



**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 2011

The initial public offering (“IPO”) of Leader Environmental Technologies Limited was sponsored by Stirling Coleman Capital Limited (“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 2011 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) 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		
	Unaudited Apr to Jun 2011 RMB'000	Unaudited Apr to Jun 2010 RMB'000	change %	Unaudited Jan to Jun 2011 RMB'000	Unaudited Jan to Jun 2010 RMB'000	change %
Revenue	31,323	18,447	69.8%	44,651	28,519	56.6%
Cost of sales	(21,609)	(10,821)	99.7%	(24,557)	(13,805)	77.9%
Gross profit	<b>9,714</b>	<b>7,626</b>	27.4%	<b>20,094</b>	<b>14,714</b>	36.6%
<b>Other items of income</b>						
Other income	1,905	15	12600.0%	2,071	17	12082.4%
Financial income	157	210	-25.2%	287	327	-12.2%
<b>Other items of expense</b>						
Other expenses	(3)	-	NM	(4)	-	NM
Financial cost	-	(782)	-100.0%	-	(1,547)	-100.0%
Selling and distribution expenses	(665)	(538)	23.6%	(1,954)	(806)	142.4%
Administrative expenses	(3,763)	(2,367)	59.0%	(7,181)	(5,721)	25.5%
<b>Profit before income tax</b>	<b>7,345</b>	<b>4,164</b>	76.4%	<b>13,313</b>	<b>6,984</b>	90.6%
Income tax expense	(555)	191	-390.6%	(1,479)	(435)	240.0%
<b>Profit net of tax attributable to equity holders of the Company</b>	<b>6,790</b>	<b>4,355</b>	55.9%	<b>11,834</b>	<b>6,549</b>	80.7%
<b>Other comprehensive income</b>						
Foreign currency translation	-	26	-100.0%	-	107	-100.0%
<b>Total comprehensive income for the period attributable to equity holders of the Company</b>	<b>6,790</b>	<b>4,381</b>	55.0%	<b>11,834</b>	<b>6,656</b>	77.8%

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			Group		
	Q2		change %	6 months		change %
	Unaudited Apr to Jun 2011 RMB'000	Unaudited Apr to Jun 2010 RMB'000		Unaudited Jan to Jun 2011 RMB'000	Unaudited Jan to Jun 2010 RMB'000	
Depreciation of property, plant and equipment	144	96	50.0%	287	188	52.7%
Amortisation of intangible asset	11	12	-8.3%	23	23	-
Fixed asset written off	5	-	NM	5	-	NM
Operating lease expenses	144	104	38.5%	277	259	6.9%
Interest expense	-	782	-100.0%	-	1,547	-100.0%
Interest income	(157)	(210)	-25.2%	(287)	(327)	-12.2%
Inventories recognised as an expense in cost of goods sold	10,042	7,890	27.3%	12,270	10,691	14.8%
Employee compensation	1,693	1,139	48.6%	3,108	1,737	78.9%
Exchange loss	237	132	79.5%	71	142	-50.0%

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 2011 RMB'000	Unaudited 31 Dec 2010 RMB'000	Unaudited 30 Jun 2011 RMB'000	Unaudited 31 Dec 2010 RMB'000
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	4,446	4,488	11	6
Intangible assets	1,110	203	-	-
Investment in subsidiary	-	-	152,494	97,443
	<b>5,556</b>	<b>4,691</b>	<b>152,505</b>	<b>97,449</b>
<b>CURRENT ASSETS</b>				
Gross amount due from customers for contract work-in-progress	374,005	335,153	-	-
Inventories	2,813	3,918	-	-
Trade and other receivables	27,450	30,536	27,483	23,900
Prepayments	94,407	43,290	223	247
Bank deposits pledged	529	2,421	-	-
Cash and bank balances	128,993	144,001	15,574	19,655
	<b>628,197</b>	<b>559,319</b>	<b>43,280</b>	<b>43,802</b>
<b>TOTAL ASSETS</b>	<b>633,753</b>	<b>564,010</b>	<b>195,785</b>	<b>141,251</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	76,716	63,731	18	18
Other liabilities	131,122	132,346	1,752	2,016
Provision for income tax	466	8,333	-	-
	<b>208,304</b>	<b>204,410</b>	<b>1,770</b>	<b>2,034</b>
<b>NET CURRENT ASSETS</b>	<b>419,893</b>	<b>354,909</b>	<b>41,510</b>	<b>41,768</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	2,269	2,143	-	-
<b>TOTAL LIABILITIES</b>	<b>210,573</b>	<b>206,553</b>	<b>1,770</b>	<b>2,034</b>
<b>NET ASSETS</b>	<b>423,180</b>	<b>357,457</b>	<b>194,015</b>	<b>139,217</b>
<b>Equity attributable to equity holders of the Company</b>				
Share capital	194,015	130,884	194,015	130,884
Reserves	229,165	226,573	-	8,333
<b>TOTAL EQUITY</b>	<b>423,180</b>	<b>357,457</b>	<b>194,015</b>	<b>139,217</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>633,753</b>	<b>564,010</b>	<b>195,785</b>	<b>141,251</b>

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

	Group	
	As at 30.6.2011	As at 31.12.2010
	RMB'000	RMB'000
<b>Amount repayable in one year or less, or on demand</b>		
- secured	-	1,024
- unsecured	-	-
	<hr/>	<hr/>
	-	1,024
	<hr/>	<hr/>
<b>Amount repayable after one year</b>		
- secured	-	-
- unsecured	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

**Details of any collateral**

As at 30 June 2011, the Group has no (31 December 2010: RMB1.0 million) bills payable to suppliers which are secured by bank deposits pledged. These bills payable as at 31 December 2010 had a maturity period of 180 days and were 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 30.6.11	30.6.10
	RMB'000	RMB'000
<b>Cash flows from operating activities</b>		
Profit before tax	13,313	6,984
<u>Adjustments for :</u>		
Depreciation of property, plant and equipment	287	188
Amortisation of intangible assets	23	23
Fixed asset written off	5	-
Interest income	(287)	(327)
Interest expense	-	1,547
Translation difference	-	98
<b>Operating cashflow before movement in working capital changes</b>	<b>13,341</b>	<b>8,513</b>
<u>Changes in working capital</u>		
Decrease (increase) in:		
Gross amount due from customers for contract work-in-progress	(38,852)	(13,617)
Inventories	1,105	331
Trade and other receivables	(774)	16,184
Prepayments	(47,257)	(12,622)
Increase (decrease) in :		
Gross amount due to customers for contract work-in-progress	-	(6)
Trade and other payables	14,009	(2,014)
Other liabilities	(1,636)	14,253
<b>Cash flows (used in)/generated from operating activities</b>	<b>(60,064)</b>	<b>11,022</b>
Interest income received	287	327
Income tax paid	(9,220)	(4,918)
<b>Net cash (used in)/generated from operating activities</b>	<b>(68,997)</b>	<b>6,431</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(250)	(89)
Club membership	(930)	-
<b>Net cash used in investing activities</b>	<b>(1,180)</b>	<b>(89)</b>
<b>Cash flows from financing activities</b>		
Repayments to shareholder (s) (non-trade)	-	(242)
Proceeds from issuance of new shares	66,229	-
Payment of placement expenses	(2,686)	-
Dividend	(9,242)	-
Proceeds from bills payable	-	1,857
Repayments of bills payable	(1,024)	(550)
Decrease/(increase) in bank deposits pledged	1,892	(1,307)
<b>Net cash from/(used in) financing activities</b>	<b>55,169</b>	<b>(242)</b>
Net increase in cash and cash equivalents	(15,008)	6,100
Cash and cash equivalents at 1 January	144,001	50,651
<b>Cash and cash equivalents at 30 June (Note A)</b>	<b>128,993</b>	<b>56,751</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	2011	2010
Cash and bank balances	69,522	8,651
Short-term deposits	60,000	49,957
	<hr/>	<hr/>
	129,522	58,608
Less: bank deposits pledged	(529)	(1,857)
Cash and cash equivalents	<hr/>	<hr/>
	128,993	56,751

- 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 2011</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 2011	130,884	226,573	25,850	(454)	-	-	201,177	357,457
Total comprehensive income for the period	-	11,834	-	-	-	-	11,834	11,834
Issue of shares	66,229	-	-	-	-	-	-	66,229
Shares issue expenses	(3,098)	-	-	-	-	-	-	(3,098)
Appropriation to reserve	-	-	1,253	-	-	-	(1,253)	-
Dividend	-	(9,242)	-	-	-	-	(9,242)	(9,242)
<b>Balance at 30 June 2011</b>	<b>194,015</b>	<b>229,165</b>	<b>27,103</b>	<b>(454)</b>	<b>-</b>	<b>-</b>	<b>202,516</b>	<b>423,180</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)	-	-
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 2011	Share capital	Reserves sub-total	Translation reserve	Equity component of financial liabilities	Accumulated profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2011	130,884	8,333	-	-	8,333	139,217
Total comprehensive income for the period	-	909	-	-	909	909
Issue of new shares	66,229	-	-	-	-	66,229
Share issue expenses	(3,098)	-	-	-	-	(3,098)
Dividend	-	(9,242)	-	-	(9,242)	(9,242)
<b>Balance at 30 June 2011</b>	<b>194,015</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>194,015</b>

Company - Statement of changes in equity for 6 months ended 30 June 2010	Share capital	Reserves sub-total	Translation reserve	Equity component of financial liabilities	Accumulated profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2010	10	(6,047)	(231)	5,274	(11,090)	(6,037)
Total comprehensive income 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.

	Company	
	Number of shares	Share capital RMB'000
<b>As at 1 January 2011</b>	441,612,000	130,884
Issuance of new ordinary shares	50,000,000	66,229
Share issue expenses		(3,098)
<b>Issued and fully paid-up as at 30 June 2011</b>	<b>491,612,000</b>	<b>194,015</b>

On 20 April 2011, the Company undertook a private placement which comprised the placement of 50,000,000 new ordinary shares in the capital of the Company at S\$0.25 for each new share.

The Company obtained the approval in-principle from the SGX-ST for the listing and quotation for 50,000,000 new shares on 26 April 2011 and these new shares were successfully listed and quoted on the Main Board of the SGX-ST on 28 April 2011.

Consequent to the private placement, the issued share capital of the Company increased from 441,612,000 shares to 491,612,000 shares.

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

	Company	
	30.6.2011	31.12.2010
Total number of shares issued at end of period/year	491,612,000	441,612,000

The Company does not have any treasury shares as at 30 June 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. The Company does not have any treasury shares as at 30 June 2011 and 31 December 2010.

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

Except for the comparative balance sheets of the Group and Company as at 31 December 2010, the financial statements presented above have not been audited or reviewed by the Company's auditors.

**3. Where the figures have been audited or reviewed, 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.**

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Improvements to FRS issued in 2010:	
- 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 the basic earnings per share is based on the Group's net profits attributable to equity holders for the respective periods divided by the weighted average of 474,945,333 ordinary shares and 458,278,667 ordinary shares for the three-month and six-month ended 30 June 2011 respectively (2Q2010 & HY2010: 350,612,000 ordinary shares as adjusted for the shares split)

	<b>Group</b>		<b>Group</b>	
	<b>Q2</b>		<b>6 months</b>	
	<b>Apr to Jun 2011</b>	<b>Apr to Jun 2010</b>	<b>Jan to Jun 2011</b>	<b>Jan to Jun 2010</b>
Net profit after tax attributable to equity holders of the Company (RMB'000)	6,790	4,355	11,834	6,549
Basic earnings per share (RMB cents per share)	1.43	1.24	2.58	1.87

\*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 2011</b>	<b>31 Dec 2010</b>	<b>30 Jun 2011</b>	<b>31 Dec 2010</b>
Net asset value (RMB'000)	423,180	357,457	194,015	139,217
Net asset value per share (RMB cents per share)	86.08	80.94	39.47	31.52

Net asset value for the Group and the Company as at 30 June 2011 and 31 December 2010 is computed based on 491,612,000 and 441,612,000 ordinary shares in issue at the end of the financial period/year respectively.

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

- (a) any significant factors that affected the turnover, costs and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets and liabilities of the Group during the current financial period reported on.

**Review of Group Performance**

**Consolidated Statement of Comprehensive Income**

**Revenue**

	2Q2011		2Q2010		1HY2011		1HY2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Industrial wastegas treatment								
- Dust elimination	879	2.8	2,286	12.4	879	2.0	2,286	8.0
- Desulphurisation	27,661	88.3	12,207	66.2	38,180	85.5	22,138	77.6
Industrial wastewater	683	2.2	405	2.2	746	1.7	546	1.9
Design, technical services and others	2,100	6.7	3,549	19.2	4,846	10.8	3,549	12.5
	<b>31,323</b>	<b>100.0</b>	<b>18,447</b>	<b>100.0</b>	<b>44,651</b>	<b>100.0</b>	<b>28,519</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 RMB16.1 million or 56.6%, from RMB28.5 million in 1H2010 to RMB44.6 million in 1H2011. The increase was mainly attributed to more desulphurization, industrial wastewater and design and technical works performed of RMB17.5 million in aggregate, partly offset by less dust elimination contracts secured of RMB1.4 million.

Total revenue increased by approximately RMB12.9 million or 70.0%, from RMB18.4 million in 2Q2010 to RMB31.3 million in 2Q2011 as a result of more desulphurization and industrial wastewater works performed, partly offset by less dust elimination and design and technical works performed.

**Gross profit and gross profit margin**

Total gross profit for 1H2011 increased by approximately RMB5.4 million or 36.6%, which was in line with the increase in revenue.

Total gross profit in 2Q2011 increased by approximately RMB2.0 million or 27.4%. This was also in line with the increase in revenue.

Overall gross profit margin decreased by 6.6%, from 51.6% in 1H2010 to 45.0% in 1H2011 due to lower gross margins derived from desulphurization contracts of 40.6% in 1H2011 against 47.7% in 1H2010 as we have yet to enter into the installation phase for two major contracts. This was unlike last year where the installation works for the systems have been performed. The installation work usually offers a higher margin since only labour costs are incurred.

Overall gross profit margin decreased from 41.3% in 2Q2010 to 31.0% in 2Q2011 as a significant portion of the gross margin was derived mainly from design, technical and others in 2Q2010 when compared against 2Q2011. Had such margins been excluded in both financial periods, the gross profit margin variance for engineering, procurement and construction contracts relating to dust, desulphurization and industrial wastewater would not be significant.

**Other income**

Other income for 1H2011 increased by approximately RMB2.0 million or 12,082.4%, from RMB17,000 in 1H2010 to RMB2.1 million in 1H2011 due mainly to incentive received from the PRC Government.

Other income for 2Q2011 increased by approximately RMB1.9 million or 12,600.0%, from RMB15,000 in 2Q2010 to RMB1.9 million in 2Q2011. This was also attributed mainly to the incentive received from the PRC Government.

**Financial income**

The financial income for 1H2011 and 2Q2011 against the same period of last financial year was not material.

**Operating Expenses**

Financial cost decreased by approximately RMB1.5 million or 100.0%, from RMB1.5 million in 1H2010 to nil in 1H2011. This was due mainly to the expiry of the put option to certain Pre-IPO investors expired on 30 June 2010.

Financial cost decreased by approximately RMB0.8 million or 100.0%, from RMB0.8 million in 2Q2010 to nil in 2Q2011 due to the expiry of the put option mentioned above.

Other expenses for 1H2011 and 2Q2011 were not significant.

The main components of selling and distribution expenses are employee compensation costs, travelling expenses, office expenses, entertainment, rental and others. For 1H2011, selling and distribution expenses increased by RMB1.1 million, or 142.4%, from RMB0.8 million in 1H2010 to RMB1.9 million in 1H2011. This was in line with the increase in revenue.

Selling expenses in 2Q2011 increased by RMB0.1 million or 23.6%, from RMB0.5 million in 2Q2010 to RMB0.6 million in 2Q2011, in line with the increase in revenue.

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

Administrative expenses increased by approximately RMB1.5 million or 25.5%, from RMB5.7 million in 1H2010 to RMB7.2 million in 1H2011 due to salaries adjustments and compliance costs as the Company was listed on the Main Board of the SGX-ST in second half of FY2010.

Administrative expenses increased by approximately RMB1.4 million or 59.0%, from RMB2.4 million in 2Q2010 to RMB3.8 million in 2Q2011 attributed mainly to salaries adjustments and compliance costs incurred.

**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 which is expected to be distributed out as dividend.

Income tax expense increased by approximately RMB1.0 million or 240.0% from RMB0.4 million in 1H2010 to RMB1.4 million in 1H2011. The increase was in line with the increase in profit of the subsidiary.

Income tax expense increased by approximately RMB0.7 million or 390.6%, from a tax income of RMB0.2 million in 2Q2009 to a tax income of RMB0.5 million in 2Q2011 mainly due to the absence of a one-time reversal of excess withholding tax provided for both FY2008 and FY2009, coupled by higher tax on the increase in profit.

**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 RMB5.3 million or 80.7%, from RMB6.5 million in 1H2010 to RMB11.8 million in 1H2011, as a result of an increase in gross profit of RMB5.4 million, higher financial income of RMB2.0 million and decrease in financial costs of RMB1.5 million, partly offset by higher selling and distribution expenses of RMB1.1 million, administrative expenses of RMB1.5 million and higher income tax of approximately RMB1.0 million.

The net profit after taxation attributable to equity holders of the Company increased by approximately RMB2.4 million or 55.9%, from RMB4.4 million in 2Q2010 to RMB6.8 million in 2Q2011, as a result of an increase in gross profit of RMB2.0 million, other income of RMB1.9 million and the absence of financial cost of RMB0.8 million, partly offset by lower financial income of RMB0.1 million, higher selling and distribution expenses of RMB0.1 million, administrative expenses of RMB1.4 million and income tax expense of RMB0.7 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 RMB5.5 million and comprised property, plant and equipment ("PPE") of RMB4.4 million and intangible assets of RMB1.1 million as at 30 June 2011.

- 1.1** Intangible assets of RMB1.1 million comprised patent of RMB0.2 million and newly acquired club membership of RMB0.9 million as at 30 June 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 RMB628.2 million and RMB559.3 million as at end of 30 June 2011 and 31 December 2010 respectively. Our current assets accounted for approximately 99.1% of our total assets as at 30 June 2011 and 31 December 2010 respectively.

- 2.1** Amount due from customers for contract work-in-progress amounted to RMB374.0 million and RMB335.2 million as at 30 June 2011 and 31 December 2010 respectively and accounted for approximately 59.5% and 59.9% of our current assets as at 30 June 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 decreased by approximately RMB1.1 million or 28.2%, from RMB3.9 million as at 31 December 2010 to RMB 2.8 million as at 30 June 2011, due to drawn down for projects.
- 2.3** Trade and other receivables comprise trade receivables, bills receivable, retention monies and other receivables amounted to RMB27.5 million and RMB30.5 million as at 30 June 2011 and 31 December 2010 respectively, and accounted for approximately 4.4% and 5.5% of our current assets as at the respective balance sheet dates. Trade receivables and retention monies amounted to RMB9.7 million as at 30 June 2011, representing a decrease of approximately RMB3.0 million from 31 December 2010. The decrease was due mainly to collections of outstanding debts during the period.
- 2.4** Bills receivables amounted to nil and RMB4.7 million as at 30 June 2011 and 31 December 2010 respectively. The decrease was due to the maturity of the bills which were presented for payment to the banks.
- 2.5** Other receivables comprise VAT receivables and advances to employees for business purposes. Other receivables amounted to RMB17.8 million and RMB13.2 million as at 30 June 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 RMB94.4 million and RMB43.3 million as at 30 June 2011 and 31 December 2010 respectively. The increase was in line with the increase in business activities.
- 2.7** Bank deposits pledged decreased by approximately RMB1.9 million or 78.1%, from RMB0.5 million as at 31 December 2010 to RMB2.4 million as at 30 June 2011 as there was no utilization of bills payable facilities during the period.
- 2.8** Cash and cash equivalents amounted to RMB129.0 million and RMB144.0 million as at 30 June 2011 and 31 December 2010 respectively, and accounted for approximately 20.5% 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**

Current liabilities comprise mainly trade and other payables, financial liabilities, other liabilities, as well as provision for income tax. The Group's current liabilities amounted to RMB208.3 million and RMB204.4 million as at 30 June 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, retention monies, other payables, bills payables and due to shareholders. Trade payables amounted to RMB59.1 million, representing a decrease of approximately RMB0.7 million over end of FY2010. The decrease was attributed to payments made to suppliers for raw materials.
- 3.2** Other payables comprise primarily VAT and other operating tax payables and accruals of other operating expenses. Other payables amounted to RMB17.6 million and RMB2.9 million as at 30 June 2011 and 31 December 2010 respectively.
- 3.3** Bills payable amounted to nil, representing a decrease of approximately RMB1.0 million over end of FY2010.
- 3.4** Other liabilities comprise accrued purchases, salaries and travelling expenses and advances from customers. Other liabilities amounted to RMB131.1 million and RMB132.3 million as at 30 June 2011 and 31 December 2010 respectively.
- 3.5** Accrued purchases amounted to approximately RMB102.2 million and RMB108.3 million in HY2011 and HY2010 respectively. The decrease was attributed to payments made to suppliers for raw materials.
- 3.6** Advances from customers amounted to RMB25.6 million, representing an increase in approximately RMB21.6 million over at end of FY2010. The increase was attributed to higher contract values and number of contracts secured as at 30 June 2011 with works scheduled to commence in second half of FY2011.
- 3.7** Provision for income tax amounted to RMB0.5 million and relate to the corporate tax payable by our PRC subsidiary on the profits for the half period ended 30 June 2011. The decrease of RMB7.9 million was attributed to payment of tax.

**4. Non-current liability**

As at 30 June 2011, our deferred tax liability amounted to RMB2.3 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, translation reserve and accumulated profits. Between 30 June 2011 and 31 December 2010, our shareholder's equity increased from RMB357.5 million to RMB423.2 million due mainly to net profit recorded for 1H2011 and additions to share capital as a result of the private placement exercise.



**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 1H2011, net cash flows from operating activities before changes in working capital amounted to approximately RMB13.3 million. Net cash flows used in operating activities amounted to approximately RMB82.3 million attributed mainly to:

- (i) an increase in gross amount due from customers for work-in-progress of approximately RMB38.9 million as a result for more contracts performed whereby the billing milestones have not been reached;
- (ii) a increase in trade and other receivables of approximately RMB0.8 million, in line with increase in revenue;
- (iii) an increase in prepayments of approximately RMB47.2 million made to suppliers of raw materials;
- (iv) an increase in other liabilities of approximately RMB1.6 million; and
- (v) payment of income tax of approximately RMB9.2 million.

The increase was partly offset by:

- (i) a decrease in inventories of approximately RMB1.1 million arising from inventories drawn down for projects;
- (ii) a increase in trade and other payables of approximately RMB14.0 million in line with the increase in business activities; and
- (iii) interest income received of approximately RMB0.3 million from bank deposits.

Net cash outflows used in investing activities of approximately RMB1.2 million were due mainly to the purchase of office equipment and club membership during the period.

Net cash inflows from financing activities of approximately RMB55.2 million were proceeds from placements of RMB66.2 million and decrease in bank deposits pledged of RMB1.9 million, partly offset by payment for share issue expenses of RMB2.7 million, dividend of RMB9.2 million and repayments of bills payable of RMB1.0 million.

Overall our cash and cash equivalents decreased by approximately RMB15.0 million in 1H2011, from RMB144.0 million as at 31 December 2010 to RMB129.0 million as at 30 June 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.**

We have delivered another decent set of results for the period ended 30 June 2011, despite business activities having just picked up after the winter period. The business environment remains robust, with no lack of projects in the market. However, we continue to be selective, focusing on contracts that offer better margins and favourable payment terms. More contracts have been scheduled for tender in the second half of FY2011. Overall, our Group is still making good progress in securing contracts due to our established track record. We will provide an update on the order book secured separately in due course.

The recent private placement exercise held in April 2011 further strengthened the Group's balance sheet and enabled us to actively pursue the Own, Operate and Transfer business. We have obtained an in-principal approval to acquire 4 sets of desulphurization systems from a state owned enterprise ("SOE") operating the power plants in a southern province of the PRC. However, as state assets are involved, the said SOE has to seek approval from State-owned Assets Supervision and Administration Commission ("ASAC") of the State Council (国务院国有资产监督管理委员会) of the PRC. The Group is currently waiting for the ASAC to give its approval without which the Group is unable to proceed with the acquisition exercise. To cast our net wider to develop our Own, Operate and Transfer business, we are actively talking to other SOEs with a view to acquiring their desulphurization systems. For the time being, we have to concentrate on our core business (ie engineering, procurement and construction projects) which is still profitable, but lumpy since we operate in the Northern regions of the PRC which experienced much longer periods of harsh winter conditions.

Similar to last year, the earnings momentum will start to pick up from third quarter onwards and, barring any unforeseen circumstances, we are confident of another profitable year 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 six months ended 30 June 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 30 June 2011.

**Aggregate value of all interested persons transactions  
during the financial period under review**

	2Q ended		YTD ended	
	30/6/2011	30/6/2010	30/6/2011	31/6/2010
	RMB'000	RMB'000	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".

### 14. Update of usage of IPO and placement proceeds

As at 30 June 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	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	-
<b>Total</b>	<b>78,161</b>	<b>59,027</b>	<b>19,134</b>

14. Update of usage of IPO and placement proceeds cont'd

<u>Usage of placement proceeds</u>	Amount allocated	Amount utilised	Balance
	RMB'000	RMB'000	RMB'000
To undertake large scale projects	63,074	2,751	60,323

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

Lin Baiyin  
Executive Chairman and Chief Executive Officer

26 July 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 second quarter and the six months' financial results for the period ended 30 June 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 Linying  
Executive Director and Finance Director

26 July 2011