



**Leader Environmental Technologies Limited**

利德环保技术有限公司

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

(Company Registration Number: 200611799H)

**Unaudited Results for the Second Quarter and the Six Months Ended 30 June 2010**

The initial public offering (the "IPO") of Leader Environmental Technologies Limited was sponsored by Stirling Coleman Capital Limited (the "Issue Manager"). The Issue Manager assumes no responsibility for the contents of this announcement.

**Unaudited Financial Statement and Dividend Announcement for the Half-year Ended 30 June 2010 of Leader Environmental Technologies Limited (the "Company" or "LET") and Its Subsidiary (Collectively, the "Group")**

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

**1(a)(i) An income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial 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			Group		
	Q2		change %	6 months		change %
	Unaudited Apr to Jun 2010 RMB'000	Unaudited Apr to Jun 2009 RMB'000		Unaudited Jan to Jun 2010 RMB'000	Unaudited Jan to Jun 2009 RMB'000	
Revenue	18,447	13,275	39.0%	28,519	17,564	62.4%
Cost of sales	(10,821)	(8,486)	27.5%	(13,805)	(12,209)	13.1%
Gross profit	<b>7,626</b>	<b>4,789</b>	59.2%	<b>14,714</b>	<b>5,355</b>	174.8%
<b>Other items of income</b>						
Other income	15	1,562	-99.0%	17	242	-93.0%
Financial income	210	118	78.0%	327	522	-37.4%
<b>Other items of expense</b>						
Financial expense	(782)	(623)	25.5%	(1,547)	(1,231)	25.7%
Selling and distribution expenses	(538)	(379)	42.0%	(806)	(568)	41.9%
Administrative expenses	(2,367)	(1,421)	66.6%	(5,721)	(2,644)	116.4%
<b>Profit before income tax</b>	<b>4,164</b>	<b>4,046</b>	2.9%	<b>6,984</b>	<b>1,676</b>	316.7%
Income tax expense	191	(207)	-192.3%	(435)	(310)	40.3%
<b>Profit net of tax attributable to equity holders of the Company</b>	<b>4,355</b>	<b>3,839</b>	13.4%	<b>6,549</b>	<b>1,366</b>	379.4%
<b>Other comprehensive income</b>						
Foreign currency translation	(3)	(1,640)	-99.8%	107	170	-37.1%
<b>Total comprehensive income for the period attributable to equity holders of the Company</b>	<b>4,352</b>	<b>2,199</b>	97.9%	<b>6,656</b>	<b>1,536</b>	333.3%

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 the immediately preceding financial year.

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

	<b>Group</b>			<b>Group</b>		
	<b>Q2</b>			<b>6 months</b>		
	<b>Unaudited Apr to Jun 2010 RMB'000</b>	<b>Unaudited Apr to Jun 2009 RMB'000</b>	<b>change %</b>	<b>Unaudited Jan to Jun 2010 RMB'000</b>	<b>Unaudited Jan to Jun 2009 RMB'000</b>	<b>change %</b>
Depreciation of property, plant and equipment	94	79	19.0%	188	159	18.2%
Amortisation of intangible asset	11	11	-	23	23	-
Operating lease expenses	104	80	30.0%	259	101	156.4%
Interest expense	782	623	25.5%	1,547	1,231	25.7%
Interest income	(210)	(118)	78.0%	(327)	(522)	-37.4%
Inventories recognised as an expense in cost of goods sold	7,890	6,190	27.5%	10,691	9,389	13.9%
Employee compensation	1,079	855	26.2%	1,737	1,448	20.0%

1(b)(i) A balance sheet (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	Unaudited 30 Jun 2010 RMB'000	Unaudited 31 Dec 2009 RMB'000	Unaudited 30 Jun 2010 RMB'000	Unaudited 31 Dec 2009 RMB'000
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Investment in subsidiary	-	-	33,723	33,806
Property, plant and equipment	2,685	2,784	8	9
Patent	226	249	-	-
	<b>2,911</b>	<b>3,033</b>	<b>33,731</b>	<b>33,815</b>
<b>CURRENT ASSETS</b>				
Gross amount due from customers for contract work-in-progress	165,340	151,723	-	-
Inventories	6,135	6,466	-	-
Trade and other receivables	50,261	66,445	1	-
Prepayments	42,802	30,180	1,094	857
Bank deposits pledged	1,857	550	-	-
Cash and bank balances	56,762	50,651	336	1,627
	<b>323,157</b>	<b>306,015</b>	<b>1,431</b>	<b>2,484</b>
<b>TOTAL ASSETS</b>	<b>326,068</b>	<b>309,048</b>	<b>35,162</b>	<b>36,299</b>
<b>CURRENT LIABILITIES</b>				
Gross amount due to customers for contract work-in-progress	-	6	-	-
Trade and other payables	49,000	49,946	10,389	8,932
Financial liabilities	-	33,344	-	33,343
Other liabilities	80,830	66,577	82	61
Provision for PRC statutory welfare fund	481	468	-	-
Provision for income tax	1,210	4,848	-	-
	<b>131,521</b>	<b>155,189</b>	<b>10,471</b>	<b>42,336</b>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	<b>191,636</b>	<b>150,826</b>	<b>(9,040)</b>	<b>(39,852)</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	646	1,491	-	-
<b>TOTAL LIABILITIES</b>	<b>132,167</b>	<b>156,680</b>	<b>10,471</b>	<b>42,336</b>
<b>NET ASSETS/(LIABILITIES)</b>	<b>193,901</b>	<b>152,368</b>	<b>24,691</b>	<b>(6,037)</b>
<b>Equity attributable to equity holders of the Company</b>				
Share capital	40,161	10	40,161	10
Reserves	153,740	152,358	(15,470)	(6,047)
<b>TOTAL EQUITY</b>	<b>193,901</b>	<b>152,368</b>	<b>24,691</b>	<b>(6,037)</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>326,068</b>	<b>309,048</b>	<b>35,162</b>	<b>36,299</b>

**1(b)(ii) Aggregate amount of Group's borrowings and debt securities.**

	<b>Group</b>	
	<b>As at 30.6.2010</b>	<b>As at 31.12.2009</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Amount repayable in one year or less, or on demand</b>		
- secured	1,857	550
- unsecured	-	-
	<u>1857</u>	<u>550</u>
<b>Amount repayable after one year</b>		
- secured	-	-
- unsecured	-	-
	<u>-</u>	<u>-</u>

**Details of any collateral**

As at 30 June 2010, the Group has approximately RMB1.9 million (31 December 2009: RMB0.5 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) A cash flow statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

**Consolidated statements of cash flows**

	Group	
	Unaudited 6 months ended 30.6.10	30.6.09
	RMB'000	RMB'000
<b>Cash flows from operating activities</b>		
Profit before tax	6,984	1,676
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	188	159
Amortisation of intangible assets	23	23
Interest income	(327)	(522)
Interest expense	1,547	1,231
Translation difference	93	170
<b>Operating cashflow before movement in working capital changes</b>	<b>8,508</b>	<b>2,737</b>
 <u>Changes in working capital</u>		
Decrease (increase) in:		
Gross amount due from customers for contract work-in-progress	(13,617)	6,040
Inventories	331	10,458
Trade and other receivables	16,184	(15,394)
Prepayments	(12,622)	(6,711)
Increase (decrease) in:		
Gross amount due to customers for contract work-in-progress	(6)	(7,159)
Trade and other payables	(2,014)	8,551
Other liabilities	14,253	2,241
Provision for statutory reserve fund	13	4
<b>Cash flows generated from operating activities</b>	<b>11,030</b>	<b>767</b>
Interest income received	327	522
Income tax paid	(4,918)	(105)
<b>Net cash generated from operating activities</b>	<b>6,439</b>	<b>1,184</b>
 <b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(89)	(38)
<b>Net cash used in investing activities</b>	<b>(89)</b>	<b>(38)</b>
 <b>Cash flows from financing activities</b>		
(Repayments to)/ advances from shareholder (s) (non-trade)	(239)	296
Net proceeds from/(repayments of) bills payable	1,307	(4,735)
(Increase)/decrease in bank deposits pledged	(1,307)	5,347
<b>Net cash (used in)/from financing activities</b>	<b>(239)</b>	<b>908</b>
Net increase in cash and cash equivalents	6,111	2,054
Cash and cash equivalents at 1 January	50,651	36,077
<b>Cash and cash equivalents at 30 June (Note A)</b>	<b>56,762</b>	<b>38,131</b>

1(c) A cash flow statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year. (cont'd)

Consolidated statement of cash flows (cont'd)

	Group	
	As at 30 June	
	RMB'000	RMB'000
Note A: Cash and cash equivalents	2010	2009
Cash and bank balances	58,619	41,658
Less: fixed deposits pledged	(1,857)	(3,527)
Cash and cash equivalents	<u>56,762</u>	<u>38,131</u>

- 1(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity, or  
(ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statements of Changes in Equity

<b>Group - Statement of changes in equity for 6 months ended 30 June 2009</b>	<b>Share capital</b>	<b>Reserves sub-total</b>	<b>PRC statutory reserve fund</b>	<b>Merger reserve</b>	<b>Translation reserve</b>	<b>Equity component of financial liabilities</b>	<b>Accumulated profits</b>	<b>Total equity</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Balance at 1 January 2009	10	88,949	9,733	(454)	1,824	5,044	72,802	88,959
Total comprehensive income for the period	-	1,536	-	-	170	-	1,366	1,536
Appropriation to reserve	-	-	314	-	-	-	(314)	-
<b>Balance at 30 June 2009</b>	<b>10</b>	<b>90,485</b>	<b>10,047</b>	<b>(454)</b>	<b>1,994</b>	<b>5,044</b>	<b>73,854</b>	<b>90,495</b>

<b>Group - Statement of changes in equity for 6 months ended 30 June 2010</b>	<b>Share capital</b>	<b>Reserves sub-total</b>	<b>PRC statutory reserve fund</b>	<b>Merger reserve</b>	<b>Translation reserve</b>	<b>Equity component of financial liabilities</b>	<b>Accumulated profits</b>	<b>Total equity</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Balance at 1 January 2010	10	152,358	16,345	(454)	730	5,274	130,463	152,368
Total comprehensive income for the period	-	6,656	-	-	107	-	6,549	6,656
Appropriation to reserve	-	-	1,006	-	-	-	(1,006)	-
Financial liabilities - equity component	5,274	(5,274)	-	-	-	(5,274)	-	(5,274)
Conversion of financial liabilities	34,877	-	-	-	-	-	-	34,877
<b>Balance at 30 June 2010</b>	<b>40,161</b>	<b>153,740</b>	<b>17,351</b>	<b>(454)</b>	<b>837</b>	<b>-</b>	<b>136,006</b>	<b>193,901</b>

- 1(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity, or brochures  
(ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year. (cont'd)

Statements of Changes in Equity (cont'd)

Company - Statement of changes in equity for 6 months ended 30 June 2009	Share capital RMB'000	Reserves sub-total RMB'000	Translation reserve RMB'000	Equity component of financial liabilities RMB'000	Accumulated profits RMB'000	Total RMB'000
Balance at 1 January 2009	10	(3,092)	11	5,044	(8,147)	(3,082)
Total comprehensive loss for the period	-	(1,784)	(49)	-	(1,735)	(1,784)
<b>Balance at 30 June 2009</b>	<b>10</b>	<b>(4,876)</b>	<b>(38)</b>	<b>5,044</b>	<b>(9,882)</b>	<b>(4,866)</b>

Company - Statement of changes in equity for 6 months ended 30 June 2010	Share capital RMB'000	Reserves sub-total RMB'000	Translation reserve RMB'000	Equity component of financial liabilities RMB'000	Accumulated profits RMB'000	Total RMB'000
Balance at 1 January 2010	10	(6,047)	(231)	5,274	(11,090)	(6,037)
Total comprehensive loss for the period	-	(4,149)	22	-	(4,171)	(4,149)
Financial liabilities - equity component	5,274	(5,274)	-	(5,274)	-	-
Conversion of financial liabilities	34,877	-	-	-	-	34,877
<b>Balance at 30 June 2010</b>	<b>40,161</b>	<b>(15,470)</b>	<b>(209)</b>	<b>-</b>	<b>(15,261)</b>	<b>24,691</b>



**1(d)(ii) Details of any changes in the company's share capital 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. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

The Company was incorporated in Singapore on 15 August 2006 with initial issued and paid-up capital of S\$2 comprising 2 shares.

As at 28 June 2007, the issued and paid-up capital was increased to S\$2,000 comprising 2,000 shares.

A restructuring exercise was subsequently undertaken in connection with the IPO (please refer to pages 74 and 185 of the Company's prospectus dated 8 July 2010).

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the immediately preceding year.**

	Number of shares	Issued and paid-up capital (S\$)
Issued and fully paid-up capital upon incorporation of the Company on 15 August 2006	2	2
Issued and fully paid-up capital as at 28 June 2007	2,000	2,000
Shares issued pursuant to Restructuring Exercise	369	7,000,000
	<hr/> 2,369	<hr/> 7,002,000
Translation difference arising from financial liabilities	-	150,062
Equity component of financial liabilities	-	1,055,701
<b>As at 30 June 2010</b>	<hr/> 2,369	<hr/> 8,207,763
Sub-division of shares	<hr/> 350,612,000	<hr/> 8,207,763

The Company does not have any treasury shares as at 30 June 2010 and 31 December 2009.

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

Not applicable. The Company does not have any treasury shares as at 30 June 2010 and 31 December 2009.

2. **Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

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

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a 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 Group and the Company have adopted the same accounting policies and methods of computation in the financial statements for the current period as those in its audited consolidated financial statements as at 31 December 2009.

5. **If there are any changes in the accounting policies and method of computation, including any required by an accounting standard, what has changed, as well the reasons for, and the 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 financial year, after deducting any provision for preference dividends.**

The calculation of the basic earnings per share is based on the Group's net profits attributable to equity holders for the respective periods divided by 350,612,000 ordinary shares (after adjusting for the sub-division of shares).

	<b>Group</b>		<b>Group</b>	
	<b>Q2</b>		<b>6 months</b>	
	<b>Apr to Jun</b>	<b>Apr to Jun</b>	<b>Jan to Jun</b>	<b>Jan to Jun</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Net profit after tax attributable to equity holders of the Company (RMB'000)	4,355	3,839	6,549	1,366
Basic earnings per share (RMB cents per share)	1.24	1.09	1.87	0.39

\*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.**

	<b>Group</b>		<b>Company</b>	
	<b>30 June 2010</b>	<b>31 Dec 2009</b>	<b>30 Jun 2010</b>	<b>31 Dec 2009</b>
Net asset value (RMB'000)	193,901	152,368	24,691	(6,037)
Net asset value per share (RMB cents per share)	55.30	43.46	7.04	(1.72)

The calculation of the net asset value per share is based on the net asset value as at the end of the respective periods divided by 350,612,000 ordinary shares (after adjusting for the sub-division of shares).

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**

	2Q2010		2Q2009		1HY2010		1HY2009	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Industrial wastegas treatment								
- Dust elimination	2,286	12.4	6,016	45.3	2,286	8.0	7,736	44.1
- Desulphurisation	12,207	66.2	6,702	50.5	22,138	77.6	9,088	51.7
Industrial wastewater	405	2.2	557	4.2	546	1.9	740	4.2
Design, technical services and others	3,549	19.2	-	-	3,549	12.5	-	-
	<b>18,447</b>	<b>100.0</b>	<b>13,275</b>	<b>100.0</b>	<b>28,519</b>	<b>100.0</b>	<b>17,564</b>	<b>100.0</b>

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

**Revenue**

Total revenue increased by approximately RMB10.9 million or 62.4%, from RMB17.6 million in 1H2009 to RMB28.5 million in 1H2010. The increase was mainly attributed to more desulphurisation contracts undertaken in 1H2010. We had largely completed 10 ongoing desulphurisation contracts which contributed revenue of RMB15.9 million as well as commenced works on 3 new desulphurisation contracts which contributed revenue of approximately RMB6.3 million in 1H2010, as compared to revenue contributions from 3 new and 3 ongoing contracts of approximately RMB9.1 million in 1H2009. The 3 new desulphurisation contracts of approximately RMB128.3 million in aggregate were secured from Changchun City Heat Supply Management Co., Ltd and Liaoning Province Lingnan Environmental Protection Hi-Tech Industrial Development Co., Ltd. In addition, we completed 2 ongoing maintenance and retrofitting contracts secured with Changchun Regional Green House Co., Ltd of approximately RMB3.5 million in 1H2010 as compared to nil in 1H2009.

The increase was partly offset by lower revenue generated from dust elimination contracts of RMB5.5 million. There were 8 ongoing contracts undertaken in 1H2010 which contributed revenue of RMB2.2 million. As these projects were near completion stage, the revenue contributions were smaller in contrast to 3 new and 9 ongoing contracts which contributed revenue of RMB7.7 million in 1H2009. In addition, we completed 2 industrial wastewater contracts each in 1H2010 and 1H2009 respectively, but the revenue contributions in 1H2010 were lower than 1H2009 by approximately RMB0.2 million.

Total revenue increased by approximately RMB5.1 million or 39.0%, from RMB13.3 million in 2Q2009 to RMB18.4 million in 2Q2010, attributed mainly to revenue contributions from maintenance and retrofitting contracts of RMB3.5 million and desulphurization contracts of RMB5.5 million as a result of more contracts performed, partly offset by lower revenue contributions from dust elimination and industrial wastewater of approximately RMB3.9 million.

**Gross profit and gross profit margin**

Total gross profit for 1H2010 increased by approximately RMB9.3 million or 174.8% due to:

- (i) increase in desulphurization revenue by RMB6.9 million, due to more projects undertaken; and
- (ii) increase in design, technical services and others by RMB3.4 million, due to two maiden contracts undertaken for maintenance and retrofitting works.

The above increase was partly offset by lower revenue derived from dust elimination and industrial wastewater of RMB1.0 million attributed mainly to fewer and smaller size contracts undertaken in 1H2010.

Total gross profit for 2Q2010 increased by approximately RMB2.8 million or 59.2% due to increase in design, technical services and others by RMB3.4 million, as a result of two maiden contracts undertaken for maintenance and retrofitting works, partly offset mainly by lower revenue derived from dust elimination of RMB0.6 million, attributed mainly to fewer and smaller size contracts undertaken.

Overall gross profit margin improved from 30.5% in 1H2009 to 51.6% in 1H2010 due to:

- (i) increase in gross profit margins of dust elimination by 11.0% as customers were willing to pay a slight premium for our in-house developed technology;
- (ii) increase in gross profit margins of desulphurisation by 7.9% as the ongoing contracts were mainly installation works which involved only labour costs; and
- (iii) increase in gross profit margins of design, technical services and others increased by 95.0% as minimum cost was incurred for the maintenance and retrofitting works, as the bulk of the works relate to design works which contributed to the higher gross profit margin.

The increase was partly offset by decrease in gross profit margin of industrial wastewater by 12.8%, due to 2 ongoing projects which involved less complex engineering, fabrication and installation works.

**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)**

Overall gross profit margin improved from 36.1% in 2Q2009 to 41.3% in 2Q2010 attributed mainly to:

- (i) increase in gross profit margins of dust elimination by 9.1%, due to customers being willing to pay a slight premium for our in-house developed technology;
- (ii) increase in gross profit margins of industrial wastewater increased by 5.9%, due to higher costs incurred for a project in 2Q2009 which out of goodwill, we did not bill the customer and there was no such costs in 2Q2010; and
- (iii) increase in gross profit margins of design, technical services and others increased by 95.0% as minimum cost was incurred for the maintenance and retrofitting works, as the bulk of the works relate to design works which contributed to the higher gross profit margin.

The increase was partly offset by lower gross profit margin from desulphurisation of 22.7%, attributed to only scavenging and excavation works been performed for a large scale project. The margin derived from such work was not as high as design and fabrication works.

**Other income**

Other income for 1H2010 decreased by approximately RMB0.2 million or 93.0%, from RMB0.2 million in 1H2009 to RMB17,000 in 1H2010 due mainly to the absence of monetary incentive received from the Changchun Finance Bureau in relation to our IPO and monetary reward from the PRC government for winning the Economic Development Enterprise Technological Innovation award of approximately RMB0.2 million in aggregate.

Other income for 2Q2010 decreased by approximately RMB1.5 million or 99.0%, from RMB1.6 million in 2Q2009 to RMB15,000 in 2Q2010. This was attributed mainly to the absence of translation gain on financial liabilities.

**Financial income**

Financial income for 1H2010 decreased by approximately RMB0.2 million or 37.4%, from RMB0.5 million in 1H2009 to RMB0.3 million in 1H2010, as the fixed deposit account was partially drawn down for our operations in 1Q2010.

Financial income for 2Q2010 increased by approximately RMB0.1 million or 78.0%, from RMB0.1 million in 2Q2009 to RMB0.2 million in 2Q2010, as higher amount of fixed deposit was placed during the three month period.

**Operating Expenses**

The main components of selling and distribution expenses are employee compensation costs, travelling expenses, office expenses, rental and others. For 1H2010, selling and distribution expenses increased by RMB0.2 million, or 41.9%, from RMB0.6 million in 1H2009 to RMB0.8 million in 1H2010. This was due mainly to salary adjustments and higher sales related expenses incurred as a result of higher revenue generated in 1H2010.

Selling expenses increased by approximately RMB0.1 million or 42.0%, from RMB0.4 million in 2Q2009 to RMB0.5 million in 2Q2010, as this was mainly in line with the increase in business activities.

Administrative expenses increased by approximately RMB3.1 million or 116.4%, from RMB2.6 million in 1H2009 to RMB5.7 million in 1H2010, which resulted mainly from higher salaries and staff related costs of approximately RMB0.1 million, exchange loss of approximately of RMB0.1 million and one-off professional fees of approximately RMB2.1 million relating to our IPO where work only commenced in November 2009. In addition, entertainment, motor vehicle expenses, travelling, office expenses and certification expenses also increased by approximately RMB0.8 million as these were in line with the increase in business activities.

Administrative expenses increased by approximately RMB0.9 million or 66.6%, from RMB1.4 million in 2Q2009 to RMB2.3 million in 2Q2010. The increase was mainly due to one-off professional fees of RMB0.4 million relating to IPO as well as in line with the increase in the revenue.

Financial expense increased by approximately RMB0.3 million or 25.7%, from RMB1.2 million in 1H2009 to RMB1.5 million in 1H2010. This was due mainly to the interest of approximately RMB0.2 million accrued on the proceed of S\$1.0 million from the additional subscription shares issued in November 2009, coupled by compounded interest rate applied on the financial liabilities.

Financial expense increased by approximately RMB0.2 million or 25.5%, from RMB0.6 million in 2Q2009 to RMB0.8 million in 2Q2010 due to compounded interest applied on the financial liabilities.

**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)**

**Income tax expense**

Pursuant to the Restructuring Exercise in FY2006, based on the Income Tax Law of the PRC for Foreign Investments and Foreign Enterprises, the Company's PRC subsidiary, Jilin Anjie Environmental Engineering Co., Ltd, was granted full exemption from income tax for the first 2 profit-making years and a 50% reduction in income tax for the next 3 years. Accordingly, it has elected 1 January to 31 December 2007 as the first profit-making year for the purpose of determining the tax holiday period.

With effect from 1 January 2008, in line with the China Corporate Tax Law, companies which do not enjoy full tax exemptions will be subject to the corporate income tax of 25%. However, the State Administration of Taxation has allowed a transitional period to be progressively applied for foreign enterprises which operate in any of the Economic Development Zone of the PRC. Accordingly, the new corporate income tax rate applicable to Anjie Environmental Engineering Co., Ltd was 10% in 2009 and will be 11% in 2010, 12% in 2011 and 25% in 2012, after taking into account the 50% reduction in income tax from FY2009-FY2011. In addition, the Group has provided for withholding tax of 5% on the portion of the distributable profits derived by the PRC subsidiary in HY2010 which is expected to be distributed out as dividend.

Income tax expense increased by approximately RMB0.1 million or 40.3% from RMB0.3 million in 1H2009 to RMB0.4 million in 1H2010. The increase was attributed to a higher tax provision of RMB1.0 million which was in line with the increase in profit of the subsidiary, partly offset by a one-time reversal of excess withholding tax provided in FY2008 and FY2009 of RMB0.9 million as only 10% of the distributable profits is expected to be distributed out as dividend instead of 25% provided previously.

Income tax expense decreased by approximately RMB0.4 million or 192.3%, from a tax expense of RMB0.2 million in 2Q2009 to a tax income of RMB0.2 million in 2Q2010 mainly due to a one-time reversal of excess withholding tax provided in FY2008 and FY2009 of RMB0.9 million, partly offset by higher income tax provision of RMB0.5 million which was in line with the increase in profit of the subsidiary.

**Profit net of tax attributable to equity holders of the Company**

The net profit after taxation attributable to equity holders of the Company increased by approximately RMB5.2 million or 379.4%, from RMB1.3 million in 1H2009 to RMB6.5 million in 1H2010, as a result of an increase in gross profit of RMB9.3 million, partly offset by lower other income and financial income of RMB0.4 million in aggregate, higher financial expenses of RMB0.3 million, selling and distribution expenses of RMB0.2 million, administrative expenses of RMB3.1 million and higher income tax of approximately RMB0.1 million.

The net profit after taxation attributable to equity holders of the Company increased by approximately RMB0.5 million or 13.4%, from RMB3.8 million in 2Q2009 to RMB4.3 million in 2Q2010, as a result of an increase in gross profit of RMB2.8 million and lower income tax expense of RMB0.4 million, partly offset by lower other income and financial income of RMB1.5 million in aggregate, higher financial expenses of RMB0.2 million, selling and distribution expenses of RMB0.1 million and administrative expenses of RMB0.9 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)**

**Financial position**

**1. Non-current assets**

Our non-current assets amounted to RMB2.9 million and comprised property, plant and equipment ("PPE") of RMB2.7 million and patent of RMB0.2 million as at 30 June 2010. The decrease of approximately RMB0.1 million in PPE in 1H2010 was due mainly to depreciation of approximately RMB0.2 million, partially offset by PPE additions of approximately RMB89,000, comprising mainly notebooks and computers.

- 1.1** Patent amounted to RMB0.2 million as at 30 June 2010 after amortisation of approximately RMB23,000 in 1H2010. The patent has a remaining tenure of 59 months as at 30 June 2010.

**2. Current assets**

Our current assets comprise 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 RMB323.2 million and RMB306.0 million as at end of 30 June 2010 and 31 December 2009 respectively. Our current assets accounted for approximately 99% of our total assets as at 30 June 2010 and 31 December 2009 respectively.

- 2.1** Amount due from customers for contract work-in-progress amounted to RMB165.3 million and RMB151.7 million as at 30 June 2010 and 31 December 2009 respectively and accounted for approximately 51.2% and 49.6% of our current assets as at 30 June 2010 and 31 December 2009 respectively. The increase was mainly attributed to unbilled contracts work-in-progress as they were not due in accordance with the terms of the contracts.
- 2.2** Inventories decreased by approximately RMB0.3 million or 5.1%, from RMB 6.4 million as at 31 December 2009 to RMB 6.1 million as at 30 June 2010, due to drawn down for projects.
- 2.3** Trade and other receivables comprise trade receivables, bills receivable, retention monies and other receivables amounted to RMB50.3 million and RMB66.4 million as at 30 June 2010 and 31 December 2009 respectively, and accounted for approximately 15.6% and 21.7% of our current assets as at the respective balance sheet dates. Trade receivables amounted to RMB17.3 million as at 30 June 2010, representing a decrease of approximately RMB30.6 million from 31 December 2009. The decrease was due mainly to collections of outstanding debts during the period.
- 2.4** Bills receivables amounted to RMB1.0 million and RMB2.0 million as at 30 June 2010 and 31 December 2009 respectively.
- 2.5** Retention monies (ranging from 5% to 10% of the contract sums or agreed amounts with customers) amounted to RMB16.0 million and RMB11.1 million as at 30 June 2010 and 31 December 2009 respectively. The increase of approximately RMB4.9 million was due to more completed contracts during the period.
- 2.6** Other receivables comprise VAT receivables and advances to employees for business purposes. Other receivables amounted to RMB16.0 million and RMB5.4 million as at 30 June 2010 and 31 December 2009 respectively. The increase was mainly in line with the increase in business activities.
- 2.7** Prepayments comprising prepaid operating expenses, advances to trade and non-trade suppliers and prepaid IPO expenses amounted to RMB42.8 million and RMB30.2 million as at 30 June 2010 and 31 December 2009 respectively. The increase was in line with the increase in business activities.
- 2.8** Bank deposits pledged increased by approximately RMB1.3 million or 237.6%, from RMB0.6 million as at 31 December 2009 to RMB1.9 million as at 30 June 2010, as more cash were placed with the banks to secure the bills payable facilities.
- 2.9** Cash and cash equivalents amounted to RMB56.8 million and RMB50.7 million as at 30 June 2010 and 31 December 2009 respectively, and accounted for approximately 17.6% and 16.6% of our current assets as at the respective balance sheet dates.



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

**3. Current liabilities**

Our current liabilities comprise mainly trade and other payables, financial liabilities, other liabilities, provision for statutory welfare fund as well as provision for income tax. Our current liabilities amounted to RMB131.5 million and RMB155.2 million as at 30 June 2010 and 31 December 2009 respectively, and accounted for approximately 99.5% and 99.0% of total liabilities as at the respective balance sheet dates.

- 3.1** Trade and other payables comprise mainly trade payables, retention monies, other payables, bills payables and due to shareholders. Trade payables amounted to RMB29.9 million, representing an increase of approximately RMB0.7 million over end of FY2009. The increase was in line with the increase in business activities.
- 3.2** Retention monies (ranging from 5% to 10% of the contract sum) amounted to RMB2.9 million as at 30 June 2010, representing a decrease of approximately RMB5.1 million over end of FY2009. The decrease was due mainly to the release of the retention monies to suppliers and sub-contractors as the final milestones have been reached for certain contracts.
- 3.3** Other payables comprise primarily VAT and other operating tax payables and accruals of other operating expenses. Other payables amounted to RMB6.5 million and RMB4.2 million as at 30 June 2010 and 31 December 2009 respectively.
- 3.4** Bills payable amounted to RMB1.9 million, representing an increase of approximately RMB1.3 million over end of FY2009. The increase in bills payable was due mainly to an increase in bills payable facilities utilised for procuring raw materials from our suppliers.
- 3.5** Due to shareholders decreased by approximately RMB0.2 million, from RMB8.0 million as at 31 December 2009 to RMB7.8 million as at 30 June 2010. The decrease was due to partial repayments during the period.
- 3.6** Financial liabilities amounted to nil as at 30 June 2010 as the financial liabilities which relate to share issue (in conjunction with a put option to be issued to Pre-IPO Investors) to the Pre-IPO investors and accrued interest on financial liabilities were no longer deemed payable following the successful listing on the main board of SGX-ST on 16 July 2010. Accordingly, the amounts of the financial liabilities as at 31 December 2009 together with the interest accrued for the 6 month period ended 30 June 2010 were converted into share capital.
- 3.7** Other liabilities comprise accrued purchases, salaries and travelling expenses and advances from customers. Other liabilities amounted to RMB80.8 million and RMB66.6 million as at 30 June 2010 and 31 December 2009 respectively.
- 3.8** Advances from customers amounted to RMB15.2 million, representing an increase in approximately RMB14.9 million over at end of FY2009. The increase was attributed to higher contract values and number of contracts secured as at 30 June 2010 with works scheduled to commence in second half of FY2010.
- 3.9** Provision for statutory welfare fund amounted to RMB0.5 million each as at 30 June 2010 and 31 December 2009 respectively.
- 4.** Provision for income tax amounted to RMB1.2 million and relate to the corporate tax payable by our PRC subsidiary on the profits for the half period ended 30 June 2010.

**5. Non-current liability**

As at 30 June 2010, our deferred tax liability amounted to RMB0.6 million, relating to withholding tax on undistributed profits of our PRC subsidiary pursuant to the PRC tax law.

**6. Shareholder's equity**

The Group's total shareholder's equity comprises share capital, PRC statutory reserve fund, merger reserve, translation reserve and accumulated profits. Between 30 June 2010 and 31 December 2009, our shareholder's equity increased from RMB152.4 million to RMB193.9 million due mainly to net profit recorded for 1H2010 and additions to share capital as a result of the conversion from financial liabilities.

**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 1H2010, net cash flows from operating activities before changes in working capital amounted to approximately RMB8.5 million. Net cash flows used in operating activities amounted to approximately RMB2.1 million attributed mainly to:

- (i) an increase in gross amount due from customers for work-in-progress of approximately RMB13.6 million as a result for more contracts performed whereby the billing milestones have not been reached;
- (ii) an increase in prepayments of approximately RMB12.6 million made to suppliers of raw materials;
- (iii) a decrease in gross amount due to customers for contract work-in-progress of approximately RMB6,000;
- (iv) an increase in trade and other payables of approximately RMB2.0 million, in line with the increase in business activities; and
- (v) payment of income tax of approximately RMB4.9 million.

The increase was partly offset by:

- (i) a decrease in inventories of approximately RMB0.3 million arising from inventories drawn down for projects;
- (ii) a decrease in trade and other receivable of approximately RMB16.2 million due to collections from customers;
- (iii) a increase in other liabilities of approximately RMB14.3 million, in line with the increase in business activities;
- (iv) a increase in provision for statutory reserve fund of approximately RMB13,000; and
- (v) interest income received of approximately RMB0.3 million.

Net cash outflows from investing activities of approximately RMB89,000 was due mainly to the purchase of office equipment during the period.

Net cash outflows from financing activities of approximately RMB0.2 million were due to repayments of loans and increase in bank deposits pledged of approximately RMB1.3 million, partly offset by net proceeds from bills payable of approximately RMB1.3 million.

Overall our cash and cash equivalents increased by approximately RMB6.1 million in 1H2009 from RMB50.7 million as at 31 December 2009 to RMB56.8 million as at 30 June 2010.

**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 at the date of announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.**

Our business remains robust and we are gearing up for a busy and stronger second half as more companies are expected to roll out their investment plans in industrial wastegas treatment systems. Our project teams have already been fully deployed since May 2010 to various customers' sites to commence works on the secured order book of approximately RMB175.6 million (please refer to page 63 of the Company's Prospectus dated 8 July 2010 for more details on the contracts).

Environmental protection and pollution control remain a primary concern of the PRC Government as demonstrated by their increased commitment in their efforts to address these concerns. With more enforcement measures expected to be put in place, many companies will have to replace their existing wastegas systems with more efficient ones so as to meet the new stringent requirements. It was recently reported that 186 cities in the PRC experienced acid rain caused by sulphur dioxide emissions. Consequently, we believe that the PRC Government is likely to introduce further measures to reduce the sulphur dioxide emissions target and this will present more opportunities to environmental companies which have a strong track record in desulphurisation projects.

The PRC Government has recently announced a new environmental standard for the steel industry. Steel production plants are required to cap effluent discharge at 2 cubic meters and sulphur dioxide emissions at 1.8 kilograms for every ton of steel manufactured. This is a positive development for environmental protection solution providers. We have secured a large scale contract of approximately RMB104.4 million (please refer to page 63 of the Company's Prospectus IPO dated 8 July 2010 for more contract details) to fabricate and install desulphurisation systems for sintering machines in the steel industry. Such credentials will strengthen our track record in the industry and put us in a better position in tendering for similar large contracts in the near future.

If the PRC Government keeps up with its efforts and initiatives towards environmental protection and pollution controls and barring any unforeseen circumstances, our Group expects to be profitable for the second half of 2010.

**11. Dividend**

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

Any dividend recommended for the current financial period reported on?

No.

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

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

No.

**(c) Date Payable**

Not applicable.

**(d) Book Closure Date.**

Not applicable.

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

No dividend for the six months ended 30 June 2010 is declared or recommended.

### 13. Interested person transactions

The Group had the following transaction with an interested person, on terms agreed between the respective parties as at 30 June 2010.

	Three months ended		Six months ended	
	30/6/2010	30/6/2009	30/6/2010	30/6/2009
	RMB'000	RMB'000	RMB'000	RMB'000
Jingold Resources Limited				
- loans	7,788	3,834	7,788	3,834

#### Note:

Jingold Resources Limited is a controlling shareholder of the Company and is owned by Lin Baiyin (the Executive Chairman and Chief Executive Officer of our Company), Zhan Bijin and Zhan Changkun in the proportion of 63.0%, 32.0% and 5.0% respectively. By virtue of Section 7 of the Companies Act (Chapter 50) of Singapore, Lin Baiyin and Zhan Bijin are deemed interested in the shares held by Jingold Resources Limited in our Company. As at 30 June 2010, the outstanding amount of shareholder's loans owing to Jingold Resources Limited was approximately RMB7.8 million. The loans were obtained for working capital purposes and capital injection into the Company's subsidiary, Jilin Anjie Environmental Engineering Co., Ltd. The loans are unsecured and interest free and have no fixed terms of repayment. The loans are not made on an arm's length basis but on terms beneficial to the Group. For full details of the loans from Jingold Resources Limited, please refer to pages 210 to 211 of the Company's Prospectus dated 8 July 2010 under section "Future and On-going Interested Person Transaction".

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

Lin Baiyin  
Executive Chairman and Chief Executive Officer

13 August 2010

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

On behalf of the Board of Directors of the Company, we confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the second quarter and the six months' financial results for the period ended 30 June 2010 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 Linyin  
Executive Director and Finance Director

13 August 2010