



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 2011

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 First Quarter (3 months) Ended 31 March 2011 of Leader Environmental Technologies Limited (the "Company") and Its Subsidiary (Collectively, the "Group")

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

1(a)(i) 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		change %
	3 months		
	Unaudited Jan to Mar 2011 RMB'000	Unaudited Jan to Mar 2010 RMB'000	
Revenue	13,328	10,072	32.3%
Cost of sales	(2,948)	(2,984)	-1.2%
Gross profit	10,380	7,088	46.4%
Other items of income			
Other income	166	2	8200.0%
Financial income	130	117	11.1%
Other items of expense			
Other expenses	(1)	-	NM
Financial costs	-	(765)	-100.0%
Selling and distribution expenses	(1,289)	(268)	381.0%
Administrative expenses	(3,418)	(3,354)	1.9%
Profit before income tax	5,968	2,820	111.6%
Income tax expense	(924)	(626)	47.6%
Profit net of tax attributable to owners of the parent	5,044	2,194	129.9%
Other comprehensive income			
Foreign currency translation	-	81	-100.0%
Total comprehensive income for the period attributable to owners of the parent	5,044	2,275	121.7%

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:

	Group		
	3 months		
	Unaudited Jan to Mar 2011 RMB'000	Unaudited Jan to Mar 2010 RMB'000	change %
Depreciation of property, plant and equipment	143	92	55.4%
Amortisation of intangible asset	12	11	9.1%
Operating lease expenses	133	155	-14.2%
Interest expense	-	765	-100.0%
Interest income	(130)	(117)	11.1%
Inventories recognised as an expense in cost of goods sold	2,228	2,801	-20.5%
Employee compensation	1,415	658	115.0%
Exchange (gain)/loss	(166)	10	-1760.0%

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 31 Mar 2011 RMB'000	Unaudited 31 Dec 2010 RMB'000	Unaudited 31 Mar 2011 RMB'000	Unaudited 31 Dec 2010 RMB'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	4,345	4,488	6	6
Intangible asset	191	203	-	-
Investment in subsidiary	-	-	97,443	97,443
	4,536	4,691	97,449	97,449
CURRENT ASSETS				
Gross amount due from customers for contract work-in-progress	352,467	335,153	-	-
Inventories	5,134	3,918	-	-
Trade and other receivables	25,044	30,536	23,900	23,900
Prepayments	75,436	43,290	260	247
Bank deposits pledged	1,553	2,421	-	-
Cash and cash equivalents	98,261	144,001	17,713	19,655
	557,895	559,319	41,873	43,802
TOTAL ASSETS	562,431	564,010	139,322	141,251
CURRENT LIABILITIES				
Trade and other payables	56,792	63,731	18	18
Other liabilities	135,777	132,346	1,211	2,016
Provision for income tax	5,147	8,333	-	-
	197,716	204,410	1,229	2,034
NET CURRENT ASSETS	360,179	354,909	40,644	41,768
Non-current liabilities				
Deferred tax liabilities	2,214	2,143	-	-
TOTAL LIABILITIES	199,930	206,553	1,229	2,034
NET ASSETS	362,501	357,457	138,093	139,217
Equity attributable to equity holders of the Company				
Share capital	130,884	130,884	130,884	130,884
Reserves	231,617	226,573	7,209	8,333
TOTAL EQUITY	362,501	357,457	138,093	139,217
TOTAL EQUITY AND LIABILITIES	562,431	564,010	139,322	141,251

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

	Group	
	As at 31 Mar 2011	As at 31 Dec 2010
	RMB'000	RMB'000
Amount repayable in one year or less, or on demand		
- secured	1,024	1,024
- unsecured	-	-
	<u>1,024</u>	<u>1,024</u>
Amount repayable after one year		
- secured	-	-
- unsecured	-	-
	<u>-</u>	<u>-</u>

Details of any collateral

As at 31 March 2011, the Group has approximately RMB1.0 million (31 December 2010: RMB1.0 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 3 months ended 31 Mar 2011	31 Mar 2010
	RMB'000	RMB'000
Cash flows from operating activities		
Profit before tax	5,968	2,820
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	143	92
Amortisation of intangible assets	12	11
Interest income	(130)	(117)
Interest expense	-	765
Translation difference	-	67
Operating profit before working capital changes	5,993	3,638
<u>Changes in working capital</u>		
Decrease (increase) in:		
Gross amount due from customers for contract work-in-progress	(17,314)	(16,133)
Inventories	(1,216)	23
Trade and other receivables	5,492	29,679
Prepayments	(32,146)	(11,061)
Increase (decrease) in:		
Gross amount due to customers for contract work-in-progress	-	(6)
Trade and other payables	(6,939)	(954)
Other liabilities	3,431	5,890
Cash flows (used in)/ generated from operations	(42,699)	11,076
Interest income received	130	117
Income tax paid	(4,039)	(981)
Net cash (used in)/generated from operating activities	(46,608)	10,212
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(27)
Net cash used in investing activities	-	(27)
Cash flows from financing activities		
Advances from shareholder (s) (non-trade)	-	(242)
Proceeds from bills payable	-	1,331
Repayments of bills payable	-	(550)
Decrease in bank deposits pledged	868	(970)
Net cash from/ (used in) financing activities	868	(431)
Net increase in cash and cash equivalents	(45,740)	9,754
Cash and cash equivalents at 1 January	144,001	50,651
Cash and cash equivalents at 31 March (Note A)	98,261	60,405

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 31 Mar	
	RMB'000	RMB'000
Note A: Cash and cash equivalents	2011	2010
Cash and bank balances	38,780	12,594
Short term deposits	61,034	49,331
	<u>99,814</u>	<u>61,925</u>
Less: fixed deposits pledged	(1,553)	(1,520)
Cash and cash equivalents	<u>98,261</u>	<u>60,405</u>

- 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

Attributable to the owners of the parent

Group - Statement of changes in equity for 3 months ended 31 Mar 2010	Share capital RMB'000	PRC statutory reserve fund RMB'000	Merger reserve RMB'000	Translation reserve RMB'000	Equity component of subscription shares issued with a put option RMB'000	Accumulated profits RMB'000	Total equity RMB'000
Balance at 1 January 2010	10	16,345	(454)	730	5,274	130,463	152,368
Total comprehensive income for the period	-	-	-	81	-	2,194	2,275
Contributions by and distributions to owners							
Appropriation to reserve	-	488	-	-	-	(488)	-
Total transactions with owners in their capacity as owners	-	488	-	-	-	(488)	-
Balance at 31 Mar 2010	10	16,833	(454)	811	5,274	132,169	154,643

Group - Statement of changes in equity for 3 months ended 31 Mar 2011	Share capital RMB'000	PRC statutory reserve fund RMB'000	Merger reserve RMB'000	Translation reserve RMB'000	Equity component of subscription shares issued with a put option RMB'000	Accumulated profits RMB'000	Total equity RMB'000
Balance at 1 January 2011	130,884	25,850	(454)	-	-	201,177	357,457
Total comprehensive income for the period	-	-	-	-	-	5,044	5,044
Contributions by and distributions to owners							
Appropriation to reserve	-	624	-	-	-	(624)	-
Total transactions with owners in their capacity as owners	-	624	-	-	-	(624)	-
Balance at 31 Mar 2011	130,884	26,474	(454)	-	-	205,597	362,501

- 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 3 months ended 31 March 2010	Share capital RMB'000	Translation reserve RMB'000	Equity component of subscription shares issued with a put option RMB'000	Accumulated profits RMB'000	Total RMB'000
Balance at 1 January 2010	10	(231)	5,274	(11,092)	(6,039)
Total comprehensive income for the period	-	(16)	-	(2,662)	(2,678)
Balance at 31 March 2010	10	(247)	5,274	(13,754)	(8,717)

Company - Statement of changes in equity for 3 months ended 31 March 2011	Share capital RMB'000	Translation reserve RMB'000	Equity component of subscription shares issued with a put option RMB'000	Accumulated profits RMB'000	Total RMB'000
Balance at 1 January 2011	130,884	-	-	8,333	139,217
Total comprehensive income for the period	-	-	-	(1,124)	(1,124)
Balance at 31 March 2011	130,884	-	-	7,209	138,093

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.

Company	Number of shares issued	Issued and paid-up capital S\$'000
As at 1 July 2010	350,612,000	8,208
Issue of 91,000,000 new ordinary shares at S\$0.21 per share pursuant to the IPO exercise on 16 July 2010	91,000,000	19,110
Share issue expenses	-	(1,390)
As at 31 December 2010	<u>441,612,000</u>	<u>25,928</u>

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

	31 Mar 2011	31 Dec 2010
Total number of shares issued at end of period/year	<u>441,612,000</u>	<u>441,612,000</u>

The Company does not have any treasury shares as at 31 March 2011 and 31 December 2010.

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.

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

Except for the comparative financial statements of the Group and of the Company as at 31 December 2010, 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 has adopted the same accounting policies in the financial statements for the current period as those in its audited consolidated financial statements as at 31 December 2010, except as disclosed in paragraph 5 below.

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.

The Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2011.

Description	Effective for annual periods beginning on or after
- Amendments to FRS 1 <i>Presentation of Financial Statements</i>	1 January 2011
- Amendments to FRS 34 <i>Interim Financial Reporting</i>	1 January 2011
- Amendments to FRS 101 <i>First-time Adoption of Financial Reporting Standards</i>	1 January 2011
- Amendments to FRS 107 <i>Financial Instruments: Disclosures</i>	1 January 2011
- Amendments to INT FRS 113 <i>Customer Loyalty Programmes</i>	1 January 2011
Revised FRS 24 <i>Related Party Disclosures</i>	1 January 2011
Amendments to INT FRS 114 <i>Prepayments of a Minimum Funding Requirements</i>	1 January 2011
INT FRS 115 <i>Agreements for the Construction of Real Estate</i>	1 January 2011

The adoption of these standards and interpretations above did not have any material impact on the financial performance or position of the Group and the Company.

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 basic earnings per share is based on the Group's net profits after tax attributable to owners of the parent for the respective periods divided by the weighted average of 441,612,000 ordinary shares for the three-month ended 31 March 2011 (31 March 2010: 350,612,000 as adjusted for the share split).

	Group	
	3 months	
	Jan to Mar 2011	Jan to Mar 2010
Net profit after tax attributable to owners of the parent (RMB'000)	5,044	2,194
Basic earnings per share (RMB cents per share)	1.14	0.63

*There were no potential dilutive options for the periods.

7. **Net asset value (for the issuer and Group) per ordinary share based on issued share capital of the issuer at the end of the:-**
- (a) **current financial period reported on; and**
- (b) **immediately preceding financial year.**

	Group		Company	
	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010
Net asset value (RMB'000)	362,501	357,457	138,093	139,217
Net asset value per ordinary share based on issued share capital as at end of the period/year (RMB cents per share)	82.09	80.94	31.27	31.52

Net asset value for the Group and Company as at 31 March 2011 and 31 December 2010 is computed based on 441,612,000 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

	1Q2011		1Q2010	
	RMB'000	%	RMB'000	%
Industrial wastegas treatment				
- Dust elimination	-	-	-	-
- Desulphurisation	10,519	78.9	9,931	98.6
Industrial wastewater	63	0.5	141	1.4
Design, technical services and others	2,746	20.6	-	-
	<u>13,328</u>	<u>100.0</u>	<u>10,072</u>	<u>100.0</u>

Revenue

Total revenue increased by approximately RMB3.3 million or 32.3%, from RMB10.0 million in 1Q2010 to RMB13.3 million in 1Q2011 due to higher desulphurization works of approximately RMB0.6 million, coupled by maiden revenue generated from maintenance works and technical support provided of approximately RMB2.7 million in 1Q2011.

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 1Q2011 increased by approximately RMB3.3 million or 46.4% attributed mainly to the above reasons.

Overall gross profit margin, derived mainly from the design phase of the contracts increased from 70.4% in 1Q2010 to 77.9% in 1Q2011. The maintenance works and technical support provided which involved minimal costs contributed to the higher gross margins since there were no such works obtained in 1Q2010.

Other income

Other income for 1Q2011 increased by approximately RMB164,000 or 8,200.0%, from RMB166,000 in 1Q2010 to RMB2,000 in 1Q2011 as a result of the exchange gain arising from the translation of the cash and bank balances which were denominated in S\$ into RMB.

Financial income

Financial income increased marginally by RMB13,000.

Operating Expenses

Financial costs decreased by approximately RMB0.8 million or 100.0%, from RMB0.8 million in 1Q2010 to nil in 1Q2011 because interest no longer needs to be accrued as the put option granted to the certain Pre-IPO investors expired on 30 June 2010.

The main components of selling and distribution expenses are employee compensation costs, travelling expenses, office expenses, rental and others. For 1Q2011, selling and distribution expenses increased by RMB1.0 million, or 381.0%, from RMB0.3 million in 1Q2010 to RMB1.3 million in 1Q2011 as more travelling and accommodation costs incurred for business development purpose.

Administrative expenses were relatively flat in 1Q2011 when compared against 1Q2010.

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 10% on the portion of the distributable profits derived by the PRC subsidiary in 1Q2011 which is expected to be distributed out as dividend.

Income tax expense increased by approximately RMB0.3 million or 47.6%, from RMB0.6 million in 1Q2010 to RMB0.9 million in 1Q2011. This was in line with the increase in net profit.

Profit net of tax attributable to owners of the parent

The net profit after taxation attributable to owners of the parent increased by approximately RMB2.8 million or 129.9%, from RMB2.2 million in 1Q2010 to RMB5.0 million in 1Q2011, as a result of an increase in gross profit of RMB3.3 million and lower financial costs of approximately RMB0.8 million, partly offset by higher selling and distribution expenses and income tax of approximately of RMB1.0 million and RMB0.3 million 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:- (cont'd)

Financial position

1. Non-current assets

Our non-current assets amounted to RMB4.5 million and comprised property, plant and equipment ("PPE") of RMB4.3 million and intangible asset of RMB0.2 million as at 31 March 2011. The decrease of approximately RMB0.1 million in PPE in 1Q2011 was due mainly to depreciation.

- 1.1** Intangible asset amounted to RMB0.2 million as at 31 March 2011 after amortisation of approximately RMB11,000 in 1Q2011. The intangible asset has a remaining tenure of 50 months as at 31 March 2011.

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 RMB557.5 million and RMB559.3 million as at end of 31 March 2011 and 31 December 2010 respectively. Our current assets accounted for approximately 99.2% of our total assets as at 31 March 2011 and 31 December 2010 respectively.

- 2.1** Amount due from customers for contract work-in-progress amounted to RMB352.5 million and RMB335.2 million as at 31 March 2011 and 31 December 2010 respectively and accounted for approximately 63.2% and 59.9% of our current assets as at 31 March 2011 and 31 December 2010 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 increased by approximately RMB1.2 million or 31.0%, from RMB3.9 million as at 31 December 2010 to RMB5.1 million as at 31 March 2011 as a result of procurement of raw materials for the fabrication works scheduled for second quarter of the year.
- 2.3** Trade and other receivables comprise trade receivables, bills receivable, retention monies and other receivables amounted to RMB25.0 million and RMB30.5 million as at 31 March 2011 and 31 December 2010 respectively, and accounted for approximately 4.5% and 5.5% of our current assets as at the respective balance sheet dates. Trade receivables and retention monies amounted to RMB6.6 million as at 31 March 2011, representing a decrease of approximately RMB6.1 million from 31 December 2010. The decrease was due mainly to collections of outstanding debts during the period.
- 2.4** Bills receivables amounted to RMB2.5 million and RMB4.6 million as at 31 March 2011 and 31 December 2010 respectively. The decrease was mainly due to fewer bills given by the customers for the settlement of invoices.
- 2.5** Other receivables comprise VAT receivables and advances to employees for business purposes. Other receivables amounted to RMB15.9 million and RMB13.2 million as at 31 March 2011 and 31 December 2010 respectively. The increase was mainly in line with the increase in business activities.
- 2.6** Prepayments comprising prepaid operating expenses and advances to trade and non-trade suppliers amounted to RMB75.4 million and RMB43.3 million as at 31 March 2011 and 31 December 2010 respectively. The increase was mainly attributed to increase in advances to trade and non-trade suppliers as a result of the increase in business activities.
- 2.7** Bank deposits pledged decreased by approximately RMB0.8 million or 35.9%, from RMB2.4 million as at 31 December 2010 to RMB1.6 million as at 31 March 2011 as the performance guarantee given on the contract was lower.
- 2.8** Cash and cash equivalents amounted to RMB98.3 million and RMB144.0 million as at 31 March 2011 and 31 December 2010 respectively, and accounted for approximately 17.6% and 25.7% 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, other liabilities and provision for income tax. Our current liabilities amounted to RMB197.7 million and RMB204.4 million as at 31 March 2011 and 31 December 2010 respectively, and accounted for approximately 98.9% and 99.0% of total liabilities as at the respective balance sheet dates.

3.1 Trade and other payables comprise mainly trade payables other payables and bills payables. Trade payables amounted to RMB52.1 million, representing a decrease of approximately RMB7.7 million over end of FY2010. The decrease was basically due to settlement of invoices due.

3.2 Other payables comprise primarily VAT and other operating tax payables and accruals of other operating expenses. Other payables amounted to RMB3.7 million and RMB2.9 million as at 31 March 2011 and 31 December 2010 respectively.

3.3 Bills payable amounted to RMB1.0 million each as at 31 March 2011 and 31 December 2010 and relate to banking facilities utilised for procuring raw materials from our suppliers.

3.4 Other liabilities comprise accrued purchases, salaries and travelling expenses and advances from customers. Other liabilities amounted to RMB135.8 million and RMB132.4 million as at 31 March 2011 and 31 December 2010 respectively.

3.5 Advances from customers amounted to RMB7.7 million, representing an increase in approximately RMB3.7 million over at end of FY2010. The increase was attributed to higher contract values and number of contracts secured as at 31 March 2011 with works scheduled to commence in April 2011 onwards.

3.6 Provision for income tax amounted to RMB5.1 million and relate to the corporate tax payable by our PRC subsidiary on the profits for the three period ended 31 March 2011.

4. Non-current liability

As at 31 March 2011, our deferred tax liability amounted to RMB2.2 million, relating to withholding tax on undistributed profits of our PRC subsidiary pursuant to the PRC tax law.

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 2011 and 31 December 2010, our shareholder's equity increased from RMB357.5 million to RMB362.5 million due mainly to the net profit recorded for 1Q2011.

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 1Q2011, net cash flows from operating activities before changes in working capital amounted to approximately RMB6.0 million. Net cash flows used in operating activities amounted to approximately RMB52.6 million attributed mainly to:

- (i) an increase in gross amount due from customers for work-in-progress of approximately RMB17.3 million as a result of more contracts performed whereby the billing milestones have not been reached;
- (ii) an increase in inventories of approximately RMB1.2 million arising from procurement of raw materials for contracts scheduled to commence works from April 2011 onwards ;
- (iii) an increase in prepayments of approximately RMB28.3 million made to suppliers of raw materials;
- (iv) an decrease in trade and other payables of approximately RMB6.9 million; and
- (v) payments of corporate income tax of approximately RMB4.0 million.

The decrease was partly offset by:

- (i) a decrease in trade and other receivable of approximately RMB1.6 million due to collections from customers;
- (ii) a increase in other liabilities of approximately RMB3.4 million, in line with the increase in business activities; and
- (v) interest income received of approximately RMB0.1 million.

Net cash inflows from financing activities of approximately RMB0.9 million were due to decrease in bank deposits pledged.

Overall our cash and cash equivalents decreased by approximately RMB45.7 million in 1Q2011 from RMB144.0 million as at 31 December 2010 to RMB98.3 million as at 31 March 2011.

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.

It was a good start to a new financial year, albeit a small improved amount of net profit generated for the three months ended 1Q2011. Like in the past years, the first quarter is usually a lull period due to the winter season and Chinese New Year period. However, this year brings more optimism to the business and industry as a whole as the State Government has recently announced the 12th five-year economic plan, placing continuing and strong emphasis on air pollution and with additional focus on the treatment of nitrogen oxides from coal powered activities. Subsequent to the announcement of the economic plan, additional tax incentives were also announced for those environmental companies which undertake qualified operation and maintenance (O&M) projects as the PRC government hopes to cultivate and nurture a group of large environmental companies to help further improve the environmental conditions in the PRC. This is indeed good news for the Group as we are one of the companies with the credentials to undertake such projects. As regards the signed letter of intent with Liaoning Province Lingnan Environmental Protection Hi-tech Industrial Development Co., Ltd (辽宁省岭南环保高新技术产业发展有限公司) mentioned in our announcement of 13 April 2011, we wish to mention that we are in the midst of final discussion with the customer to conclude the O&M contract worth a total of RMB245.0 million for a 10-year duration. This will be our first, but definitely not our last O&M contract as we are actively pursuing more of such contracts with potential customers who are keen to outsource the works, so that we can progressively build up our recurring income stream.

On the business front, we have two recent business developments which are positive for the Group. On 18 March 2011, we entered into a technical co-operation agreement with Zhejiang Feida Environmental Co., Ltd, one of the largest PRC players in the air pollution industry to provide technical support to their desulphurization project for a fee. On 25 March 2011, we also entered into another technical co-operation agreement in respect of de-nitrification technology with the National Environmental Protection Coal-Fired Air Pollution Control Engineering and Technical Center (APCETC) (国家环境保护燃煤大气污染控制工程技术中心) based in Zhejiang University (浙江大学). Under the contract, we will jointly tender for de-nitrification projects. Once the contract is secured, APCETC will provide us with the technology as well as the technical support for a fee, while we undertake the engineering, procurement and construction (EPC) segment of the works. Such co-operation will assist us in realising our plans to participate in the de-nitrification business earlier since we are still in the midst of developing our own technology. While the two technical co-operation contracts may not be material in FY2011, they have clearly demonstrated the confidence in us in respect of our own in-house developed desulphurization technology and strong execution capabilities in undertaking EPC contracts. In addition, both technical co-operations will also help to strengthen our market position in the industry.

Apart from the above, we have also been making progress in increasing our order book. Please refer to our announcement dated 10 May 2011 on the update of contracts entered into by us. We have received numerous positive feedback from past and existing customers which augurs well for the Group as we are in the midst of tendering for more EPC contracts. Barring any unforeseen circumstances, we are confident of our growth prospects in FY2011.

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 2011 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 31 March 2011.

Name of interested person	Group	
	Aggregate value of all interested persons transactions during the financial period under review	
	1Q ended	
	31 Mar 2011	31 Mar 2010
	RMB'000	RMB'000
Jingold Resources Limited		
- loans	-	(242)

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".

On 27 September 2010, the shareholder's loans of approximately RMB7.8 million (equivalent to S\$1.6 million) were fully repaid using internal funds generated by the Group. As a result, the outstanding balance was nil as at 31 December 2010. For full details relating to the repayment of the shareholder's loans, please refer to the Company's announcement dated 27 September 2010.

14. Update of usage of IPO proceeds

As at 31 March 2011, the net proceeds from the Company's initial public offering have been utilised as follows:

<u>Usage of IPO proceeds</u>	Amount allocated	Amount utilised	Balance
	RMB'000	RMB'000	RMB'000
Increase and enhance research and development activities	15,107	-	15,107
Investment in capital expenditures	3,021	41	2,980
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	443	6,211
Total	78,161	52,737	25,424

BY ORDER OF THE BOARD
Leader Environmental Technologies Limited

Lin Baiyin
Executive Chairman and Chief Executive Officer

13 May 2011

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 2011 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 May 2011