



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 2012

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

Unaudited Financial Statement and Dividend Announcement for the Third Quarter Ended 30 September 2012 of Leader Environmental Technologies Limited ("Company") and Its Subsidiary (Collectively, the "Group")

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

1(a)(i) **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.

Consolidated Statement of Comprehensive Income

	Group			Group		
	Q3		change %	9 months		change %
	Unaudited Jul to Sep 2012 RMB'000	Unaudited Jul to Sep 2011 RMB'000		Unaudited Jan to Sep 2012 RMB'000	Unaudited Jan to Sep 2011 RMB'000	
Revenue	15,087	83,750	-82.0%	39,950	128,401	-68.9%
Cost of sales	(12,646)	(42,413)	-70.2%	(25,858)	(66,970)	-61.4%
Gross profit	2,441	41,337	-94.1%	14,092	61,431	-77.1%
Other items of income						
Financial income	26	9	188.9%	1,323	296	347.0%
Other income	378	(17)	NM	859	2,054	-58.2%
Other items of expense						
Selling and distribution expenses	(390)	(473)	-17.5%	(1,076)	(2,427)	-55.7%
Administrative expenses	(6,359)	(5,083)	25.1%	(13,576)	(12,264)	10.7%
Financial costs	(1,631)	-	NM	(3,999)	-	NM
Other expenses	(148)	(278)	-46.8%	(205)	(282)	-27.3%
(Loss)/profit before tax	(5,683)	35,495	-116.0%	(2,582)	48,808	-105.3%
Income tax expense	(168)	(5,714)	-97.1%	(2,537)	(7,194)	-64.7%
(Loss)/profit for the period attributable to owners of the Company	(5,851)	29,781	-119.6%	(5,119)	41,614	-112.3%
Other comprehensive income, net of tax	-	-		-	-	
Total comprehensive income for the period attributable to owners of the Company	(5,851)	29,781	-119.6%	(5,119)	41,614	-112.3%

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

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

	Group			Group		
	Q3		change %	9 months		change %
	Unaudited Jul to Sep 2012 RMB'000	Unaudited Jul to Sep 2011 RMB'000		Unaudited Jan to Sep 2012 RMB'000	Unaudited Jan to Sep 2011 RMB'000	
Depreciation of property, plant and equipment	187	144	29.9%	615	431	42.7%
Amortisation of intangible asset	23	12	91.7%	96	35	174.3%
Fixed asset written off	-	-	-	-	5	NM
Operating lease expenses	482	448	7.6%	1,366	725	88.4%
Interest expense	1,631	-	NM	3,999	-	NM
Interest income	(26)	(9)	188.9%	(1,323)	(296)	347.0%
Inventories recognised as an expense in cost of goods sold	6,341	16,608	-61.8%	17,630	28,878	-39.0%
Employees compensation	2,730	3,680	-25.8%	5,915	6,788	-12.9%
Allowance for impairment on trade receivables	1,942	-	NM	1,942	-	NM
Impairment loss on amount due from customers for contract work-in-progress	1,169	-	NM	1,169	-	NM
Exchange (gains)/loss	(294)	800	-136.8%	(759)	871	-187.1%

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 30 Sep 2012 RMB'000	Unaudited 31 Dec 2011 RMB'000	Unaudited 30 Sep 2012 RMB'000	Unaudited 31 Dec 2011 RMB'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	13,229	5,022	8	10
Intangible assets	5,753	5,849	-	-
Investment in subsidiary	-	-	152,494	152,494
	18,982	10,871	152,502	152,504
CURRENT ASSETS				
Gross amount due from customers for contract work-in-progress	280,440	382,677	-	-
Inventories	2,439	2,615	-	-
Trade and other receivables	134,124	75,266	40,554	40,549
Prepayments	179,533	77,037	556	217
Bank deposits pledged	1,334	529	-	-
Cash and bank balances	33,670	138,612	4,646	11,625
	631,540	676,736	45,756	52,391
TOTAL ASSETS	650,522	687,607	198,258	204,895
Equity and liabilities				
CURRENT LIABILITIES				
Loans and borrowings	77,500	47,500	-	-
Trade and other payables	59,609	77,682	288	480
Other liabilities	65,631	99,350	1,403	2,900
Provision for income tax	131	3,293	-	-
	202,871	227,825	1,691	3,380
NET CURRENT ASSETS	428,669	448,911	44,065	49,011
Non-current liabilities				
Deferred tax liabilities	4,281	3,793	-	-
TOTAL LIABILITIES	207,152	231,618	1,691	3,380
NET ASSETS	443,370	455,989	196,567	201,515
Equity attributable to owners of the Company				
Share capital	194,015	194,015	194,015	194,015
Reserves	249,355	261,974	2,552	7,500
TOTAL EQUITY	443,370	455,989	196,567	201,515
TOTAL EQUITY AND LIABILITIES	650,522	687,607	198,258	204,895

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	
	As at 30 Sep 2012	As at 31 Dec 2011
	RMB'000	RMB'000
Amount repayable in one year or less, or on demand		
- secured	-	-
- unsecured	77,500	47,500
	<u>77,500</u>	<u>47,500</u>
Amount repayable after one year		
- secured	-	-
- unsecured	-	-
	<u>-</u>	<u>-</u>

Details of any collateral

As at 30 September 2012, a corporate guarantee from the Company and personal guarantees were provided by the Executive Chairman cum Chief Executive Officer of the Company and his spouse relating to the short term bank loan of RMB77.5 million (31 December 2011: RMB47.5 million).

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

Consolidated statements of cash flows

	Group	
	Unaudited 9 months ended 30.9.12	30.9.11
	RMB'000	RMB'000
Cash flows from operating activities		
(Loss)/profit before tax	(2,582)	48,808
Adjustments for:		
Depreciation of property, plant and equipment	615	431
Amortisation of intangible assets	96	35
Fixed asset written off	-	5
Interest income	(1,323)	(296)
Interest expenses	3,999	-
Allowance for impairment on trade receivables	1,942	-
Impairment loss on amount due from customers for contract work-in-progress	1,168	-
Unrealised exchange gain	(483)	-
Total adjustments	6,014	175
Operating cashflows before changes in working capital	<u>3,432</u>	<u>48,983</u>
<u>Changes in working capital</u>		
Decrease/(increase) in gross amount due from customers for contract work-in-progress	101,069	(72,836)
Decrease in inventories	176	1,660
Increase in trade and other receivables	(60,800)	(29,000)
Increase in prepayments	(102,496)	(52,619)
(Decrease)/increase in trade and other payables	(18,073)	29,891
Decrease in other liabilities	(33,719)	(5,886)
Cash flows used in operating activities	<u>(110,411)</u>	<u>(79,807)</u>
Interest income received	1,323	296
Interest expenses paid	(3,999)	-
Income taxes paid	(5,211)	(9,733)
Net cash used in operating activities	<u>(118,298)</u>	<u>(89,244)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,822)	(1,135)
Club membership	-	(930)
Net cash used in investing activities	<u>(8,822)</u>	<u>(2,065)</u>
Cash flows from financing activities		
Proceeds from issuance of new shares pursuant to placement exercise	-	66,229
Share issue expenses	-	(3,098)
Proceeds from loans and borrowings	30,000	-
Dividends paid on ordinary shares	(7,500)	(9,242)
Repayments of bills payable	-	(1,024)
(Increase)/decrease in bank deposits pledged	(805)	1,892
Net cash from financing activities	<u>21,695</u>	<u>54,757</u>
Net increase in cash and cash equivalents	(105,425)	(36,552)
Effect of exchange rate changes on cash and cash equivalents	483	-
Cash and cash equivalents at 1 January	138,612	144,001
Cash and cash equivalents at 30 Sep (Note A)	<u><u>33,670</u></u>	<u><u>107,449</u></u>

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

Consolidated statement of cash flows (cont'd)

	Group	
	As at 30 Sep	
	RMB'000	RMB'000
Note A: Cash and cash equivalents	2012	2011
Cash and bank balances	35,004	47,978
Short-term deposits	-	60,000
	<u>35,004</u>	<u>107,978</u>
Less: bank deposits pledged	(1,334)	(529)
Cash and cash equivalents	<u>33,670</u>	<u>107,449</u>

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

**Group - Statement of changes in equity
for 9 months ended 30 September 2012**

	Share capital RMB'000	Reserves sub-total RMB'000	PRC statutory reserve fund RMB'000	Merger reserve RMB'000	Accumulated profits RMB'000	Total equity RMB'000
Balance at 1 January 2012	194,015	261,974	31,230	(454)	231,198	455,989
Total comprehensive income for the period	-	(5,119)	-	-	(5,119)	(5,119)
Dividends paid	-	(7,500)	-	-	(7,500)	(7,500)
Balance at 30 September 2012	194,015	249,355	31,230	(454)	218,579	443,370

**Group - Statement of changes in equity
for 9 months ended 30 September 2011**

	Share capital RMB'000	Reserves sub-total RMB'000	PRC statutory reserve fund RMB'000	Merger reserve RMB'000	Accumulated profits RMB'000	Total equity 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

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

Statements of Changes in Equity (cont'd)

**Company - Statement of changes in equity
for 9 months ended 30 September 2012**

	Share capital RMB'000	Accumulated profits RMB'000	Total RMB'000
Balance at 1 January 2012	194,015	7,500	201,515
Total comprehensive income for the period	-	2,552	2,552
Dividends paid	-	(7,500)	(7,500)
Balance at 30 September 2012	<u>194,015</u>	<u>2,552</u>	<u>196,567</u>

**Company - Statement of changes in equity
for 9 months ended 30 September 2011**

	Share capital RMB'000	Accumulated profits RMB'000	Total RMB'000
Balance at 1 January 2011	130,884	8,333	139,217
Total comprehensive income for the period	-	909	909
Issue of new shares	66,229	-	66,229
Share issue expenses	(3,098)	-	(3,098)
Dividends paid	-	(9,242)	(9,242)
Balance at 30 September 2011	<u>194,015</u>	<u>9,242</u>	<u>194,015</u>

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**

Not applicable.

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 30 September 2012 and 31 December 2011.

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**

	30 Sep 2012	31 Dec 2011
Total number of shares issued at end of period/year	<u>491,612,000</u>	<u>491,612,000</u>

The Company does not have any treasury shares as at 30 September 2012 and 31 December 2011.

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 30 September 2012 and 31 December 2011.

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

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 methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except of the adoption of the amendments to FRS applicable for the financial year beginning or after 1 January 2012, 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 2011.

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

Nil.

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

The calculation of the basic (loss)/earnings per share is based on the Group's net (loss)/profit attributable to owners of the company for the respective periods divided by the weighted average of 491,612,000 ordinary shares for the three month and nine month ended 30 September 2012 (3Q2011: 491,612,000 & 9M2011: 469,389,778 ordinary shares) respectively.

	Group		Group	
	Q3		9 months	
	Jul to Sep 2012	Jul to Sep 2011	Jan to Sep 2012	Jan to Sep 2011
(Loss)/net profit after tax attributable to equity holders of the Company (RMB'000)	(5,851)	29,781	(5,119)	41,614
Basic (loss)/earnings per share (RMB cents per share)	(1.19)	6.06	(1.04)	8.87

*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.**

	Group		Company	
	30 Sep 2012	31 Dec 2011	30 Sep 2012	31 Dec 2011
Net asset value (RMB'000)	443,370	455,989	196,567	201,515
Net asset value per share (RMB cents per share)	90.19	92.75	39.98	40.99

Net asset value for the Group and Company as at 30 September 2012 and 31 December 2011 were computed based on 491,612,000 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

	3Q2012		3Q2011		9M2012		9M2011	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Industrial wastegas treatment								
- Dust elimination	1,470	9.7	4,880	5.8	7,433	18.6	5,759	4.5
- Desulphurisation	356	2.4	74,579	89.1	7,785	19.5	112,759	87.8
Industrial wastewater	7,164	47.5	6,391	7.6	18,635	46.6	7,137	5.6
Design, technical services and others	-	-	(2,100)	(2.5)	-	-	2,746	2.1
Operation and maintenance	6,097	40.4	-	-	6,097	15.3	-	-
	<u>15,087</u>	<u>100.0</u>	<u>83,750</u>	<u>100.0</u>	<u>39,950</u>	<u>100.0</u>	<u>128,401</u>	<u>100.0</u>

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. (cont'd)

Revenue

9M2012 vs 9M2011

We adopted a more prudent approach in pursuing industrial wastegas projects which offered better margin and payment terms amidst the credit tightening measures implemented by the PRC government. Accordingly, total revenue decreased by approximately RMB88.4 million or 68.9%, from RMB128.4 million in 9M2011 to RMB40.0 million in 9M2012. The decrease was mainly attributed to the absence of revenue from design, technical services and others as opposed to RMB2.7 million of revenue recorded for such contracts in 9M2011, coupled by lower revenue recognized as a result of fewer desulphurization contracts secured of approximately RMB105.0 million. The decrease was partly offset mainly by higher revenue recorded in respect of industrial wastewater contracts and dust elimination contracts of RMB11.5 million and RMB1.7 million respectively in 9M2012. In addition, the operation and maintenance segment also contributed its maiden revenue of RMB6.1 million from a customer in the steel industry.

3Q2012 vs 3Q2011

Total revenue decreased by approximately RMB68.6 million or 82.0%, from RMB83.7 million in 3Q2011 to RMB15.1 million in 3Q2012 as a result of our conservative approach to embark on contracts which offered better payment terms and margins. Hence, we reported lower revenue from desulphurization and dust elimination contracts of RMB74.2 million and RMB3.4 million respectively. The decrease was partly offset by an increase in revenue from industrial wastewater contracts of RMB0.8 million, maiden revenue from operation and maintenance contract of RMB6.1 million and a reclassification entry of RMB2.1 million from design, technical services and others segment to desulphurization segment.

Gross profit and gross profit margin

The substantial decline in the amount and number of desulphurization contracts, the key growth engine of the Group, contributed mainly to the weakness in gross profit, which far exceeded the increase in gross profits derived from dust elimination, industrial wastewater and operation and maintenance segments. Accordingly, gross profit for 9M2012 declined by approximately RMB47.3 million or 77.1% to RMB14.1 million.

Gross profit margin dropped by 12.5%, from 47.8% in 9M011 to 35.3% in 9M2012 as we did not secure any stand-alone contracts in design, technical services and others as these contracts usually fetch higher gross margins due to minimum costs incurred. This was unlike 9M2011 where we achieved an average of 80.0% gross profit margins from two such contracts. Further weakness in the gross profit margin was attributed to an increase in industrial wastewater projects undertaken as they offered better payment terms, but at relatively lower gross margins of 23.8% as opposed to 32.7% in 9M2011. In addition, the maiden contribution from operation and maintenance of 20.0% also pulled down the overall gross profit margin. The decrease was partly offset by higher gross profit margin of 23.9% from desulphurization contracts due to one major contract which was at the design phase. In addition, we also derived higher gross profit margin of 7.1% from dust elimination contracts as we have one major contract which was also at the design phase.

Financial income

Notwithstanding the drawn down of the bank deposits as at 30 September 2012, financial income for 9M2012 increased by approximately RMB1.0 million, from RMB0.3 million in 9M2011 to RMB1.3 million in 9M2012 as the average bank deposits placed with the banks in 9M2012 were higher than 9M2011.

Other income

Other income for 9M2012 decreased by approximately RMB1.2 million or 58.2%, from RMB2.1 million in 9M2011 to RMB0.9 million in 9M2012 due mainly to due to the absence of grant received from PRC government as opposed to RMB2.0 million of such income received in 9M2011. The decrease was partly offset by exchange gains of RMB0.8 million in 9M2012 resulting from the translation of the cash and bank balances which were denominated in S\$ into RMB.

Operating Expenses

The main components of selling and distribution expenses are employee compensation costs, travelling expenses, office expenses, entertainment, rental and others. For 9M2012, selling and distribution expenses decreased by RMB1.3 million, or 55.7%, from RMB2.4 million in 9M2011 to RMB1.1 million in 9M2012 as we adopted a more cautious and selective approach in our tender for projects. As a result, entertainment with potential customers was reduced substantially by RMB1.0 million. In addition, payroll and related costs and others also fell by RMB0.3 million in aggregate due mainly to staff attrition in 3Q2012.

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. (cont'd)

Administrative expenses increased by RMB1.3 million, from RMB12.3 million in 9M2011 to RMB13.6 million in 9M2012 as a result of allowance for impairment on trade receivables and customers for contract work-in-progress of RMB3.1 million in aggregate, higher depreciation of RMB0.1 million attributed to additions during the period and increase in professional fees of RMB0.8 million because of timing difference as the advisory fees for the two years were only finalized in December 2011. The increase of RMB4.0 million was partly offset by decrease in payroll and related costs of RMB0.7 million because of staff attrition, lower entertainment expenses and motor vehicle expenses of RMB0.6 million and RMB0.5 million respectively which were in line with the decrease in business activities and the absence of exchange loss as opposed to RMB0.9 million of translation loss recorded in 9M 2011.

Financial costs increased by approximately RMB4.0 million or 100.0%, from nil in 9M2011 to RMB4.0 million in 9M2012. This was due mainly to the drawn down of loans from China Merchant Bank on the last day of FY2011.

There was no material fluctuation in other expenses.

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, 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 was provided despite of the loss suffered by the Group in 9M2012 because of the taxable profits derived by the subsidiary, albeit significantly lower than the previous corresponding period. In the light of this, income tax expense decreased by approximately RMB4.7 million or 64.7%, from RMB7.2 million in 9M2011 to RMB2.5 million in 9M2012.

(Loss)/profit net of tax attributable to equity holders of the Company

The loss after taxation attributable to equity holders of the Company decreased by approximately RMB46.7 million or 112.3%, from a profit after tax of RMB41.6 million in 9M2011 to a loss after tax of RMB5.1 million in 9M2012, as a result of a decrease in gross profit of RMB47.3 million, lower other income of RMB1.2 million, increase in administrative expenses of RMB1.3 million and financial costs of RMB4.0 million, partly offset by increase in financial income of RMB1.0 million, lower selling and distribution expenses of RMB1.3 million, other expenses of RMB0.1 million and income tax expense of RMB4.7 million.

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. (cont'd)

Financial position

1. Non-current assets

Our non-current assets amounted to RMB19.0 million and comprised property, plant and equipment ("PPE") of RMB13.2 million and intangible assets of RMB5.8 million as at 30 September 2012. The increase of approximately RMB8.2 million in PPE in 9M2012 was due mainly to the purchase of 4 units of commercial properties to expand our R&D facilities and other fixed assets of approximately RMB8.8 million in aggregate, partly offset by depreciation of RMB0.6 million in 9M2012.

- 1.1** Intangible assets amounted to RMB5.8 as at 30 September 2012 after amortisation of approximately RMB96,000 in 9M2012. The patent and club membership have a remaining tenure of 32 months and 224 months as at 30 September 2012 respectively.

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 RMB631.5 million and RMB676.7 million as at end of 30 September 2011 and 31 December 2010 respectively. Our current assets accounted for approximately 97.1% and 98.4% of our total assets as at 30 September 2012 and 31 December 2011 respectively.

- 2.1** Amount due from customers for contract work-in-progress amounted to RMB280.5 million and RMB382.7 million as at 30 September 2012 and 31 December 2011 respectively and accounted for approximately 44.4% and 56.5% of our current assets as at 30 September 2012 and 31 December 2011 respectively. The decrease was due to the increase in progress billings as a result of the completions of projects during the 3 month period, partly offset by impairment loss recorded of RMB1.2 million in Q32012 on the projects which faced higher risks of default from customers.
- 2.2** Inventories decreased by approximately RMB0.2 million, from RMB2.6 million as at 31 December 2011 to RMB2.4 million as at 30 September 2012 due to drawn down of raw materials for projects scheduled in fourth quarter of FY2012.
- 2.3** Trade and other receivables comprise trade receivables, bills receivable, retention receivables and other receivables amounted to RMB134.1 million and RMB75.3 million as at 30 September 2012 and 31 December 2011 respectively, and accounted for approximately 21.2% and 11.1% of our current assets as at the respective balance sheet dates. Trade receivables and retention receivables amounted to RMB116.1 million as at 30 September 2012, representing an increase of approximately RMB71.6 million from 31 December 2011. The increase was attributed to increase in progress billings and delays in payments from customers of RMB73.5 million in aggregate as a result of the implementation of credit tightening measures by the PRC government, partly offset by allowance for impairment of trade receivables of RMB1.9 million in Q32012 as we have assessed these debts to be doubtful of recovering from the customers.
- 2.4** Bills receivables amounted to RMB7.2 million and RMB15.4 million as at 30 September 2012 and 31 December 2011 respectively. The decrease was mainly due to fewer bills given by the customers for the settlement of invoices.
- 2.5** Other receivables comprise VAT receivables and advances to employees for business purposes. Other receivables amounted to RMB10.8 million and RMB15.3 million as at 30 September 2012 and 31 December 2011 respectively. The decrease was in line with the decrease in business activities.
- 2.6** Prepayments comprising prepaid operating expenses, advances to trade and non-trade suppliers amounted to RMB179.5 million and RMB77.0 million as at 30 September 2012 and 31 December 2011 respectively. We have to pay higher deposits to secure the delivery of the systems relating to industrial wastewater projects since we took on more industrial wastewater projects in 9M2012, which explains the increase in prepayments.
- 2.7** Bank deposits pledged increased by approximately RMB0.8 million or 152.2%, from RMB0.5 million as at 31 December 2011 to RMB1.3 million as at 30 September 2012 due to increase in performance guarantees provided for construction contracts.

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. (cont'd)

2.8 Cash and cash equivalents amounted to RMB33.7 million and RMB138.6 million as at 30 September 2012 and 31 December 2011 respectively, and accounted for approximately 5.3% and 20.5% of our current assets as at the respective balance sheet dates.

3. Current liabilities

Our current liabilities comprise mainly loans and borrowings, trade and other payables, other liabilities and provision for income tax. Our current liabilities amounted to RMB202.8 million and RMB227.8 million as at 30 September 2012 and 31 December 2011 respectively, and accounted for approximately 97.9% and 98.4% of total liabilities as at the respective balance sheet dates.

3.1 Loans and borrowings increased by RMB30.0 million, from RMB47.5 million as at 31 December 2011 to RMB77.5 million as at 30 September 2012 as a result of additional borrowings from the bank.

3.2 Trade and other payables comprise mainly trade payables, retention monies and other payables. Trade payables amounted to RMB58.0 million as at 30 September 2012, representing a decrease of approximately RMB17.5 million when compared against 31 December 2011, due to payments made to suppliers for raw materials, coupled by decrease in the amount of raw materials purchased which was in line with the decrease in business activities.

3.3 Other payables comprise primarily VAT and other operating tax payables and accruals of other operating expenses. Other payables amounted to RMB1.6 million and RMB2.2 million as at 30 September 2012 and 31 December 2011 respectively. The decrease was in line with the decrease in business activities.

3.4 Other liabilities comprise accrued output VAT, purchases, salaries, travelling expenses and professional fees and advances from customers. Other liabilities amounted to RMB65.6 million and RMB99.4 million as at 30 September 2012 and 31 December 2011 respectively.

3.5 Accrued output VAT, purchases, salaries and related expenses, operating expenses and welfare expenses amounted to RMB64.8 million and RMB92.8 million as at 30 September 2012 and 31 December 2011 respectively. The decrease of RMB28.0 million was attributed to decrease in accrued purchases, accrued output tax, salary and related expenses and operating expenses of RMB28.1 million in aggregate which were in line with the decrease in business activities, partly offset by accrual of welfare expenses of RMB0.1 million.

3.6 Advances from customers amounted to RMB0.8 million, representing a decrease of approximately RMB5.8 million over at end of FY2011. The decrease was attributed to fewer contracts signed as we adopted a more cautious approach in the light of the credit tightening measures implemented by the PRC government.

3.7 Provision for income tax amounted to RMB0.1 million as 30 September 2012, a decrease of RMB3.2 million over at end of FY2011 as a result of payments made during the period and lower tax provided which was in line with the decrease in taxable profits.

4. Non-current liability

As at 30 September 2012, our deferred tax liability amounted to RMB4.3 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 and accumulated profits. Between 30 September 2012 and 31 December 2011, our shareholder's equity decreased from RMB456.0 million to RMB443.4 million due mainly to dividends paid of RMB7.5 million in May 2012, coupled by loss after tax of RMB5.1 million in 9M2012.

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. (cont'd)

CASHFLOWS

In 9M2012, net cash flows from operating activities before changes in working capital amounted to approximately RMB3.4 million. Net cash flows used in operating activities amounted to approximately RMB121.7 million attributed mainly to:

- (i) an increase in trade and other receivables of approximately RMB60.8 million as a result of an increase progress billings raised for projects completed and delays in payments from customers as a result of the credit tightening measures implemented by the PRC government;
- (ii) an increase in prepayments of approximately RMB102.5 million due to higher deposits paid to secure the delivery of systems for the industrial wastewater projects ;
- (iii) a decrease in trade and other payables of approximately RMB18.1 million which were in line with the decrease in business activities;
- (iv) a decrease in other liabilities of approximately RMB33.7 million which were also in line with the decrease in business activities; and
- (v) payment of interest expenses of approximately RMB4.0 million incurred on the loans from China Merchant Bank; and
- (v) payment of income taxes of approximately RMB5.2 million.

The decrease was partly offset by:

- (i) a decrease in gross amount due from customers for work-in-progress of approximately RMB101.1 million as a result of increase in progress billings for the completion of projects;
- (ii) a decrease in inventories of approximately RMB0.2 million arising from inventories as a result of drawn down of raw materials; and
- (iii) interest income received of approximately RMB1.3 million from bank deposits.

Net cash outflows used in investing activities of approximately RMB8.8 million were due mainly to the purchase of property, plant and equipment during the period.

Net cash inflows from financing activities of approximately RMB21.7 million were proceeds from loans and borrowings of RMB30.0 million, partly offset by dividends paid to shareholders of RMB7.5 million and increase in bank deposits pledged as performance guarantees for construction contracts of RMB0.8 million.

Overall our cash and cash equivalents decreased by approximately RMB105.4 million in 9M2012, offset by the effect of exchange rate changes on cash and cash equivalents of approximately RMB0.5 million to RMB104.9 million. In the light of the foregoing, overall cash and cash equivalents decreased from RMB138.6 million as at 31 December 2011 to RMB33.7 million as at 30 September 2012.

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 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.

The current economic climate remains tough as many PRC companies are still experiencing difficulties in servicing their debts as a result of the implementation of the credit tightening measures. In addition, a number of smaller firms in the industry got into financial troubles arising from not getting remunerated for the services rendered. In the light of this, we continue to exercise caution when tendering for projects despite that we have been approached by several State Owned Enterprises to undertake the fabrication and installation of their industrial wastegas systems due to our credentials in delivering contracts. However, most of the payment terms offered to us remain harsh and we have turned away many such contracts as we cannot afford to have all of funding being locked up in the projects.

The Group's main priority is to work on the overdue debts with the customers. Several plans were proposed and discussed with the customers and we hope to reach a resolution with these customers in due course. Recent signs and economic data have pointed towards a gradual improvement in the Chinese economy and we hope that the credit tightening policies be relaxed and funding from the PRC government can be quickly disbursed to the customers to solve their funding woes, the next 12 months are likely to remain challenging for the industry. We will need to carefully manage our cash flows, maintain a tight rein on costs and continue to stay vigilant in order to ride through this difficult period.

Notwithstanding the disappointment in the results for the period ended 30 September 2012, we see some positives in the future of the Group as our relentless efforts in the research and development activities will start to pay off and we will be able to embark on our first de-nitrification project and this new segment will hopefully be another key growth driver of the Group in the foreseeable future. We also do not want to be too dependent on China markets to grow our future earnings as we plan to diversify into other companies with a potential exposure to other parts of the global markets, which explains the reason for our recent 20% investment in a Singapore membrane company. With its technical know-how to separate oil from water, we strongly believe that it will create a window of opportunity for us in the oil and gas sector.

In view of the challenging economic environment, the Group is expected to report a loss for the full year ended 31 December 2012.

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 2012 is declared or recommended.

13. 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 has not obtained a general mandate from its shareholders for IPTs.

14. Update of usage of IPO and placement proceeds

As at 30 September 2012, the net proceeds from the Company's initial public offering have been utilised as follows:

<u>Usage of IPO proceeds</u>	Amount allocated RMB'000	Amount utilised RMB'000	Balance RMB'000
Increase and enhance research and development activities	15,107	12,302	2,805
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	71,329	6,832

<u>Usage of private placement proceeds</u>	Original amount allocated RMB'000	Revised amount RMB'000	Amount utilised RMB'000	Balance RMB'000
To undertake large scale projects	63,074	55,052	50,864	4,188
General working capital for the Company	-	8,022	(3,376)	4,646
Total	63,074	63,074	47,488	8,834

For full details regarding the change in use of the placement proceeds from "undertaking large scale projects to general working capital for the Company", please refer to the Company's announcement dated 3 May 2012.

The funds for general working capital of RMB6.7 million was mainly for IPO expenses, whereas, the amount of RMB3.4 million was for payments of payroll, professional fees and compliance costs.

BY ORDER OF THE BOARD
Leader Environmental Technologies Limited

Lin Baiyin
Executive Chairman and Chief Executive Officer

14 November 2012

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 2012 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

14 November 2012