



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 2012

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 2012 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 2012 RMB'000	Unaudited Oct to Dec 2011 RMB'000		Unaudited Jan to Dec 2012 RMB'000	Unaudited Jan to Dec 2011 RMB'000	
Revenue	22,039	19,077	15.5%	61,989	147,478	-58.0%
Cost of sales	(23,327)	(11,512)	102.6%	(49,185)	(78,482)	-37.3%
Gross profit	(1,288)	7,565	-117.0%	12,804	68,996	-81.4%
Other items of income						
Financial income	17	511	-96.7%	1,340	807	66.0%
Other income	2,372	7,193	-67.0%	3,231	9,246	-65.1%
Other items of expense						
Selling and distribution expenses	(389)	(587)	-33.7%	(1,465)	(3,014)	-51.4%
Administrative expenses	(806)	(3,931)	-79.5%	(14,382)	(16,194)	-11.2%
Financial costs	(1,378)	-	NM	(5,377)	-	NM
Other expenses	(37,505)	(3,481)	977.4%	(37,710)	(3,763)	902.1%
Share of loss of associated company	(66)	-	NM	(66)	-	NM
(Loss)/profit before income tax	(39,043)	7,270	-637.0%	(41,625)	56,078	-174.2%
Income tax expense	1,141	(4,240)	-126.9%	(1,396)	(11,434)	-87.8%
(Loss)/profit for the year attributable to owners of the Company	(37,902)	3,030	-1350.9%	(43,021)	44,644	-196.4%
Other comprehensive income, net of tax	-	-		-	-	
Total comprehensive income for the year attributable to owners of the Company	(37,902)	3,030		(43,021)	44,644	

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 2012 RMB'000	Unaudited Oct to Dec 2011 RMB'000		Unaudited Jan to Dec 2012 RMB'000	Unaudited Jan to Dec 2011 RMB'000	
Inventories written down	353	-	NM	353	-	NM
Impairment loss on trade receivables	35,207	-	NM	37,149	-	NM
Write-back of trade receivables written off	(27)	-	NM	(27)	-	NM
Write-back of trade payables	(2,024)	(6,392)	-68.3%	(2,024)	(6,392)	-68.3%
Depreciation of property, plant and equipment	285	170	67.6%	900	600	50.0%
Fixed asset written off	-	-	-	-	5	NM
Gain on disposal of property, plant and equipment	(85)	-	NM	(85)	-	NM
Amortisation of intangible asset	79	11	618.2%	175	46	280.4%
Operating lease expenses	555	265	109.4%	1,921	990	94.0%
Interest expense	1,378	-	NM	5,377	-	NM
Interest income	(17)	(511)	-96.7%	(1,340)	(807)	66.0%
Inventories recognised as an expense in cost of goods sold	13,683	12,284	11.4%	31,313	41,162	-23.9%
Employee compensation	2,544	2,227	14.2%	8,459	9,015	-6.2%
Exchange (gains)/loss	(6,363)	2,584	NM	(7,122)	3,454	NM

NM: Not meaningful

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 2012 RMB'000	Unaudited 31 Dec 2011 RMB'000	Unaudited 31 Dec 2012 RMB'000	Unaudited 31 Dec 2011 RMB'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	12,973	5,022	8	10
Intangible assets	7,553	5,849	-	-
Investment in subsidiary	-	-	152,494	152,494
Investment in associate	2,491	-	2,557	-
	23,017	10,871	155,059	152,504
CURRENT ASSETS				
Gross amount due from customers for contract work-in-progress	45,360	382,677	-	-
Inventories	3,290	2,615	-	-
Trade and other receivables	307,950	75,266	40,554	40,549
Prepayments	138,843	77,037	204	217
Bank deposits pledged	1,334	529	-	-
Cash and bank balances	56,348	138,612	928	11,625
	553,125	676,736	41,686	52,391
TOTAL ASSETS	576,142	687,607	196,745	204,895
CURRENT LIABILITIES				
Loans and borrowings	80,000	47,500	-	-
Trade and other payables	57,911	77,682	470	480
Other liabilities	28,640	99,350	1,529	2,900
Income tax payable	-	3,293	-	-
	166,551	227,825	1,999	3,380
NET CURRENT ASSETS	386,574	448,911	39,687	49,011
Non-current liabilities				
Deferred tax liabilities	4,123	3,793	-	-
TOTAL LIABILITIES	170,674	231,618	1,999	3,380
NET ASSETS	405,468	455,989	194,746	201,515
Equity attributable to equity holders of the Company				
Share capital	194,015	194,015	194,015	194,015
Reserves	211,453	261,974	731	7,500
TOTAL EQUITY	405,468	455,989	194,746	201,515
TOTAL EQUITY AND LIABILITIES	576,142	687,607	196,745	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	
	Unaudited As at 31.12.2012 RMB'000	Unaudited As at 31.12.2011 RMB'000
Amount repayable in one year or less, or on demand		
- secured	-	-
- unsecured	80,000	47,500
	80,000	47,500
Amount repayable after one year		
- secured	-	-
- unsecured	-	-
	-	-
	-	-

Details of any collateral

As at 31 December 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 loans of RMB80.0 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.**

	Group	
	Unaudited 12 months ended 31.12.12	31.12.11
	RMB'000	RMB'000
Operating activities		
(Loss)/profit before tax	(41,625)	56,078
Adjustments for :		
Inventories written down	353	-
Depreciation of property, plant and equipment	900	600
Write-off of property, plant and equipment	-	5
Gain on disposal of property, plant and equipment	(85)	-
Amortisation of intangible assets	175	46
Impairment loss on trade receivables	37,149	-
Write-back of trade payables	(2,024)	(6,392)
Write-off of other receivables	-	17
Share of loss of associate	66	-
Interest expense	5,377	-
Interest income	(1,340)	(807)
Unrealised exchange (gain)/loss	(206)	1,129
Total adjustments	40,365	(5,402)
Operating cash flows before changes in working capital	(1,260)	50,676
Changes in working capital		
Decrease/(increase) in gross amount due from customers for contract work-in-progress	337,317	(47,525)
(Increase)/decrease in inventories	(1,028)	1,303
Increase in trade and other receivables	(268,975)	(44,729)
Increase in prepayments	(61,806)	(33,748)
(Decrease)/increase in trade and other payables	(17,638)	21,349
Decrease in other liabilities	(70,710)	(32,995)
Total changes in working capital	(82,840)	(136,345)
Cash flows used in operations	(84,100)	(85,669)
Interest paid	(5,377)	-
Interest income received	1,340	807
Income tax paid	(5,218)	(14,824)
Net cash flows used in operating activities	(93,355)	(99,686)
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,874)	(1,139)
Investment in associate	(2,557)	-
Additions to intangible assets	(1,879)	(5,692)
Net cash flows used in investing activities	(13,310)	(6,831)
Cash flows from financing activities		
Dividends paid on ordinary shares	(7,500)	(9,243)
Proceeds from issuance of new ordinary shares pursuant to the private placement	-	66,229
Proceeds from loans and borrowings	80,000	47,500
Repayments of loans and borrowings	(47,500)	-
Share issue expenses	-	(3,098)
Repayments of bills payable	-	(1,024)
(Increase)/decrease in bank deposits pledged	(805)	1,893
Net cash flows from financing activities	24,195	102,257
Net decrease in cash and cash equivalents	(82,470)	(4,260)
Effect of exchange rate changes on cash and cash equivalents	206	(1,129)
Cash and cash equivalents as at 1 January	138,612	144,001
Cash and cash equivalents as at 31 Dec (Note A)	56,348	138,612

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	2012	2011
Cash at bank and on hand	47,682	98,612
Short-term deposits	10,000	40,529
Cash and bank balances	<u>57,682</u>	<u>139,141</u>
Less: bank deposits pledged	(1,334)	(529)
Cash and cash equivalents	<u><u>56,348</u></u>	<u><u>138,612</u></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 - Statement of changes in equity
2012**

	Attributable to owners of the Company				
	Share capital RMB'000	PRC statutory reserve fund RMB'000	Merger reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2012	194,015	31,230	(454)	231,198	455,989
Total comprehensive income for the year	-	-	-	(43,021)	(43,021)
Contributions by and distributions to owners					
Dividends on ordinary shares	-	-	-	(7,500)	(7,500)
Total transactions with owners in their capacity as owners	-	-	-	(7,500)	(7,500)
Balance at 31 December 2012	194,015	31,230	(454)	180,677	405,468

**Group - Statement of changes in equity
2011**

	Attributable to owners of the Company				
	Share capital RMB'000	PRC statutory reserve fund RMB'000	Merger reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2011	130,884	25,850	(454)	201,177	357,457
Total comprehensive income for the year	-	-	-	44,644	44,644
Contributions by and distributions to owners					
Proceeds from new ordinary shares pursuant to private placement	66,229	-	-	-	66,229
Share issuance expenses	(3,098)	-	-	-	(3,098)
Dividends on ordinary shares	-	-	-	(9,243)	(9,243)
Appropriation of profit to reserve	-	5,380	-	(5,380)	-
Total transactions with owners in their capacity as owners	63,131	5,380	-	(14,623)	53,888
Balance at 31 December 2011	194,015	31,230	(454)	231,198	455,989

- 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 - statement of changes in equity
2012**

Attributable to owners of the Company

	Share capital RMB'001	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2012	194,015	7,500	201,515
Total comprehensive income for the year	-	731	731
Contributions by and distributions to owners			
Dividends on ordinary shares	-	(7,500)	(7,500)
Total transactions with owners in their capacity as owners	-	(7,500)	(7,500)
Balance at 31 December 2012	194,015	731	194,746

**Company - statement of changes in equity
2011**

Attributable to owners of the Company

	Share capital RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2011	130,884	8,333	139,217
Total comprehensive income for the year	-	8,410	8,410
Contributions by and distributions to owners			
Proceeds from new ordinary shares pursuant to private placement	66,229	-	66,229
Share issuance expenses	(3,098)	-	(3,098)
Dividends on ordinary shares	-	(9,243)	(9,243)
Total transactions with owners in their capacity as owners	63,131	(9,243)	53,888
Balance at 31 December 2011	194,015	7,500	201,515

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 31 December 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

	Company	
	31.12.2012	31.12.2011
Total number of shares issued at end of year	<u>491,612,000</u>	<u>491,612,000</u>

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

Except for 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 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 ordinary shares for the three-month and twelve-month period ended 31 December 2012 respectively (2011: 491,612,000 and 475,500,889 ordinary shares respectively).

	Group		Group	
	Q4		12 months	
	Oct to Dec 2012	Oct to Dec 2011	Jan to Dec 2012	Jan to Dec 2011
Net (loss)/profit after tax attributable to owners of the Company (RMB'000)	(37,902)	3,030	(43,021)	44,644
Basic (loss)/earnings per share (RMB cents per share)	(7.71)	0.62	(8.75)	9.39

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 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Net asset value (RMB'000)	405,468	455,989	194,746	201,515
Net asset value per share (RMB cents per share)	82.48	92.75	39.61	40.99

Net asset value of the Group and Company as at 31 December 2012 and 31 December 2011 is computed based on 491,612,000 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

	4Q2012		4Q2011		FY2012		FY2011	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Industrial wastegas treatment								
- Dust elimination	6,721	30.5	9,932	52.1	14,154	22.8	15,691	10.6
- Desulphurisation	3,006	13.6	5,102	26.7	10,791	17.4	117,861	79.9
- De-nitrification	1,805	8.2	-	-	1,805	2.9	-	-
Industrial wastewater	5,092	23.1	2,390	12.5	23,727	38.3	9,527	6.5
Design, technical services and others	-	-	1,653	8.7	-	-	4,399	3.0
Operation and maintenance	5,415	24.6	-	-	11,512	18.6	-	-
	<u>22,039</u>	<u>100.0</u>	<u>19,077</u>	<u>100.0</u>	<u>61,989</u>	<u>100.0</u>	<u>147,478</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. It must include a discussion of the following:- (cont'd)**

Revenue

2012 vs 2011

We adopted a more prudent strategy in pursuing industrial wastegas projects which offered better payment terms and/or gross margin in FY2012 amidst the credit tightening measures implemented by the PRC government. Accordingly, total revenue, largely derived from contracts signed in the past, fell by approximately RMB85.5 million or 58.0%, from RMB147.5 million in FY2011 to RMB62.0 million in FY2012. The decrease was mainly attributed to the absence of revenue from design, technical services and others as opposed to RMB4.4 million of revenue recorded for such contracts in FY2011, coupled by lower revenue recognized as a result of fewer desulphurization and dust elimination contracts secured of approximately RMB108.6 million in aggregate. The decrease was partly offset mainly by higher revenue recorded in respect of industrial wastewater contracts of RMB14.2 million in FY2012. In addition, the operation and maintenance and de-nitrification segment also contributed its maiden revenue of RMB11.5 million and RMB1.8 million respectively.

4Q2012 vs 4Q2011

Total revenue increased by approximately RMB2.9 million or 15.5%, from RMB19.1 million in 4Q2011 to RMB22.0 million in 4Q2012 as there were more contracts scheduled for completion in fourth quarter of FY2012. Hence, we reported higher revenue in respect of industrial waste water contracts of RMB2.7 million. In addition, we also recognized the maiden revenue of de-nitrification and operation and maintenance income derived from a steel industry of RMB1.8 million and RMB5.4 million respectively. The increase was partly offset by lower revenue from dust elimination and desulphurization of RMB5.3 million in aggregate as a result of the credit tightening measures which prompted us to be more selective when tendering for such contracts. In addition, the revenue was also dragged down by the absence of revenue from the design, technical services and others segment of RMB1.7 million in FY2012.

Gross profit and gross profit margin

2012 vs 2011

The substantial decline in the amount and number of desulphurisation contracts, the key growth engine of the Group and the absence of revenue from the design, technical services and others segment, contributed mainly to the weakness in gross profit, which far exceeded the increase in gross profit derived from dust elimination, industrial wastewater and the maiden gross profit from de-nitrification and operation and maintenance segments. Accordingly, gross profit for FY2012 declined by approximately RMB56.2 million or 81.4% to RMB0.7 million.

Gross profit margin dropped by 26.1%, from 46.8% in FY2011 to 20.7% in FY2012 as we did not secure any stand-alone contracts in design, technical services and others as these contracts usually fetch higher gross margin due to minimum costs incurred. This was unlike FY2011 where we achieved an average of 86.7% 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 23.9% as opposed to 27.3% in FY2011 and negative gross margin of 63.3% from desulphurisation contract from a customer from the steel industry as we did not pass on the additional costs to our customer from the steel industry as we hope to maintain goodwill with them so that they will award another desulphurisation contract to us. In addition, the maiden contribution from operation and maintenance ("O&M") of 16.0% also pulled down the overall gross profit margin. The decrease was partly offset by higher gross profit margin of 7.0% from dust elimination contracts as we have one major contract which was also at the design phase.

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 income

Financial income for FY2012 increased by approximately RMB0.5 million or 66.0%, from RMB0.8 million in FY2011 to RMB1.3 million in FY2012 as the average bank deposits placed with the banks in FY2012 were higher than FY2011.

Other income

Other income for FY2012 decreased by approximately RMB6.0 million or 65.1%, from RMB9.2 million in FY2011 to RMB3.2 million in FY2012 due to the absence of one-time government incentives of RMB2.5 million in recognition of the Company's successful listing on the Singapore Exchange Securities Trading Limited. In addition, the write-backs of trade payables and trade receivables written off declined by RMB4.4 million and RMB0.3 million respectively as these trade payables were no longer payable under the court order, whereas in the case of trade receivables, the amounts were subsequently collected from the trade receivables. The decrease of RMB7.2 million was partly offset by inventory adjustment gain of RMB0.4 million, gain on disposal of a motor vehicle of RMB0.1 million and foreign exchange gains of RMB0.7 million recorded in FY2012 due to the revaluation of cash and bank balances denominated in Sing dollar, which appreciated against RMB.

Operating Expenses

The main components of selling and distribution expenses are employee compensation costs, travelling expenses, office expenses, rental and others. For FY2012, selling and distribution expenses decreased by RMB1.5 million, or 51.4%, from RMB3.0 million in FY2011 to RMB1.5 million in FY2012 as we adopted a more cautious and selective approach in our tender for projects in the light of the implementation of the credit tightening measures by the PRC government. Consequently, entertainment with potential customers and business trips allowances was reduced substantially by RMB1.3 million. Furthermore, payroll and related costs also dropped by RMB0.2 million due mainly to staff attrition in FY2012.

Administrative expenses decreased by approximately RMB1.8 million or 11.2%, from RMB16.2 million in FY2011 to RMB14.4 million in FY2012 due to the decrease in payroll and related costs of RMB0.3 million because of staff attrition, travelling and entertainment expenses of RMB1.1 million in aggregate which were in line with the decrease in business activities. In addition, we also incurred less expenditure on motor vehicle expenses, office expenses, staff canteen expenses and others of RMB0.2 million, RMB0.1 million, RMB0.2 million and RMB0.4 million respectively in the wake of the slowing economy in the PRC. Further reduction in administrative expenses was caused by the absence of provision for statutory welfare of RMB0.2 million since no provision was required since the Group suffered a loss in FY2012. The decrease of RMB2.5 million was partly offset by higher depreciation of property, plant and equipment and amortisation of intangible assets of RMB0.2 million and RMB0.1 million respectively due to additions during the financial year, increase in rental expenses incurred of RMB0.2 million attributed primarily to the accommodations provided for the workers. In addition, printing costs for the annual reports and circulars to shareholders also went up by RMB0.2 million as we budgeted for more copies of reports to be printed.

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 costs increased by approximately RMB5.4 million or 100.0%, from nil in FY2011 to RMB5.4 million in FY2012. This was due mainly to larger quantum of loans obtained from China Merchant Bank in FY2012. There was no interest incurred in FY2011 as the first drawn down took place on the last day of FY2011.

Other expenses for FY2012 increased by approximately RMB33.9 million or 902.1%, from RMB3.8 million in FY2011 to RMB37.7 million in FY2012 due to higher impairment of trade receivables of RMB37.1 million as these customers have informed us of their inability to make payments, inventory written down of RMB0.4 million relating to the steel parts and components dismantled from the dust elimination system fabricated for a certain customer, partly offset by the absence exchange loss suffered of approximately RMB3.5 million from the revaluation of Sing dollar proceeds to RMB. In addition, there was also a decrease in contributions of approximately RMB0.1 million towards the Flood Prevention Fund as this was in line with the decrease in revenue.

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 was provided despite the loss suffered by the Group in FY2012 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 RMB10.0 million or 87.8% from RMB11.4 million in FY2011 to RMB1.4 million in FY2012.

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 RMB23.0 million and comprised property, plant and equipment ("PPE") of RMB13.0 million, intangible assets of RMB7.5 million and investment in associate of RMB2.5 million. The increase of approximately RMB8.0 million in PPE in FY2012 was due mainly to PPE additions of approximately RMB8.9 million, comprising mainly 4 units of commercial properties for our research and development activities, plant and machinery and office equipment for our operations, partially offset by depreciation of approximately RMB0.9 million for the year.

- 1.1 Intangible assets comprised development expenditure of RMB6.5 million, golf club membership of RMB0.9 million and patent of RMB0.1 million as at 31 December 2012. The increase of RMB1.7 million relates to additions to development expenditure of approximately RMB1.9 million, partly offset by amortisation of RMB0.2 million.
- 1.2 Investment in associate of RMB2.5 million comprised mainly 20% investment in a start-up in 4Q2012, focusing currently on research and development activities to develop membrane for the separation of oil from water.

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 RMB553.1 million and RMB676.7 million as at end of 31 December 2012 and 31 December 2011 respectively. Our current assets accounted for approximately 96.0% and 98.4% of our total assets as at 31 December 2012 and 31 December 2011 respectively.

- 2.1 Amount due from customers for contract work-in-progress amounted to RMB45.4 million and RMB382.7 million as at 31 December 2012 and 31 December 2011 respectively and accounted for approximately 8.2% and 56.5% of our current assets as at 31 December 2012 and 31 December 2011 respectively. The decrease was mainly attributed to the increase in amounts of contracts completed at the end of the financial year which were then transferred to trade receivables.
- 2.2 Inventories amounted to approximately RMB3.3 million and RMB2.6 million as at 31 December 2012 and 31 December 2011 respectively. The increase in inventories was mainly attributed to the increase in inventories of RMB0.1 million and dismantled steel parts and components of RMB0.9 million for a dust elimination system fabricated for a certain customer whom decided not to proceed with the contract in FY2012. In the light of the foregoing, the steel parts and components were then written down by RMB0.3 million to reflect the carrying value to the lower of cost and net realisable value.
- 2.3 Trade and other receivables comprise trade receivables, bills receivables, retention monies and other receivables amounting to RMB308.0 million and RMB75.3 million as at 31 December 2012 and 31 December 2011 respectively, and accounted for approximately 55.7% and 11.1% of our current assets as at the respective balance sheet dates. Trade receivables amounted to RMB257.3 million as at 31 December 2012, representing an increase of approximately RMB222.2 million from 31 December 2011. The increase was due mainly to increase in amounts of contracts completed and slowdown in collections resulting from the implementations of the credit tightening measures by the PRC government.
- 2.4 Bills receivables amounted to RMB13.1 million and RMB15.5 million as at 31 December 2012 and 31 December 2011 respectively as we have presented some bills receivables to the banks for processing since they have already matured during the year.
- 2.5 Retention monies (mainly ranging from 5% to 10% of the contract sums or agreed amounts with customers) amounted to RMB22.7 million and RMB9.4 million as at 31 December 2012 and 31 December 2011 respectively. The increase of approximately RMB13.3 million was attributed to increase in amounts of contracts completed.
- 2.6 Other receivables comprise VAT receivables, advances to employees for business purposes, bidding deposits and tax recoverable from Tax Authorities to offset the excess payments against future profits. Other receivables amounted to RMB14.9 million and RMB15.3 million as at 31 December 2012 and 31 December 2011 respectively. The decrease was due to lower VAT receivables and bidding deposits of RMB3.0 million which were in line with the decrease in revenue, partly offset by tax recoverable from the Tax Authorities of RMB0.9 million as we have overpaid our income tax in the past quarters since the Group has suffered an overall loss in FY2012 and higher advances to employees of RMB1.7 million for their business trips which they came back only after year end to settle their advances.

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)

- 2.7** Prepayments comprising prepaid operating expenses, advances to trade and non-trade suppliers amounted to RMB138.8 million and RMB77.0 million as at 31 December 2012 and 31 December 2011 respectively. The increase was attributed to more advance payments made to suppliers of raw materials for contracts scheduled to commence in FY2013. The advances will be refunded back if the tenders for the various contracts are not successful.
- 2.8** Bank deposits increased by approximately RMB0.8 million or 152.2%, from RMB0.5 million as at 31 December 2011 to RMB1.3 million as at 31 December 2012 as they solely relate to performance guarantees for certain construction contracts.
- 2.9** Cash and cash equivalents amounted to RMB138.6 million and RMB56.3 million as at 31 December 2011 and 31 December 2012 respectively, and accounted for approximately 20.5% and 10.2% 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 income tax payable. Our current liabilities amounted to RMB166.5 million and RMB227.8 million as at 31 December 2011 and 31 December 2011 respectively, and accounted for approximately 97.6% and 98.4% of total liabilities as at the respective balance sheet dates.

- 3.1** Trade and other payables comprise mainly trade payables and other payables. Trade payables amounted to RMB55.6 million, representing a decrease of approximately RMB19.8 million over FY2011. The decrease was in line with the decrease in business activities during the year and payments made to the suppliers.
- 3.2** Other payables comprise primarily VAT and other operating tax payables and accruals of other operating expenses. Other payables amounted to RMB2.3 million each as at 31 December 2012 and 31 December 2011 respectively.
- 3.3** Other liabilities comprise accrued purchases, salaries, travelling and other operating expenses and advances from customers. Other liabilities amounted to RMB28.6 million and RMB99.3 million as at 31 December 2012 and 31 December 2011 respectively.
- 3.4** Accrued purchases, VAT, salaries and related expenses, travelling and other operating expenses amounted to RMB28.6 million and RMB92.8 million as at 31 December 2012 and 31 December 2011 respectively. The decrease was in line with the decrease in business activities.
- 3.5** Advances from customers amounted to only RMB34,000, representing a decrease in approximately RMB6.5 million over FY2011. The decrease was attributed to decrease in the number of contracts signed as we were more selective in the contracts available for tenders during the year.
- 3.6** Loans and borrowings amounted to RMB80.0 million, an increase of RMB32.5 million when compared against FY2011 as they mainly relate to the additional drawn down of our loan facilities obtained from China Merchants Bank in FY2012.
- 3.7** Income tax payable amounted to nil as at 31 December 2012 as this mainly relates to the corporate tax payable by our PRC subsidiary on the taxable profits. There was no provision for income tax at end of the year as we have no tax obligations to the Tax Authorities since the Group suffered a loss in FY2012.

4. Non-current liabilities

As at 31 December 2012, our deferred tax liabilities amounted to RMB4.1 million, relating to withholding tax on undistributed profits of our PRC subsidiary pursuant to the PRC tax law. An additional deferred tax of RMB0.3 million was provided in FY2012 on the potential amount of dividends expected to be declared to finance the working capital of the holding company.

5. Shareholder's equity

The Group's total shareholder's equity comprises share capital, PRC statutory reserve fund, merger reserve and retained earnings. Between 31 December 2012 and 31 December 2011, our shareholder's equity decreased from RMB456.0 million to RMB405.5 million due mainly to loss suffered in FY2012 of RMB43.0 million and dividends paid on ordinary shares of RMB7.5 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)

STATEMENT OF CASH FLOWS

In FY2012, net cash flows from operating activities before changes in working capital amounted to approximately RMB1.3 million. Net cash flows used in operating activities amounted to approximately RMB92.1 million attributed mainly to:

- (i) an increase in trade and other receivables of RMB269.0 million mainly because of increase in amounts of contracts completed, coupled by the delays in collections caused by the implementations of the credit tightening measures by the PRC government;
- (ii) an increase in inventories of RMB1.0 million;
- (iii) an increase in prepayments of RMB61.8 million due to advance payments made to suppliers of raw materials for contracts scheduled for FY2013 ;
- (iv) a decrease in trade payables of RMB17.6 million which was in line with the decrease in business activities;
- (v) a decrease in other liabilities of RMB70.7 million which was mainly in line with the decrease in business activities;
- (vi) payments of interest expenses of approximately RMB5.4 million incurred on the loans from China Merchant Bank; and
- (v) payments of income tax of RMB5.2 million.

The working capital outflows were partly offset by:

- (i) an decrease in gross amount due from customers for contract work-in-progress of approximately RMB337.3 million as a result of the increase in amounts of contracts completed at the end of the financial year; and
- (iii) interest income received of approximately RMB1.3 million, derived from fixed deposits placed with the banks.

Net cash outflows from investing activities of approximately RMB13.3 million comprised the purchase of plant and machinery, office equipment and computers of RMB8.9 million, further development costs of RMB1.9 million during the year and investment of RMB2.5 million in an associate company.

Net cash inflows from financing activities of approximately RMB24.2 million were attributed to proceeds from loans and borrowings of approximately RMB80.0 million obtained from China Merchants Bank, The increase was partly offset by dividends paid on ordinary shares of RMB7.5 million, repayments of loans and borrowings of RMB47.5 million and increase in bank deposits pledged of approximately RMB0.8 million as performance guarantees for construction contracts.

Overall our cash and cash equivalents decreased by approximately RMB82.5 million in FY2012, partly offset by the effect of exchange rate changes on cash and cash equivalents of approximately RMB0.2 million to RMB82.3 million. As a result of the foregoing, the total cash and cash equivalents decreased from RMB138.6 million in FY2011 to RMB56.3 million in FY2012.

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.

Immediately after Chinese New Year, we have seen some good collections of approximately RMB7.6 million from various customers. There are also other positive signs pointing towards an improvement in the PRC economy as we have been approached by various customers to submit tenders for their projects and these projects are of larger scales and better terms. Even though we may not be fully out of the woods yet, the series of events seen so far in the early part of FY2013 has provided management with more confidence in the Group's business. This confidence is further boosted by our latest success in developing the de-nitrification technology and we have tried and tested it successfully on a small scale project worth RMB3.3 million. This additional track record will give us an added advantage when we tender for bigger scale projects in FY2013. We will continue to adopt the same cautious approach as in FY2012, but with a more positive outlook in the PRC economy, we hope to tender and take on more profitable projects in FY2013 in order to improve both top and bottom line of the Group.

11. Dividend

(a) Current Financial Period Reported On?

Not applicable.

(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	RMB1.53 cents per ordinary shares
Tax rate	One tier tax exempt

(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 in respect of the year ended 31 December 2012 has been proposed by the Directors.

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	De-nitrification	Industrial wastewater	Operation and maintenance	Design, technical services and others	Total
(RMB'000)							
2012							
Revenue							
Sales to external customers	14,154	10,791	1,805	23,727	11,512	-	61,989
Results							
Segment gross profit	4,145	716	446	5,659	1,838	-	12,804
(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

The chief operating decision makers reviews the results of the segment using segment gross profit. Segment assets, liabilities and other expenses are not disclosed as they are not regularly provided to the chief operating decision maker.

Geographical information

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

Information about major customers

During the financial year ended 31 December 2012, revenue from three (2011: three) major customers amounted to RMB11.5 million, RMB8.7 million and RMB7.3 million (2011: RMB72.5 million, RMB16.5 million and RMB10.9 million), arising from sales by the industrial wastewater and operation and maintenance segment. In FY2011, the sales derived from these major customers were from the desulphurisation and design, technical service segment.

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		
	2012	2011	change
	RMB'000	RMB'000	%
Sales reported for the first half year	24,863	44,651	-44.3%
Operating profit after tax reported for the first half year	732	11,834	-93.8%
Sales reported for the second half year	37,126	102,827	-63.9%
Operating (loss)/ profit after tax reported for the second half year	(43,753)	32,810	NM

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

	31-Dec-12	31-Dec-11
	RMB'000	RMB'000
<u>Ordinary</u>		
Paid	7,500	9,243
Proposed	-	7,500
Total	<u>7,500</u>	<u>16,743</u>

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

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	44	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 cum Chief Executive Officer)

19. Update of usage of IPO and placement proceeds

As at 31 December 2012, 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 RMB'000	Amount utilised RMB'000	Balance RMB'000
Increase and enhance research and development activities	15,107	(14,182)	925
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	(73,209)	4,952

<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	(51,758)	3,294
General working capital for the Company	-	8,022	(7,094)	928
Total	63,074	63,074	(58,852)	4,222

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 RMB7.1 million was for payments of payroll and related costs, professional fees, compliance costs and investment in an associate company.

BY ORDER OF THE BOARD
Leader Environmental Technologies Limited

Lin Baiyin
Executive Chairman and Chief Executive Officer

28 February 2013