



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 Fourth Quarter and the Twelve Months Ended 31 December 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 Financial Year Ended 31 December 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) Income statement and statement of comprehensive income, or a statement of comprehensive income, for the group together with a comparative statement for the corresponding period of immediately preceding year.

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

	Group			Group		
	Q4		change %	12 months		change %
	Unaudited Oct to Dec 2011 RMB'000	Unaudited Oct to Dec 2010 RMB'000		Unaudited Jan to Dec 2011 RMB'000	Unaudited Jan to Dec 2010 RMB'000	
Revenue	19,077	150,719	-87.3%	147,478	274,877	-46.3%
Cost of sales	(11,512)	(86,807)	-86.7%	(78,482)	(158,087)	-50.4%
Gross profit	7,565	63,912	-88.2%	68,996	116,790	-40.9%
Other items of income						
Other income	7,193	516	1294.0%	9,247	1,293	615.2%
Financial income	511	259	97.3%	807	877	-8.0%
Other items of expense						
Other expenses	(3,481)	(157)	2117.2%	(3,763)	(190)	1880.5%
Financial expense	-	(41)	-100.0%	-	(1,598)	-100.0%
Selling and distribution expenses	(587)	(1,028)	-42.9%	(3,014)	(2,677)	12.6%
Administrative expenses	(3,931)	(4,790)	-17.9%	(16,195)	(18,474)	-12.3%
Profit before income tax	7,270	58,671	-87.6%	56,078	96,021	-41.6%
Income tax expense	(4,240)	(8,928)	-52.5%	(11,434)	(13,423)	-14.8%
Profit net of tax attributable to owners of the parent	3,030	49,743	-93.9%	44,644	82,598	-46.0%
Other comprehensive income						
Foreign currency translation	-	36	-100.0%	-	(1,059)	-100.0%
Total comprehensive income for the period attributable to owners of the parent	3,030	49,779	-93.9%	44,644	81,539	-45.2%

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

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

	Group			Group		
	Q4		change %	12 months		change %
	Unaudited Oct to Dec 2011 RMB'000	Unaudited Oct to Dec 2010 RMB'000		Unaudited Jan to Dec 2011 RMB'000	Unaudited Jan to Dec 2010 RMB'000	
Depreciation of property, plant and equipment	169	142	19.0%	600	437	37.3%
Fixed asset written off	-	-	-	5	-	NM
Amortisation of intangible asset	11	11	-	46	46	-
Operating lease expenses	265	448	-40.8%	990	857	15.5%
Interest expense	-	41	-100.0%	-	1,598	-100.0%
Interest income	(511)	(259)	97.3%	(807)	(877)	-8.0%
Inventories recognised as an expense in cost of goods sold	12,284	62,944	-80.5%	41,162	119,786	-65.6%
Director's fees	126	87	44.8%	549	259	112.0%
Staff costs	2,227	2,107	5.7%	9,015	6,316	42.7%
Exchange loss/(gain)	2,583	(581)	-544.6%	3,454	(1,188)	-390.7%

1(b)(i) Statement of financial position (for the issuer and group) together with a comparative statement as at the end of the immediately preceding year.

	Group		Company	
	Unaudited 31 Dec 2011 RMB'000	Unaudited 31 Dec 2010 RMB'000	Unaudited 31 Dec 2011 RMB'000	Unaudited 31 Dec 2010 RMB'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	5,022	4,488	10	6
Intangible assets	5,849	203	-	-
Investment in subsidiary	-	-	152,494	97,443
	10,871	4,691	152,504	97,449
CURRENT ASSETS				
Gross amount due from customers for contract work-in-progress	382,677	335,153	-	-
Inventories	2,615	3,918	-	-
Trade and other receivables	75,265	30,536	40,549	23,900
Prepayments	77,037	43,290	217	247
Bank deposits pledged	529	2,421	-	-
Cash and bank balances	138,612	144,001	11,625	19,655
	676,735	559,319	52,391	43,802
TOTAL ASSETS	687,606	564,010	204,895	141,251
CURRENT LIABILITIES				
Trade and other payables	77,681	62,707	481	18
Bills payable	-	1,024	-	-
Other liabilities	99,350	132,346	2,899	2,016
Borrowings	47,500	-	-	-
Provision for income tax	3,293	8,333	-	-
	227,824	204,410	3,380	2,034
NET CURRENT ASSETS	448,911	354,909	49,011	41,768
Non-current liabilities				
Deferred tax liabilities	3,793	2,143	-	-
TOTAL LIABILITIES	231,617	206,553	3,380	2,034
NET ASSETS	455,989	357,457	201,515	139,217
Equity attributable to equity holders of the parent				
Share capital	194,015	130,884	194,015	130,884
Reserves	261,974	226,573	7,500	8,333
TOTAL EQUITY	455,989	357,457	201,515	139,217
TOTAL EQUITY AND LIABILITIES	687,606	564,010	204,895	141,251

1(b)(ii) **Borrowings and debt securities (for the group) together with a comparative statement as at the end of the immediately preceding year.**

	Group	
	Unaudited As at 31.12.2011 RMB'000	Unaudited As at 31.12.2010 RMB'000
Amount repayable in one year or less, or on demand		
- secured	-	1,024
- unsecured	47,500	-
	47,500	1,024
Amount repayable after one year		
- secured	-	-
- unsecured	-	-
	-	-

Bills payable to a bank

The Group did not utilise any bills payable facilities to procure raw materials from its suppliers in FY2011. As at 31 December 2010, the bills payable to suppliers of RMB1.0 million were secured by bank deposits pledged. These bills payable had a maturity period of 180 days and were non-interest bearing.

Details of any collateral

As at 31 December 2011, the short term bank loan of RMB47.5 million was secured by a corporate guarantee from the Company and personal guarantees provided by the Executive Chairman and Chief Executive Officer of the Company, and his spouse.

1(c) **Statement of cash flows (for the group) together with a comparative statement for the corresponding period of immediately preceding year.**

	Group	
	Unaudited 12 months ended	
	31.12.11	31.12.10
	RMB'000	RMB'000
Cash flows from operating activities		
Profit before tax	56,078	96,021
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	600	437
Fixed asset written off	5	-
Amortisation of intangible assets	46	46
Allowance for doubtful trade debts	-	278
Write-back of allowance for doubtful trade debts	-	(77)
Overpayment to a supplier written off	17	-
Write-back of trade payables	(6,392)	-
Unrealised exchange loss	1,129	-
Interest income	(807)	(877)
Interest expense	-	1,598
IPO expenses	-	4,699
Operating profit before working capital changes	50,676	102,125
<u>Changes in working capital</u>		
Decrease/(increase) in:		
Gross amount due from customers for contract work-in-progress	(47,524)	(183,430)
Inventories	1,303	2,548
Trade and other receivables	(44,729)	35,708
Prepayments	(33,747)	(13,110)
Increase/(decrease) in:		
Gross amount due to customers for contract work-in-progress	-	(6)
Trade and other payables	21,349	21,338
Other liabilities	(32,996)	65,301
Translation difference arising from translating the financial statements of the Company into the Group's presentation currency	-	(1,123)
Cash flows (used in)/generated from operations	(85,668)	29,351
Interest income received	807	877
Income tax paid	(14,824)	(9,286)
Net cash (used in)/from operating activities	(99,685)	20,942
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,139)	(2,141)
Additions of intangible assets	(5,692)	-
Net cash used in investing activities	(6,831)	(2,141)
Cash flows from financing activities		
Proceeds from issuance of new ordinary shares pursuant to the IPO exercise	-	95,644
Payment of IPO expenses	-	(11,671)
Proceeds from issuance of new shares	66,229	-
Share issue expenses	(3,098)	-
Dividends paid	(9,243)	-
Repayment to shareholder (non-trade)	-	(8,027)
Proceeds from bills payable	-	2,981
Repayments of bills payable	(1,024)	(2,507)
Decrease/(increase) in bank deposits pledged	1,892	(1,871)
Proceeds from borrowings	47,500	-
Net cash from financing activities	102,256	74,549
Net (decrease)/increase in cash and cash equivalents	(4,260)	93,350
Effect of exchange rate changes on cash and cash equivalents	(1,129)	-
Cash and cash equivalents as at 1 January	144,001	50,651
Cash and cash equivalents as at 31 Dec (Note A)	138,612	144,001

1(c) **Statement of cash flows (for the group) together with a comparative statement for the corresponding period of immediately preceding year. (cont'd)**

	Group	
	As at 31 Dec	
	RMB'000	RMB'000
Note A: Cash and cash equivalents	2011	2010
Cash and bank balances	98,612	95,001
Fixed deposits	40,529	51,421
Less: fixed deposits pledged	(529)	(2,421)
Cash and cash equivalents	<u>138,612</u>	<u>144,001</u>

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

Group

Attributable to owners of the parent

	Share capital	Reserves sub-total	PRC statutory reserve fund	Merger reserve	Accumulated profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2011	130,884	226,573	25,850	(454)	201,177	357,457
Total comprehensive income for the year	-	44,644	-	-	44,644	44,644
Issue of shares	66,229	-	-	-	-	66,229
Share issue expenses	(3,098)	-	-	-	-	(3,098)
Appropriation to reserve	-	-	5,380	-	(5,380)	-
Dividends paid	-	(9,243)	-	-	(9,243)	(9,243)
Balance at 31 December 2011	194,015	261,974	31,230	(454)	231,198	455,989

	Share capital	Reserves sub-total	PRC statutory reserve fund	Merger reserve	Translation reserve	Equity component of financial liabilities	Accumulated profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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 year	-	81,539	-	-	(1,059)	-	82,598	81,539
Appropriation to reserve	-	-	9,505	-	-	-	(9,505)	-
Financial liabilities relating to subscription shares - 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)
Effect of changes in functional currency	2,050	(2,050)	-	-	329	-	(2,379)	-
Balance at 31 December 2010	130,884	226,573	25,850	(454)	-	-	201,177	357,457

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

Company	Share capital RMB'000	Accumulated profits RMB'000	Total RMB'001
Balance at 1 January 2011	130,884	8,333	139,217
Total comprehensive income for the year	-	8,410	8,410
Issue of new shares	66,229	-	66,229
Share issue expenses	(3,098)	-	(3,098)
Dividends paid	-	(9,243)	(9,243)
Balance at 31 December 2011	194,015	7,500	201,515

	Share capital RMB'000	Reserves sub- total RMB'000	Translation reserve RMB'000	Equity component of financial liabilities RMB'000	Accumulated profits RMB'000	Total RMB'000
Balance at 1 January 2010	10	(6,049)	(231)	5,274	(11,092)	(6,039)
Total comprehensive income for the year	-	21,706	1,540	-	20,166	21,706
Financial liabilities relating to subscription shares - 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)
Effect of change in functional currency	2,050	(2,050)	(1,309)	-	(741)	-
Balance at 31 December 2010	130,884	8,333	-	-	8,333	139,217

- 1(e) **Changes in issuer's share capital (for the issuer) arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on**

	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 31 December 2011	<u>491,612,000</u>	<u>194,015</u>

On 20 April 2011, the Company undertook a private 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 Singapore Exchange Securities Trading Limited ("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(f) **Number of shares that may be issued on conversion of all outstanding convertibles together with a statement for the corresponding period of immediately preceding year**

Not applicable. The Company does not have any convertibles as at 31 December 2011 and 31 December 2010.

- 1(g)(i) **Number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer together with a statement for the corresponding period of immediately preceding year**

	Company	
	31.12.2011	31.12.2010
Total number of shares issued at end of year	<u>491,612,000</u>	<u>441,612,000</u>

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

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

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

2. **Whether the figures have been audited or reviewed, and if so which auditing standard or practice has been followed.**

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, please provide a statement on whether there are any qualifications or emphasis of matter.**

Not applicable.

4. Whether the same accounting policies and method of computation as the issuer's most recently audited financial statements have been followed.

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 have been any changes to the above, please make adequate disclosure and state the reasons for and effect of the change.

The Group has adopted the applicable new and revised Singapore Financial Reporting Standards ("FRS") and Interpretations of Financial Reporting Standards ("INT FRS") which became effective for the accounting periods beginning on or after 1 January 2011. The adoption of these new and revised FRS and INT FRS is not expected to result in material adjustments to the financial position, results of operations or cash flows of the Group for the financial year ended 31 December 2011.

6. Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding year, after deducting any provision for preference dividends.

The calculation of basic earnings per share is based on the Group's net profits after tax attributable to owners of the parent for the respective periods divided by the weighted average of 491,612,000 and 475,500,889 ordinary shares for the three-month and twelve-month period ended 31 December 2011 respectively (2010: 441,612,000 and 392,320,333 ordinary shares respectively as adjusted by the share split).

	Group		Group	
	Q4		12 months	
	Oct to Dec 2011	Oct to Dec 2010	Jan to Dec 2011	Jan to Dec 2010
Net profit after tax attributable to owners of the parent (RMB'000)	3,030	49,743	44,644	82,598
Basic earnings per share (RMB cents per share)	0.62	11.26	9.39	21.05

Dilutive EPS per share is similar to basic EPS as there were no potential dilutive ordinary shares during the respective financial years.

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 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Net asset value (RMB'000)	455,989	357,457	201,515	139,217
Net asset value per share (RMB cents per share)	92.75	80.94	40.99	31.52

Net asset value of the Group and Company as at 31 December 2011 and 31 December 2010 is computed based on 491,612,000 and 441,612,000 shares in issue at the end of the respective financial years.

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

INCOME STATEMENT/STATEMENT OF COMPREHENSIVE INCOME

Revenue

	4Q2011		4Q2010		FY2011		FY2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Industrial wastegas treatment								
- Dust elimination	9,932	52.1	5,796	3.8	15,691	10.6	11,703	4.2
- Desulphurisation	5,102	26.7	128,993	85.6	117,861	79.9	231,628	84.3
Industrial wastewater	2,390	12.5	8,153	5.4	9,527	6.5	12,661	4.6
Design, technical services and others	1,653	8.7	7,777	5.2	4,399	3.0	18,885	6.9
	19,077	100.0	150,719	100.0	147,478	100.0	274,877	100.0

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 decreased by approximately RMB127.4 million or 46.3%, from RMB274.9 million in FY2010 to RMB147.5 million in FY2011. All segments of the businesses, except dust elimination contracts were badly affected as a result of the credit tightening measures implemented by the PRC government to combat inflation, which has led to the overall decline in revenue. As agreed with the customers, we have to proceed cautiously with works required for contracts scheduled in second half of FY2011. Accordingly, desulphurization contracts were the hardest hit, with a 49.1% drop in revenue of RMB113.8 million, followed by design, technical services and others of RMB 14.5 million and industrial wastewater contracts of RMB3.1 million. The decrease was partly offset by an increase in dust elimination contracts of RMB4.0 million as we undertook two large scale contracts in FY2011.

Total revenue decreased by approximately RMB131.6 million or 87.3%, from 150.7 million in Q42010 to RMB19.1 million in Q42011. The above decisions and actions taken have resulted in minimum works performed for desulphurization contracts in Q42011, which led to a substantial decline in revenue of RMB123.9 million in this business segment. Similarly, we also recognized lower revenue for design, technical and others and industrial wastewater contracts of RMB11.8 million in aggregate. The decrease was partly offset by higher revenue in dust elimination contracts of RMB4.1 million as substantial amount of the works were performed in Q42011 for one of the large scale contracts secured. This was unlike Q42010 as most of the contracts were already at the tail end, hence, minimum works were performed.

Gross profit and gross profit margin

Total gross profit for FY2011 decreased by approximately RMB47.8 million or 40.9%, from RMB116.8 in FY2010 to RMB69.0 million in FY2011, attributed mainly to the decline in gross profits for all our business segments of RMB 48.8 million in aggregate except for dust elimination and industrial wastewater contracts which turned in positive contributions of RMB0.4 million and RMB0.6 million respectively. The positive contributions were due to two large scale dust elimination projects of higher values secured in FY2011, whereas for industrial wastewater contracts, we secured two contracts which offered better profits. Desulphurization contracts were badly hit by the monetary tightening measures implemented by the PRC government, registering a substantial drop in gross profit of RMB35.8 million, followed by design, technical services and others of RMB13.0 million.

Total gross profit for Q42011 decreased by approximately RMB56.3 million or 88.2%, from RMB63.9 million in Q42010 to RMB7.6 million in Q42011 due to lower gross profits achieved for desulphurization contracts, industrial wastewater contracts and design, technical services and others of RMB56.3 million in aggregate, in line with the decrease in revenue.

Despite the decline in both revenue and gross profit in FY2011, overall gross profit margin increased by 4.3 percentage points, from 42.5% in FY2010 to 46.8% in FY2011, coming from our desulphurization and industrial wastewater contracts which generated higher gross margins of 9.1% and 11.3% respectively. The increase was partly offset by the lower margins achieved in dust elimination contracts and design, technical services and others of 3.8% and 2.5% respectively. The lower gross margin from design, technical services and others was due to a maintenance job for the industrial boiler under which more costs were incurred because of the complexity of the works involved, thus pulling down the gross margin in this segment.

Overall gross margin declined marginally by 2.7% in Q42011 when compared against Q42010 which was not material.

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)

Other income

Other income for FY2011 increased by approximately RMB7.9 million or 615.2%, from RMB1.3 million in FY2010 to RMB9.2 million in FY2011 due to a one-time write-back of trade payables of approximately RMB6.4 million as they were no longer payable to these suppliers, an one-off government incentives of RMB2.5 million in recognition of the Company's successful listing on the Singapore Exchange Securities Trading Limited and a bad debt recovered of approximately RMB0.3 million. The increase was partly offset by no exchange gain and miscellaneous income recognized in FY2011 as opposed to approximately RMB1.3 million of such exchange gains derived mainly from the revaluation of S\$ proceeds to RMB.

Financial income

Financial income for FY2011 decreased by approximately RMB0.1 million or 8.0%, from RMB0.9 million in FY2010 to RMB0.8 million in FY2011 which was in line with the decrease in the amount of fixed deposits placed with the bank.

Operating Expenses

Other expenses for FY2011 increased by approximately RMB3.6 million or 1,880.5%, from RMB0.2 million in FY2010 to RMB3.8 million in FY2011 as a result of exchange loss suffered of approximately RMB3.5 million from the revaluation of Sing dollar proceeds to RMB and an increase in contributions of approximately RMB0.1 million towards the Flood Prevention Fund.

The main components of selling and distribution expenses are employee compensation costs, travelling expenses, office expenses, rental and others. For FY2011, selling and distribution expenses increased by RMB0.3 million, or 12.6%, from RMB2.7 million in FY2010 to RMB3.0 million in FY2011. The selling and distribution expenses increase in the first nine months of FY2011 by approximately RMB0.8 million because of salary increments, higher entertainment expenses and sales related expenses incurred, but the increase was partly offset by the decline in selling and distribution expenses in the fourth quarter of approximately RMB0.5 million, which was in line with the decline in turnover in Q4 2011.

Administrative expenses decreased by approximately RMB2.3 million or 12.3%, from RMB18.5 million in FY2010 to RMB16.2 million in FY2011 due to the absence of professional fees and others of RMB6.6 million, incurred mainly for the purpose of IPO, lower certification fees of RMB0.3 million which was in line with the decrease in business activities, excess provision of printing costs of RMB0.1 million for FY2010 written back in FY2011 and no allowance of doubtful debts in FY2011 as opposed to RMB0.3 million provided in FY2010. The decrease of RMB7.3 million was partly offset by higher professional fees and compliance costs due to our listing on the SGX-ST of RMB0.8 million in aggregate, consultancy fee of RMB1.2 million, higher Director's remunerations, pay increments and upward revisions of the contribution rates to defined contribution plans of RMB2.1 million in aggregate as twelve months of remunerations were paid as opposed to only 6 months of payments in FY2010 as the Group was only listed on SGX-ST on 16 July 2010, an increase in travelling and entertainment expenses of RMB0.3 million as management travelled more frequently in FY2011 to attend meetings and road shows held overseas, increase in expenditure on staff canteen of RMB0.2 million as management increased the budget for each head count to provide better welfare to employees, an increase in depreciation of RMB0.1 million because of additions during the year and others of RMB0.3 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 expense decreased by approximately RMB1.6 million or 100.0%, from RMB1.6 million in FY2010 to nil in FY2011. This was attributed to no interest was accrued on the financial liabilities relating to subscription shares as the put option in respect of the subscription shares expired on 30 June 2010.

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 Jilin 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 decreased by approximately RMB2.0 million or 14.8% from RMB13.4 million in FY2010 to RMB11.4 million in FY2011 as a result of lower profit achieved in FY2011.

Profit net of tax attributable to owners of the parent

The net profit after taxation attributable to owners of the parent decreased by approximately RMB37.9 million or 46.0%, from RMB82.6 million in FY2010 to RMB44.6 million in FY2011, as a result of a decrease in gross profit of RMB47.8 million, an increase in other expenses of RMB3.6 million and higher selling and distribution expenses of RMB0.3 million, partly offset by higher other income of RMB7.9 million, a decrease in financial expense of RMB1.6 million and lower administrative expenses and income tax expense of RMB4.3 million in aggregate.

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)**

BALANCE SHEET/ STATEMENT OF FINANCIAL POSITION

1. Non-current assets

Our non-current assets amounted to RMB10.9 million and comprised property, plant and equipment ("PPE") of RMB5.0 million and intangible assets of RMB5.9 million. The increase of approximately RMB0.5 million in PPE in FY2011 was due mainly to PPE additions of approximately RMB1.1 million, comprising mainly notebooks, computers and motor vehicles, partially offset by depreciation of approximately RMB0.6 million for the year.

- 1.1 Intangible assets comprised development expenditure of RMB4.8 million, golf club membership of RMB0.9 million and patent of RMB0.1 million as at 31 December 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 RMB676.7 million and RMB559.3 million as at end of 31 December 2011 and 31 December 2010 respectively. Our current assets accounted for approximately 98.4% and 99.2% of our total assets as at 31 December 2011 and 31 December 2010 respectively.

- 2.1 Amount due from customers for contract work-in-progress amounted to RMB382.7 million and RMB335.2 million as at 31 December 2011 and 31 December 2010 respectively and accounted for approximately 56.5% and 59.9% of our current assets as at 31 December 2011 and 31 December 2010 respectively. The increase was mainly attributed to unbilled contracts work-in-progress as they were not due for billings in accordance with the terms of the contracts.
- 2.2 Inventories amounted to approximately RMB2.6 million and RMB3.9 million as at 31 December 2011 and 31 December 2010 respectively. The decrease in inventories was in line with the decrease in turnover.
- 2.3 Trade and other receivables comprise trade receivables, bills receivable, retention monies and other receivables amounting to RMB75.3 million and RMB30.5 million as at 31 December 2011 and 31 December 2010 respectively, and accounted for approximately 11.1% and 5.5% of our current assets as at the respective balance sheet dates. Trade receivables amounted to RMB35.1 million as at 31 December 2011, representing an increase of approximately RMB31.0 million from 31 December 2010. The increase was due mainly to some delays in collections caused by the implementations of the credit tightening measures by the PRC government
- 2.4 Bills receivable amounted to RMB15.5 million and RMB4.7 million as at 31 December 2011 and 31 December 2010 respectively as more customers have offered bills receivable as form of settlements for construction works performed.
- 2.5 Retention monies (mainly ranging from 5% to 10% of the contract sums or agreed amounts with customers) amounted to RMB9.4 million and RMB8.5 million as at 31 December 2011 and 31 December 2010 respectively. The increase of approximately RMB0.9 million was mainly due to more completed works handed over to customers. The retention monies will usually be released to us after a one year period without any complaints of defects on the systems constructed and installed.
- 2.6 Other receivables comprise VAT receivables and advances to employees for business purposes. Other receivables amounted to RMB15.3 million and RMB13.2 million as at 31 December 2011 and 31 December 2010 respectively. The increase was mainly due to the increase in bidding deposits of RMB0.4 million relating to the tender of projects, an increase in VAT receivables on the higher revenue recorded for the 9 months period and advances to employees of RMB1.7 million in aggregate.
- 2.7 Prepayments comprising prepaid operating expenses, advances to trade and non-trade suppliers amounted to RMB77.0 million and RMB43.3 million as at 31 December 2011 and 31 December 2010 respectively. The increase was attributed to more advance payments made to suppliers of raw materials for contracts scheduled for FY2012 as majority of the works to be performed in Q4 2011 have been deferred to FY2012.
- 2.8 Bank deposits decreased by approximately RMB1.9 million or 78.1%, from RMB2.4 million as at 31 December 2010 to RMB0.5 million as at 31 December 2011, as we have ceased the use of bills payable facilities to procure raw materials from suppliers, hence, the bank deposit pledged in FY2011 solely relate to performance guarantee for a certain construction contract.

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

2.9 Cash and cash equivalents amounted to RMB144.0 million and RMB138.2 million as at 31 December 2010 and 31 December 2011 respectively, and accounted for approximately 20.5% and 25.7% of our current assets as at the respective balance sheet dates.

3. Current liabilities

Our current liabilities comprise mainly trade and other payables, other liabilities, borrowings and provision for income tax. Our current liabilities amounted to RMB227.8 million and RMB204.4 million as at 31 December 2011 and 31 December 2010 respectively, and accounted for approximately 98.4% 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 RMB75.4 million, representing an increase of approximately RMB15.7 million over FY2010. The increase was in line with the increase in trade receivables as some of the suppliers' contracts were signed back-to-back with the customers' contracts and allowed us to defer payments to suppliers on the condition that we did not receive payments from our customers on time.

3.2 Other payables comprise primarily accruals of payroll and its related expenses and other operating expenses. Other payables amounted to RMB2.3 million and RMB2.9 million as at 31 December 2011 and 31 December 2010 respectively. The decrease was due to less outsourcing of installation works to third parties in Q4 2011 which was in line with the decline in business activities.

3.3 Bills payable amounted to nil in FY2011, representing a decrease of approximately RMB1.0 million over end of FY2010. The decrease was due to the cessation of the use of bills payable facilities to procure raw materials from our suppliers in FY2011.

3.5 Other liabilities comprise accrued purchases, salaries, travelling and other operating expenses and advances from customers. Other liabilities amounted to RMB99.3 million and RMB132.3 million as at 31 December 2011 and 31 December 2010 respectively.

3.6 Accrued purchases, VAT, salaries and related expenses, travelling and other operating expenses amounted to RMB92.8 million and RMB128.3 million as at 31 December 2011 and 31 December 2010 respectively. The decrease was mainly due to lower accrued purchases, output VAT, welfare expenses amounting to RMB36.4 million in aggregate because of the substantial decline in business activities in Q4 coupled by the lower accruals of salaries and related expenses of RMB0.3 million as unlike FY2010, the bonuses were disbursed earlier this year. The decrease was partly offset by the one-off accrual of consultancy fee of RMB1.2 million.

3.7 Advances from customers amounted to RMB6.5 million, representing an increase in approximately RMB2.5 million over FY2010. The increase was attributed to an increase in the number of contracts secured as at 31 December 2011 with works scheduled to commence in FY2012.

3.8 Borrowings amounted to RMB47.5 million and mainly relate to the first draw down of our loan facility obtained from China Merchants Bank on 31 December 2011.

3.9 Provision for income tax amounted to RMB3.3 million as at 31 December 2011 and mainly relate to the corporate tax payable by our PRC subsidiary on the taxable profits for 4Q 2011. The decrease of RMB5.0 million compared against FY2010 was in line with the decrease in profit before tax.

4. Non-current liabilities

As at 31 December 2011, our deferred tax liabilities amounted to RMB3.8 million, relating to withholding tax on undistributed profits of our PRC subsidiary pursuant to the PRC tax law. An additional deferred tax of RMB1.7 million was provided in FY2011.

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 December 2011 and 31 December 2010, our shareholder's equity increased from RMB357.5 million to RMB456.0 million due mainly to net profit recorded for FY2011 of RMB44.6 million and additions to share capital as a result of the private placement exercise of 50 million shares @ S\$0.25 each on April 2011 of RMB66.2 million, partly offset by the share issue expenses and dividends paid of RMB12.3 million in aggregate.

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)

CASHFLOW STATEMENT/STATEMENT OF CASH FLOWS

In FY2011, net cash flows from operating activities before changes in working capital amounted to approximately RMB50.6 million. Net cash flows used in operating activities amounted to approximately RMB150.3 million attributed mainly to:

- (i) an increase in gross amount due from customers for work-in-progress of approximately RMB47.5 million as a result of more works performed but unbilled as they were not due for billings in accordance with the terms of the contracts.
- (ii) an increase in trade and other receivables of RMB44.7 million mainly because of the delays in collections caused by credit tightening measures by the PRC government;
- (iii) an increase in prepayments of approximately RMB33.7 million due to advance payments made to suppliers of raw materials for contracts scheduled for FY2012 ;
- (iv) a decrease in other liabilities of RMB33.0 million attributed mainly to lower accrued purchases and output VAT, in line with the decrease in business activities ; and
- (v) payments of income tax of approximately RMB14.8 million.

The working capital outflows were partly offset by:

- (i) a decrease in inventories of approximately RMB1.3 million, in line with the decrease in the business activities;
- (ii) an increase in trade and other payables of approximately RMB21.3 million, in line with the increase in trade and other receivables as some of the contracts allowed us to delay our payments to suppliers when the payments from customers were delayed; and
- (iii) interest income received of approximately RMB0.8 million, derived from fixed deposits placed with the banks.

Net cash outflow from investing activities of approximately RMB6.8 million comprised the purchase of motor vehicles, office equipment, computers and notebooks of RMB1.1 million, a golf club membership of RMB0.9 million and development costs of RMB4.8 million during the year.

Net cash inflows from financing activities of approximately RMB102.2 million were attributed to an increase in net proceeds from issuance of new ordinary shares of RMB66.2 million as a result of the private placement exercise, proceeds from borrowings of approximately RMB47.5 million obtained from China Merchants Bank, decrease in bank deposits pledged of approximately RMB1.9 million as we have fully settled the bills payable. The increase was partly offset by the share issue expenses of RMB3.1 million, repayments of bills payable of approximately RMB1.0 million and dividends paid of approximately RMB9.3 million.

Overall our cash and cash equivalents decreased by approximately RMB4.3 million in FY2011, further decreased by the effect of exchange rate changes on cash and cash equivalents of approximately RMB1.1 million to RMB5.4 million. As a result of the foregoing, the total cash and cash equivalents decreased from RMB144.0 million in FY2010 to RMB138.6 million in FY2011.

9. Where a forecast or prospect statement ("Prospect Statement") has been made and disclosed to shareholders, any variances between the forecast and actual results has been explained.

Not applicable.

10. **A commentary of the competitive conditions of the industry in which the group operates and any known factors that might affect the group in the next reporting period and the next 12 months has been provided.**

In view of the prevailing challenging economic conditions, the Group will continue to use its utmost in exercising prudence and be selective when undertaking large scale projects.

Barring unforeseen circumstances, the Group is cautiously optimistic that with its established track record and proven expertise, it will overcome the challenges prevailing in FY2012 and capture the opportunities presented.

11. **Dividend**

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

Any dividend recommended for the current period reported on?

The company recommends a first and final exempt (one-tier) dividend of RMB1.53 cents per share be declared for the financial year ended 31 December 2011. The proposed dividend amounts to 16.80% of the Group's current year net profit after tax.

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

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

Name of dividend	First and Final
Dividend type	Cash
Dividend rate	RMB1.88 cents per ordinary shares
Tax rate	One tier tax exempt

(c) **Date Payable**

To be advised later.

(d) **Book Closure Date.**

To be advised later.

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

Not applicable.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Segmental information	Dust elimination	Desulphurisation	Industrial wastewater	Design, technical services and others	Total
(RMB'000)					
2011					
Revenue					
Sales to external customers	15,691	117,861	9,527	4,399	147,478
Results					
Segment gross profit	3,501	59,079	2,601	3,815	68,996
Depreciation of property, plant and equipment					(600)
Amortisation of intangible assets					(46)
Overpayment to a supplier written off					(17)
Finance income					807
Unallocated expenses, net					(13,062)
Profit before tax					<u>56,078</u>
2010					
Revenue					
Sales to external customers	11,703	231,628	12,661	18,885	274,877
Results					
Segment gross profit	3,056	94,870	2,022	16,842	116,790
Depreciation of property, plant and equipment					(437)
Amortisation of intangible assets					(46)
Allowance for doubtful debts					(278)
Finance costs					(1,598)
Finance income					877
Unallocated expenses, net					(19,287)
Profit before tax					<u>96,021</u>

(a) Geographical

There is no geographical segment information provided as the Group operates predominately in the PRC only.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Refer to review of performance of the Group in para 8.

15. A breakdown of sales

	Group		
	2011	2010	change
	RMB'000	RMB'000	%
Sales reported for the first half year	44,651	28,519	56.6%
Operating profit after tax reported for the first half year	11,834	6,549	80.7%
Sales reported for the second half year	102,827	246,358	-58.3%
Operating profit after tax reported for the second half year	32,810	76,049	-56.9%

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

	31/12/2011	31/12/2010
	RMB'000	RMB'000
<u>Ordinary</u>		
Paid	9,243	-
Proposed	7,500	8,300
Total	<u>16,743</u>	<u>8,300</u>

The payment of dividend of approximately RMB9.2 million in May 2011 was greater than the amount proposed as at 31 December 2010 as it was agreed that the investors who subscribed for the ordinary shares of the Company during the private placement exercise in April 2011 were also entitled to the dividend.

17. **If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group's interested person transactions were as follows:

Name of interested Person	Aggregate value of all interested person transactions during the year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than S\$100,000)	
	2011 S\$'000	2010 S\$'000	2011 S\$'000	2010 S\$'000
Jingold Resources Limited - loans	-	(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 remaining 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.

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(11) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Zhan Bijin	43	Cousin of Lin Baiyin *	<p>(1) Procurement Manager – Leader Environmental Technologies Limited</p> <p>Duties – Responsible for the procurement works, such as maintaining relationship with suppliers and ensure smooth coordination of projects with other departments.</p> <p>Position held since January 2006.</p> <p>(2) Director of Jilin Anjie Environmental Engineering Co., Ltd.</p> <p>Duties – same as above.</p> <p>Position held since November 2005.</p>	N.A

Note:

* Lin Baiyin (Executive Chairman and Chief Executive Officer)

19. Update of usage of IPO proceeds

As at 31 December 2011, the net proceeds from the Company's initial public offering and private placement 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	4,762	10,345
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	63,789	14,372

<u>Usage of placement proceeds</u>	Amount allocated	Amount utilised	Balance
	RMB'000	RMB'000	RMB'000
To undertake large scale projects	63,074	49,771	13,303

BY ORDER OF THE BOARD
Leader Environmental Technologies Limited

Lin Baiyin
Executive Chairman and Chief Executive Officer

28 February 2012