



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 Third Quarter and the Nine Months Ended 30 September 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 Third Quarter Ended 30 September 2011 of Leader Environmental Technologies Limited (“LET”) 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 presented in Chinese Renminbi (“RMB”), being the functional currency of the Group.

Consolidated Statement of Comprehensive Income

	Group			Group		
	Unaudited Jul to Sep 2011 RMB'000	Unaudited Jul to Sep 2010 RMB'000	change %	Unaudited Jan to Sep 2011 RMB'000	Unaudited Jan to Sep 2010 RMB'000	change %
Revenue	83,750	95,639	-12.4%	128,401	124,158	3.4%
Cost of sales	(42,413)	(57,475)	-26.2%	(66,970)	(71,280)	-6.0%
Gross profit	41,337	38,164	8.3%	61,431	52,878	16.2%
Other items of income						
Other income	(17)	760	-102.2%	2,054	777	164.4%
Financial income	9	291	-96.9%	296	618	-52.1%
Other items of expense						
Other expenses	(278)	(33)	742.4%	(282)	(33)	754.5%
Financial costs	-	(10)	-100.0%	-	(1,557)	-100.0%
Selling and distribution expenses	(473)	(843)	-43.9%	(2,427)	(1,649)	47.2%
Administrative expenses	(5,083)	(7,963)	-36.2%	(12,264)	(13,684)	-10.4%
Profit before tax	35,495	30,366	16.9%	48,808	37,350	30.7%
Income tax expense	(5,714)	(4,060)	40.7%	(7,194)	(4,495)	60.0%
Profit net of tax attributable to owners of the parent	29,781	26,306	13.2%	41,614	32,855	26.7%
Other comprehensive income, net of tax						
Foreign currency translation	-	(1,166)	-100.0%	-	(1,095)	-100.0%
Total comprehensive income for the period attributable to owners of the parent	29,781	25,140	18.5%	41,614	31,760	31.0%

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		
	Q3			9 months		
	Unaudited Jul to Sep 2011 RMB'000	Unaudited Jul to Sep 2010 RMB'000	change %	Unaudited Jan to Sep 2011 RMB'000	Unaudited Jan to Sep 2010 RMB'000	change %
Depreciation of property, plant and equipment	144	107	34.6%	431	295	46.1%
Amortisation of intangible asset	12	12	-	35	35	-
Fixed asset written off	-	-	-	5	-	NM
Operating lease expenses	448	150	198.7%	725	409	77.3%
Interest expense	-	10	-100.0%	-	1,557	-100.0%
Interest income	(9)	(291)	-96.9%	(296)	(618)	-52.1%
Inventories recognised as an expense in cost of goods sold	16,608	46,151	-64.0%	28,878	56,842	-49.2%
Directors' fees	142	172	-17.4%	423	172	145.9%
Staff costs	3,680	2,472	48.9%	6,788	4,209	61.3%
Exchange loss/(gain)	800	(749)	-206.8%	871	(607)	-243.5%

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 Sep 2011 RMB'000	Unaudited 31 Dec 2010 RMB'000	Unaudited 30 Sep 2011 RMB'000	Unaudited 31 Dec 2010 RMB'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	5,187	4,488	10	6
Intangible assets	1,098	203	-	-
Investment in subsidiary	-	-	152,494	97,443
	6,285	4,691	152,504	97,449
CURRENT ASSETS				
Gross amount due from customers for contract work-in-progress	407,989	335,153	-	-
Inventories	2,258	3,918	-	-
Trade and other receivables	55,676	30,536	29,799	23,900
Prepayments	99,769	43,290	254	247
Bank deposits pledged	529	2,421	-	-
Cash and bank balances	107,449	144,001	12,820	19,655
	673,670	559,319	42,873	43,802
TOTAL ASSETS	679,955	564,010	195,377	141,251
CURRENT LIABILITIES				
Trade and other payables	92,598	63,731	18	18
Other liabilities	126,460	132,346	1,344	2,016
Provision for income tax	5,233	8,333	-	-
	224,291	204,410	1,362	2,034
NET CURRENT ASSETS	449,379	354,909	41,511	41,768
Non-current liabilities				
Deferred tax liabilities	2,704	2,143	-	-
TOTAL LIABILITIES	226,995	206,553	1,362	2,034
NET ASSETS	452,960	357,457	194,015	139,217
Equity attributable to owners of the parent				
Share capital	194,015	130,884	194,015	130,884
Reserves	258,945	226,573	-	8,333
TOTAL EQUITY	452,960	357,457	194,015	139,217
TOTAL EQUITY AND LIABILITIES	679,955	564,010	195,377	141,251

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

	Group	
	As at 30.9.2011	As at 31.12.2010
	RMB'000	RMB'000
Amount repayable in one year or less, or on demand		
- secured	-	1,024
- unsecured	-	-
	<hr/>	<hr/>
	-	1,024
	<hr/>	<hr/>
Amount repayable after one year		
- secured	-	-
- unsecured	-	-
	<hr/>	<hr/>
	-	-
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Details of any collateral

As at 30 September 2011, the Group has nil (31 December 2010: RMB1.0 million) of bills payable to suppliers which are secured by bank deposits pledged. These bills payable 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 9 months ended 30.9.11	30.9.10
	RMB'000	RMB'000
Cash flows from operating activities		
Profit before tax	48,808	37,350
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	431	295
Amortisation of intangible assets	35	35
Fixed asset written off	5	-
Interest income	(296)	(618)
Interest expense	-	1,557
IPO expenses	-	4,699
Translation difference	-	(1,082)
Operating cashflow before movement in working capital changes	48,983	42,236
<u>Changes in working capital</u>		
Decrease/(increase) in:		
Gross amount due from customers for contract work-in-progress	(72,836)	(105,442)
Inventories	1,660	359
Trade and other receivables	(29,000)	16,397
Prepayments	(52,619)	(41,890)
Increase/(decrease) in:		
Gross amount due to customers for contract work-in-progress	-	(6)
Trade and other payables	29,891	(8,856)
Other liabilities	(5,886)	66,791
Cash flows used in from operating activities	(79,807)	(30,411)
Interest income received	296	618
Income tax paid	(9,733)	(5,383)
Net cash used in operating activities	(89,244)	(35,176)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,135)	(1,995)
Club membership	(930)	-
Net cash used in investing activities	(2,065)	(1,995)
Cash flows from financing activities		
Repayment to shareholder (non-trade)	-	(8,027)
Proceeds from issuance of new shares pursuant to placement exercise/IPO exercise	66,229	95,644
Share issue expenses/IPO expenses	(3,098)	(11,671)
Dividends paid	(9,242)	-
Proceeds from bills payable	-	2,981
Repayments of bills payable	(1,024)	(1,881)
Decrease/(increase) in bank deposits pledged	1,892	(1,100)
Net cash from financing activities	54,757	75,946
Net increase in cash and cash equivalents	(36,552)	38,775
Cash and cash equivalents at 1 January	144,001	50,651
Cash and cash equivalents at 30 Sep (Note A)	107,449	89,426

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 Sep	
	RMB'000	RMB'000
Note A: Cash and cash equivalents	2011	2010
Cash and bank balances	47,978	61,076
Short-term deposits	60,000	30,000
	<u>107,978</u>	<u>91,076</u>
Less: bank deposits pledged	(529)	(1,650)
Cash and cash equivalents	<u>107,449</u>	<u>89,426</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.

Group

	Attributable to owners of the parent							Total equity RMB'000
	Share capital RMB'000	Reserves sub-total RMB'000	PRC statutory reserve fund RMB'000	Merger reserve RMB'000	Translation reserve RMB'000	Equity component of financial liabilities RMB'000	Accumulated profits RMB'000	
Balance at 1 January 2011	130,884	226,573	25,850	(454)	-	-	201,177	357,457
Total comprehensive income for the period	-	41,614	-	-	-	-	41,614	41,614
Issue of shares	66,229	-	-	-	-	-	-	66,229
Shares issue expenses	(3,098)	-	-	-	-	-	-	(3,098)
Appropriation to reserve	-	-	4,717	-	-	-	(4,717)	-
Dividends paid	-	(9,242)	-	-	-	-	(9,242)	(9,242)
Balance at 30 September 2011	194,015	258,945	30,567	(454)	-	-	228,832	452,960

	Attributable to owners of the parent							Total equity RMB'000
	Share capital RMB'000	Reserves sub-total RMB'000	PRC statutory reserve fund RMB'000	Merger reserve RMB'000	Translation reserve RMB'000	Equity component of financial liabilities RMB'000	Accumulated profits RMB'000	
Balance at 1 January 2010	10	152,358	16,345	(454)	730	5,274	130,463	152,368
Total comprehensive income for the period	-	31,796	-	-	(1,059)	-	32,855	31,796
Appropriation to reserve	-	-	4,163	-	-	-	(4,163)	-
Financial liabilities - equity component	5,274	(5,274)	-	-	-	(5,274)	-	-
Conversion of financial liabilities	34,878	-	-	-	-	-	-	34,878
Proceeds from issue of new ordinary shares pursuant to the IPO exercise	95,644	-	-	-	-	-	-	95,644
Share issue expenses	(6,972)	-	-	-	-	-	-	(6,972)
Balance at 30 September 2010	128,834	178,880	20,508	(454)	(329)	-	159,155	307,714

- 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	Attributable to owners of the parent					
	Share capital	Reserves sub-total	Translation reserve	Equity component		Total
				of financial liabilities	Accumulated profits	
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)
Dividends paid	-	(9,242)	-	-	(9,242)	(9,242)
Balance at 30 September 2011	194,015	-	-	-	-	194,015

Company	Attributable to owners of the parent					
	Share capital	Reserves sub-total	Translation reserve	Equity component		Total
				of financial liabilities	Accumulated profits	
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	-	211	1,540	-	(1,329)	211
Financial liabilities - equity component	5,274	(5,274)	-	(5,274)	-	-
Conversion of financial liabilities	34,878	-	-	-	-	34,878
Proceeds from issue of new ordinary shares pursuant to the IPO exercise	95,644	-	-	-	-	95,644
Share issue expenses	(6,972)	-	-	-	-	(6,972)
Balance at 30 September 2010	128,834	(11,110)	1,309	-	(12,419)	117,724

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
As at 1 January 2011	441,612,000	130,884
Issuance of new ordinary shares	50,000,000	66,229
Share issue expenses		(3,098)
Issued and fully paid-up as at 30 Sep 2011	491,612,000	194,015

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.

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	
	30.9.2011	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 September 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 September 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.

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 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 491,612,000 ordinary shares and 469,389,778 ordinary shares for the three-month and nine-month ended 30 September 2011, respectively (3Q2010 & 9M2010: 426,445,333 and 375,889,778 ordinary shares).

	Group		Group	
	Q3		9 months	
	Jul to Sep 2011	Jul to Sep 2010	Jan to Sep 2011	Jan to Sep 2010
Net profit after tax attributable to equity holders of the Company (RMB'000)	29,781	26,306	41,614	32,855
Basic earnings per share (RMB cents per share)	6.06	6.17	8.87	8.74

*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	
	30 Sep 2011	31 Dec 2010	30 Sep 2011	31 Dec 2010
Net asset value (RMB'000)	452,960	357,457	194,015	139,217
Net asset value per share (RMB cents per share)	92.14	80.94	39.47	31.52

Net asset value for the Group and Company as at 30 September 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

	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Industrial wastegas treatment								
- Dust elimination	4,880	5.8	3,621	3.8	5,759	4.5	5,907	4.8
- Desulphurization	74,579	89.0	80,497	84.2	112,759	87.8	102,635	82.7
Industrial wastewater	6,391	7.6	3,962	4.1	7,137	5.6	4,508	3.6
Design, technical services and others	* (2,100)	(2.4)	7,559	7.9	2,746	2.1	11,108	8.9
	83,750	100.0	95,639	100.0	128,401	100.0	124,158	100.0

* Reclassification of design revenue to desulphurization segment since it was not a stand-alone contract as subsequent services were performed to fabricate and install the desulphurization systems.

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 marginally by approximately RMB4.2 million or 3.4%, from RMB124.2 million in 9M2010 to RMB128.4 million in 9M2011 as a result of an increase in revenue from desulphurization and industrial wastewater contracts of approximately RMB12.7 million in aggregate. We undertook more industrial wastewater works in 3Q2011 as they offered better gross margins. In the case of desulphurization contracts, despite the overall increase in revenue for 9M2011, the revenue recorded for 3Q2011 was lower because unlike 9M2010, some of the engineering works were scheduled at a later stage. The increase was partly offset by a decrease in stand-alone design and technical services of approximately RMB8.4 million as the contracts secured were of smaller scale. In addition, we performed more dust elimination works in 3Q2011 as opposed to 3Q2010, which narrowed the overall decline in dust elimination revenue for 9M2011 to RMB0.1 million.

Gross profit and gross profit margin

Total gross profit for 9M2011 increased by approximately RMB8.5 million or 16.2%, due to higher gross profits derived from desulphurization contracts, dust elimination contracts and industrial wastewater contracts of approximately RMB14.8 million, RMB0.4 million and RMB1.7 million respectively, partly offset by lower design and technical services of approximately RMB8.4 million as smaller contracts were secured.

Overall gross profit margin improved by 5.2%, from 42.6% in 9M2010 to 47.8% in 9M2011 as we took on dust elimination and industrial wastewater contracts in 3Q2011 which offered better margins. Both segments of the businesses contributed an increase in the gross margin by 8.1% and 18.5% respectively. In addition, the gross margin for desulphurization contracts also increased by 9.6% in 9M2011 as we have performed the installation works which involved only labour costs, coupled by design income solely recognized for a major contract in 3Q2011 as it just started work. The overall increase was partly offset by the decline in gross margin of approximately 15.1% in design and technical services as we undertook some maintenance works which involved more material and labour costs.

Other income

Other income for 9M2011 increased by approximately RMB1.3 million or 164.4%, from RMB0.8 million in 9M2010 to RMB2.1 million in 9M2011 due mainly to incentive received from PRC Government of approximately RMB2.0 million, partly offset by the absence of exchange gain arising from the revaluation of IPO proceeds and miscellaneous income of approximately RMB0.7 million in aggregate.

Financial income

The financial income decreased by approximately RMB0.3 million or 52.4%, from RMB0.6 million in 9M2010 to RMB0.3 million in 9M2011 as we did not utilize the bills payable facility to earn interest. In addition, the interest rate paid on fixed deposit was revised downwards by the banks.

Operating Expenses

Financial cost decreased by approximately RMB1.5 million or 100.0%, from RMB1.5 million in 9M2010 to nil in 9M2011. This was due mainly to interest no longer needs to be accrued as the put option to certain Pre-IPO investors expired on 30 June 2010.

Other expenses increased by approximately RMB0.2 million or 754.5%, from RMB33,000 in 9M2010 to RMB0.3 million in 9M2011 due to the contribution to the Flood Prevention fund in 3Q2011.

The main components of selling and distribution expenses are employee compensation costs, travelling expenses, office expenses, entertainment, rental and others. For 9M2011, selling and distribution expenses increased by RMB0.8 million, or 47.2%, from RMB1.6 million in 9M2010 to RMB2.4 million in 9M2011. This was attributed to pay increments and higher entertainment expenses.

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 decreased by approximately RMB1.4 million or 10.4%, from RMB13.7 million in 9M2010 to RMB12.3 million in 9M2011 due to the absence of IPO expenses in 9M2011, whereas in 9M2010, the Group incurred approximately RMB5.8 million on IPO expenses. The decrease of approximately RMB5.8 million was partly offset by professional fees and compliance costs incurred of approximately RMB1.2 million in aggregate as a result of the listing on the Main Board of the SGX-ST, exchange loss suffered of approximately RMB0.8 million, arising from revaluation of S\$ cash and cash equivalents, higher payroll and related costs due to pay increments and upward revisions of the contribution rates to defined contribution plans, an increase in travelling, entertainment and miscellaneous expenses of approximately RMB2.4 million in aggregate.

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 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, 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 RMB2.7 million or 60.0% from RMB4.5 million in 9M2010 to RMB7.2 million in 9M2011. The increase 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 RMB8.7 million or 26.7%, from RMB32.9 million in 9M2010 to RMB41.6 million in 9M2011, as a result of an increase in gross profit of RMB8.5 million, higher other income of RMB1.3 million, decrease in financial costs of RMB1.5 million and administrative expenses of RMB1.4 million, partly offset by decrease in financial income of RMB0.3 million, higher other expenses of RMB0.2 million, selling and distribution expenses of approximately RMB0.8 million and income tax of RMB2.7 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 RMB6.3 million and comprised property, plant and equipment ("PPE") of RMB5.2 million and intangible assets of RMB1.1 million as at 30 September 2011.

- 1.1** Intangible assets of RMB1.1 million comprised patent of RMB0.2 million and club membership of RMB0.9 million as at 30 September 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 RMB673.7 million and RMB559.3 million as at end of 30 September 2011 and 31 December 2010 respectively. Our current assets accounted for approximately 99.1% of our total assets as at 30 September 2011 and 31 December 2010 respectively.

- 2.1** Amount due from customers for contract work-in-progress amounted to RMB408.0 million and RMB335.2 million as at 30 September 2011 and 31 December 2010 respectively and accounted for approximately 60.0% and 59.9% of our current assets as at 30 September 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 RMB1.6 million or 42.4%, from RMB3.9 million as at 31 December 2010 to RMB 2.3 million as at 30 September 2011 due to drawn down of inventories for on-going projects.
- 2.3** Trade and other receivables comprise trade receivables, bills receivable, retention receivables and other receivables amounted to RMB55.7 million and RMB30.5 million as at 30 September 2011 and 31 December 2010 respectively, and accounted for approximately 8.3% and 5.5% of our current assets as at the respective balance sheet dates. Trade receivables and retention receivables amounted to RMB33.9 million as at 30 September 2011, representing an increase of approximately RMB21.3 million from 31 December 2010. The increase was attributed to more billings for completed projects.
- 2.4** Bills receivable amounted to RMB2.0 and RMB4.7 million as at 30 September 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 RMB19.8 million and RMB13.2 million as at 30 September 2011 and 31 December 2010 respectively. The increase was attributed to more advances to staff for business trips and higher VAT receivables as a result of more billings issued to customers.
- 2.6** Prepayments comprising prepaid operating expenses, advances to trade and non-trade suppliers amounted to RMB99.8 million and RMB43.3 million as at 30 September 2011 and 31 December 2010 respectively. The increase was attributed to increase in advances to trade suppliers to secure the raw materials for on-going projects as well as for major dust elimination cum desulphurization contract secured in September 2011.
- 2.7** Bank deposits pledged decreased by approximately RMB1.9 million or 78.1%, from RMB2.4 million as at 31 December 2010 to RMB0.5 million as at 30 September 2011 as there was no utilization of bills payable facilities during the period.
- 2.8** Cash and cash equivalents amounted to RMB107.4 million and RMB144.0 million as at 30 September 2011 and 31 December 2010 respectively, and accounted for approximately 15.9% 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 RMB224.3 million and RMB204.4 million as at 30 September 2011 and 31 December 2010 respectively, and accounted for approximately 98.8% 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 RMB75.0 million, representing an increase of approximately RMB15.2 million over end of FY2010 as we have more contracts whereby the milestones for making the payments have not been reached despite that the steel components have already been delivered to the project sites.
- 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 September 2011 and 31 December 2010 respectively. The increase was attributed to higher operating expenses for outsourcing of more services to third parties.
- 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, travelling expenses and professional fees and advances from customers. Other liabilities amounted to RMB126.5 million and RMB132.3 million as at 30 September 2011 and 31 December 2010 respectively.
- 3.5** Accrued purchases amounted to approximately RMB90.2 million and RMB108.3 million as at end 30 September and 31 December 2010 respectively. The decrease was attributed to payments made to suppliers for raw materials.
- 3.6** Advances from customers amounted to RMB32.6 million, representing an increase in approximately RMB28.6 million over at end of FY2010. The increase was attributed to higher contract values and number of contracts secured.
- 3.7** Provision for income tax amounted to RMB5.2 million and relate to the corporate tax payable by our PRC subsidiary on the profits for 9M 2011. The decrease of RMB3.1 million was attributed to payment of tax.

4. Non-current liability

As at 30 September 2011, our deferred tax liability amounted to RMB2.7 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 30 September 2011 and 31 December 2010, our shareholder's equity increased from RMB357.5 million to RMB453.0 million due mainly to net profit recorded for 9M2011 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 9M2011, net cash flows from operating activities before changes in working capital amounted to approximately RMB48.9 million. Net cash flows used in operating activities amounted to approximately RMB138.2 million attributed mainly to:

- (i) an increase in gross amount due from customers for work-in-progress of approximately RMB72.8 million as a result of more contracts performed whereby the billing milestones have not been reached;
- (ii) an increase in trade and other receivables of approximately RMB29.0 million as a result of more billings raised for works completed;
- (iii) an increase in prepayments of approximately RMB52.6 million made to suppliers of raw materials;
- (iv) a decrease in other liabilities of approximately RMB5.9 million; and
- (v) payment of income tax of approximately RMB9.7 million.

The increase was partly offset by:

- (i) a decrease in inventories of approximately RMB1.6 million arising from inventories;
- (ii) a increase in trade and other payables of approximately RMB29.9 million; and
- (iii) interest income received of approximately RMB0.3 million from bank deposits.

Net cash outflows used in investing activities of approximately RMB2.1 million were due mainly to the purchase of office equipment and club membership during the period.

Net cash inflows from financing activities of approximately RMB54.8 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 RMB3.1 million, dividends paid of RMB9.2 million and repayments of bills payable of RMB1.0 million.

Overall our cash and cash equivalents decreased by approximately RMB36.6 million in 9M2011, from RMB144.0 million as at 31 December 2010 to RMB107.4 million as at 30 September 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.

Against the background of high inflation, credit tightening and moderating growth rate in the PRC, coupled by the euro zone and US economic crises, the Group has posted another encouraging set of results for the period ended 30 September 2011. Notwithstanding the challenging economic conditions faced, the prospects for environmental companies in the PRC over the next few years remain bright as can be seen from the recent implementations of various new initiatives as well as the 12th five-year economic plan launched by the PRC Government to address the environmental issues. Huge amounts of capital expenditure are still invested into environmental projects which are testament to the PRC Government's resolve and commitment in tackling environmental issues.

On the business front, the Group is still making good progress in securing contracts as our in-house developed technologies enjoy a cutting edge over our competitors which enabled us to secure large scale dust elimination cum desulphurization contracts worth RMB99.0 million in September 2011. For full details relating to the contracts, please refer to the Company's announcement dated 24 October 2011. Desulphurization projects remain as our key growth driver, contributing more than 80% of the Group's revenue in 9M2011. In addition to desulphurization contracts, de-nitrification (the treatment of nitrogen oxides from the burning of coal) is another potential growth area which we hope to embark on in the foreseeable future in order to expand our revenue base.

In recognition of the Group's past financial performance, we have recently been conferred the 200 "Best Under A Billion" companies and "Technology Fast 500" accolades by Forbes Asia and Deloitte respectively. These augur well for the Group and will provide the impetus for us to continue to strive for excellence in the future. The overall financial performance of the Group for the third quarter of FY2011 could have been better had we not decided to fine-tune our long term growth strategy. As part of the Group's efforts to develop its long term growth strategy, we undertook fewer engineering, procurement and construction ("EPC") projects relating to desulphurization projects even though we have been approached by numerous potential customers to provide turnkey solutions to their industrial wastegas systems. The management acknowledges that focus on EPC projects alone is not sustainable in the long term as there are always the elements of uncertainty and huge capital financing involved. The Group spends more time and resources to try and build up our recurring income base such as operation and maintenance works and Owned, Operate and Transfer business model instead. The award of Environmental Protection Treatment facility "A" grade certificate in September 2011 from "B" grade previously further strengthens our position to compete in these new business segments. Moreover, the on-going credit tightening measures in the PRC have posed tremendous challenges to the business environment, especially companies that are heavily dependent on loans from the PRC banks. In the light of this, the Group has been cautious and selective when taking on new projects. We have to turn away some of the contracts which offered lower margins and unfavourable payment terms as part of credit risk management. Consequently, both decisions have led to a slowdown in the performance of the Group in 3Q2011 and are likely to impact its performance in 4Q2011. Management strongly believes that the move is necessary and is for the benefit of the Group in the long term.

In spite of the foregoing and barring any unforeseen circumstances, we are still confident of achieving another profitable year in FY2011, albeit at a lower profit than FY 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 nine months ended 30 September 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 September 2011.

Aggregate value of all interested persons transactions			
during the financial period under review			
3Q ended		YTD ended	
30/9/2011	30/9/2010	30/9/2011	30/9/2010
RMB'000	RMB'000	RMB'000	RMB'000
Jingold Resources Limited			
- loans	- (7,807)	-	(8,027)

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 30 September 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 and placement proceeds

As at 30 September 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	-
Total	78,161	59,027	19,134

<u>Usage of placement proceeds</u>	Amount allocated	Amount utilised	Balance
	RMB'000	RMB'000	RMB'000
To undertake large scale projects	63,074	21,551	41,523

BY ORDER OF THE BOARD
Leader Environmental Technologies Limited

Lin Baiyin
Executive Chairman and Chief Executive Officer

14 November 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 third quarter and the nine months' financial results for the period ended 30 September 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

14 November 2011