in trade and other receivables of RMB11.7 million;
- (ii) an increase in other liabilities of RMB6.6 million; and
- (iii) interest income received of RMB1.1 million derived from deposit placed with the banks.

Net cash generated from financing activities of RMB1.0 million were due to decrease in bank deposits pledged of RMB43.5 million mainly to secure the additional loans and bills payable facilities, additional proceeds from loans and borrowings and bills payable of RMB47.0 million and RMB0.5 million respectively, partly offset by repayments of loans and borrowings of RMB90.0 million from China Merchants Bank.

Overall cash and cash equivalents decreased by RMB20.7 million in 1Q2015; partly offset by the exchange loss of RMB75,000 on translation of cash and cash equivalents to RMB20.8 million. As a result of the foregoing, overall cash and cash equivalent decreased from RMB75.1 million as at 31 December 2014 to RMB54.3 million as at 31 March 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.

Notwithstanding the recent economic stimulus announced by the PRC government to encourage more lending to companies to grow the economy, the Group will continue to face significant headwind as a result of liquidity crunch. Accordingly, the Group will adopt the same strategy as before in the next twelve months. We have to rely on our core strengths which we have built up over the years and to sharpen our cutting edge in technology so as to help us ride through these challenging times.

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 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 proceeds

As at 31 March 2015, the net proceeds from the Company's initial public offering and private placement have been utilized as follows:

<u>Usage of IPO proceeds</u>	Amount allocated RMB'000	Amount utilised RMB'000	Change in use of the proceeds RMB'000	Amount utilised RMB'000	Balance RMB'000
Increase and enhance research and development activities	15,107	(14,182)	(925)	-	-
Investment in capital expenditures	3,021	(120)	(2,901)	-	-
To increase in sales and marketing activities in the representative offices	3,021	(1,895)	(1,126)	-	-
To secure and undertake large scale environmental projects	50,358	(50,358)	-	-	-
General working capital	6,654	(6,654)	4,952	(4,877)	75
Total	78,161	(73,209)	-	(4,877)	75

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

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

Private placement on 25 August 2014

<u>Usage of private placement proceeds</u>	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	(2,762)
Compliance costs	(1,236)
Insurance	(45)
Legal fees incurred on the renewal of bank loans	(71)
Printing and courier charges	(124)
Others *	(662)
Exchange gain	29
Balance as at 31 March 2015	<u>952</u>

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

BY ORDER OF THE BOARD
Leader Environmental Technologies Limited

Lin Baiyin
Executive Chairman and Chief Executive Officer

28 April 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 unaudited interim financial results for the first quarter ended 31 March 2015 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD
Leader Environmental Technologies Limited

Lin Baiyin
Executive Chairman and Chief Executive Officer

Zang Linying
Executive Director and Finance Director

28 April 2015