



LEADER ENVIRONMENTAL TECHNOLOGIES LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 200611799H)

PROPOSED RENOUNCEABLE UNDERWRITTEN RIGHTS ISSUE OF 589,767,200 NEW ORDINARY SHARES OF THE COMPANY

1. INTRODUCTION

The board of Directors ("**Directors**") of Leader Environmental Technologies Limited ("**Company**") wishes to announce that the Company is proposing to undertake a renounceable underwritten rights issue ("**Rights Issue**") of 589,767,200 new ordinary shares of the Company ("**Right Shares**") at an issue price of \$0.015 for each Rights Share ("**Rights Issue Price**"), on the basis of four (4) Rights Shares for every five (5) existing Shares held by the shareholders of the Company ("**Shareholders**") as at a books closure date to be determined by the Directors, at and on which the register of shareholders and the transfer books will be closed to determine the provisional allotment of the Rights Shares of the Entitled Shareholders (as defined below) under the Rights Issue ("**Books Closure Date**"), fractional entitlements to be disregarded.

The Company has appointed Stirling Coleman Capital Limited as the manager and underwriter ("**Manager and Underwriter**") for the Rights Issue pursuant to the terms of a management and underwriting agreement entered into between the Company and the Manager and Underwriter on 12 June 2020 ("**Management and Underwriting Agreement**").

The Rights Shares are intended to be issued and allotted pursuant to and within the limits of the general share issue mandate of the Company approved by Shareholders at the annual general meeting of the Company held on 28 May 2020 ("**General Mandate**"). The General Mandate authorises the Company to issue new Shares not exceeding 50% of the total number of issued Shares (excluding treasury Shares and subsidiary holdings) as at the date of the grant of the General Mandate ("**Relevant Share Capital**"), provided that the aggregate number of Shares to be issued other than on a pro rata basis to Shareholders shall not exceed 20% of the Relevant Share Capital ("**General Limit**"). In addition to the General Limit, the aggregate number of shares to be issued by way of renounceable rights issues on a pro rata basis shall not exceed 50% of the total number of the Relevant Share Capital ("**Additional Limit**"). Where an issue of shares is to be issued by way of renounceable rights issues on a pro rata basis, that issue shall first use the Additional Limit, and in the event that the Additional Limit has been fully used and is insufficient to satisfy that issue, that issue may use the General Limit, but only to the extent of the then remaining General Limit.

As the Relevant Share Capital comprised 617,209,000 Shares, the Company may issue up to 617,209,000 new Shares under the General Mandate on a pro rata basis, under the Additional Limit and the General Limit. From the date of grant of the General Mandate and up to the date of this announcement, no Shares or convertible securities have been issued pursuant to the General Mandate. Accordingly, the issue of 589,767,200 Rights Shares pursuant to the Rights Issue falls within the limits of the General Mandate.

As at the date of this announcement, the issued share capital of the Company comprises 737,209,000 Shares. As at the date of this announcement, there are no outstanding convertible securities issued by the Company. On completion of the Rights Issue, assuming that no new Share are issued on or prior to the Books Closure Date, the Company's enlarged share capital will comprise 1,326,976,200 Shares.

2. DETAILS OF RIGHTS ISSUE

2.1 Basis of Provisional Allotment

The Company is offering 589,767,200 Rights Shares, on a renounceable underwritten basis, at the Rights Issue Price of S\$0.015 per Rights Share, on the basis of four (4) Rights Shares for every five (5) existing Shares held by the Shareholders as at the Books Closure Date.

Entitled Shareholders (as defined below) will be at liberty to accept (in full or in part), decline or otherwise renounce or trade (during the provisional allotment trading period prescribed by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") their provisional allotment of Rights Shares and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights Issue.

Fractional entitlements to the Rights Shares will be disregarded in arriving at the Entitled Shareholders' (as defined below) provisional allotments of Rights Shares and will, together with the provisional allotments of Rights Shares which are not taken up or allotted for any reason, be aggregated and allotted to satisfy excess applications for Rights Shares (if any), or disposed of or otherwise dealt with in such manner as the Directors, may in their absolute discretion, deem fit in the interests of the Company.

In the allotment of excess Rights Shares, preference will be given to Shareholders for the rounding of odd lots, whereas Directors of the Company and substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (directly or through a nominee) on the board of the Company, will rank last in priority for the rounding of odd lots and allotment of excess Rights Shares.

The Company will not make any allotment and issuance of any Rights Shares (whether through provisional allotments and/or application for excess Rights Shares) that will result in a transfer of controlling interest in the Company unless otherwise approved by Shareholders in a general meeting.

Depending on the level of subscription for the Rights Shares, the Company will, if necessary, scale down the subscription and/or excess applications for the Rights Shares by any of the Shareholders to avoid placing the relevant Shareholder in the position of incurring a general offer obligation under the Singapore Code on Takeovers and Mergers as a result of other Shareholders not taking up their Rights Shares entitlement fully.

The Rights Shares will be payable in full upon acceptance and/or application, and when allotted and issued, will rank *pari passu* in all respects with the then existing Shares, save for any dividends, rights, allotments or other distributions, the record date for which falls before the date of issue of the Rights Shares. For this purpose, a "**record date**" means, in relation to any dividends, rights, allotments or other distributions, the date as at the close of business (or such other time as may have been notified by the Company) on which Shareholders must be registered with the Company or the Central Depository (Pte) Limited ("**CDP**"), as the case may be, in order to participate in such dividends, rights, allotments or other distributions.

2.2 Rights Issue price and Exercise Price

The Rights Issue Price of S\$0.015 represents a discount of approximately:

- (a) 72.73% to the last traded price of S\$0.055 per Share on the SGX-ST on 12 June 2020, being the last full Market Day (as defined below) before this announcement on which Shares were traded on the SGX-ST ("**Last Trading Day**"); and
- (b) 59.68% to the theoretical ex-rights price of S\$0.0372 per Share (being the theoretical market price of each Share assuming the completion of the Rights Issue) as calculated based on the last traded price of S\$0.055 per Share on the SGX-ST on the Last Trading Day.

2.3 Offer Information Statement

The terms and conditions of the Rights Issue are subject to such changes as the Directors may in their absolute discretion deem fit. The final terms and conditions of the Rights Issue will be contained in the offer information statement ("**Offer Information Statement**"), to be lodged with the Monetary Authority of Singapore ("**Authority**"), and to be despatched by the Company to Entitled Shareholders in due course, subject to obtaining the necessary approvals listed in **paragraph 7** of this announcement.

3. RATIONALE AND USE OF PROCEEDS

- 3.1 On 8 June 2020, the Company announced that the Directors had adopted certain proposals and recommendations ("**Strategic Review Recommendations**") to expand the business of the Company and its subsidiaries ("**Group**") in the treatment of municipal sludge, industrial wastewater treatment and production of equipment widely used in water and sludge treatment. In particular, the Company intends to move to a high-tech oriented business to differentiate itself from other environmental protection companies. In this regard, it intends to focus on municipal sludge treatment and disposal, and industrial wastewater treatment based on high-end membrane technologies. It also intends to position the Group as a premier integrated environmental services provider, particularly in China, offering a full spectrum of services including technical consulting, system integration, equipment and product supply, project investment, engineering design procurement and construction ("**EPC**") and operational and maintenance ("**O&M**") ("**Focus Areas**").
- 3.2 The Company is undertaking the Rights Issue to strengthen the financial position and capital base of the Group which will facilitate the Company in undertaking the change in strategic direction to transform the Group into a technology driven, comprehensive one-stop environmental solutions provider in line with the Strategic Review Recommendations. The proceeds from the Rights Issue will allow the Group to have stronger cash flow in order to undertake investment and/or M&A opportunities in the Focus Areas. In addition, the Rights Issue will also provide the Shareholders with an opportunity to further participate in the equity of the Company, if they choose to do so.
- 3.3 The Rights Issue is fully underwritten on a firm commitment basis. The Directors are of the reasonable opinion that, barring unforeseen circumstances and after taking into consideration:
- (a) the Group's internal resources, operating cash flow and present banking facilities, the working capital available to the Group is sufficient to meet its present requirements; and
 - (b) the Group's internal resources, operating cash flow, present banking facilities and the net proceeds of the Rights Issue, the working capital available to the Group is sufficient to meet its present requirements.
- 3.4 The total estimated net proceeds arising from the allotment and issuance of all the Rights Shares is S\$8.70 million, after deducting estimated costs and expenses, incurred in connection with the Rights Issue, of S\$0.15 million ("**Net Proceeds**").
- 3.5 The Net Proceeds of S\$8.70 million shall be solely utilised for investment and/or merger and acquisition ("**M&A**") opportunities in the Focus Areas. The Group is in preliminary discussions with some target companies in this regard and will make the necessary announcements in accordance with its obligations under the SGX-ST Listing Manual once any such discussions are finalised.
- 3.6 Pending the deployment of the Net Proceeds raised from the Rights Issue, such proceeds may be deposited with banks and/or financial institutions, used for investment in short-term money markets instruments and/or marketable securities, or used for investment in short-term loan related instruments, as the Directors may deem appropriate in the best interests of the Company.

3.7 The Company will make periodic announcements on the use of the Net Proceeds from the Rights Issue as and when such proceeds are materially disbursed and will provide a status report on the use of proceeds from the Rights Issue in the interim and full-year financial statements issued and in the annual report(s) of the Company, until such time the proceeds have been fully utilised. Where there is a material deviation in the use of net proceeds, the Company will announce the reasons for such deviation.

4. IRREVOCABLE UNDERTAKING

4.1 As at the date of this announcement:

- (a) Lin Yucheng has a direct interest in 110,000,000 Shares, representing approximately 14.92% of the total number of issued Shares;
- (b) Zhuo Jingming has a direct interest in 18,000,000 Shares, representing approximately 2.44% of the total number of issued Shares; and
- (c) Zhang Yulong has a direct interest in 10,680,000 Shares, representing approximately 1.45% of the total number of issued Shares,

(Lin Yucheng, Zhuo Jingming and Zhang Yulong, together, the "**Undertaking Shareholders**".)

4.2 As an indication of their support and commitment to the Company, each of the Undertaking Shareholders has executed a letter of irrevocable undertaking dated 12 June 2020 (the "**Letters of Undertaking**") in favour of the Company, pursuant to which each of them unconditionally and irrevocably undertakes to subscribe and pay in full (or procure subscription of and payment for) for his respective entire pro-rata entitlements of Rights Shares or such number of Rights Shares which are provisionally allotted to him pursuant to the Rights Issue due to any changes after the date of the Letters of Undertaking (the "**Undertaking Rights Shares**"), at the Rights Issue Price and in accordance with the terms of the Rights Issue, no later than the last time and date for acceptance and payment for the Rights Shares under the Rights Issue (the "**Closing Date**"), as follows:

Undertaking Shareholder	Undertaking Rights Shares as at the date of the Letters of Undertaking
Lin Yucheng	88,000,000
Zhuo Jingming	14,400,000
Zhang Yulong	8,544,000
Total	110,944,000

4.3 In addition, each of the Undertaking Shareholders also unconditionally and irrevocably undertakes, *inter alia*:

- (a) that it or he will remain the beneficial owner of the Undertaking Rights Shares that it or he owns or controls, during the period between the date of the Letters of Undertaking and the Books Closure Date, and will not sell, transfer or otherwise dispose of, any of the same or of any interest therein during such period;
- (b) that it or he has sufficient financial resources available to subscribe for and pay in full all the Undertaking Rights Shares or such other number of Rights Shares which are provisionally allotted to the Undertaking Shareholder pursuant to the Rights Issue; and
- (c) that it or he will do all such acts and things and execute all such documents as may be required to give effect to the undertakings in the Letters of Undertaking.

- 4.4 Accordingly, the Undertaking Shareholders collectively will subscribe and pay in full and/or procure the subscription and payment in full for an aggregate of 110,944,000 Undertaking Rights Shares, which constitutes approximately 18.8% of the total number of Rights Shares.
- 4.5 The Undertaking Shareholders have demonstrated to the Company that they have sufficient financial resources which may be utilised by each of them to fulfil their respective obligations under their Letters of Undertaking.
- 4.6 The Letters of Undertaking by each of the Undertaking Shareholders as set out above are subject to and conditional upon the following:
- (a) receipt of the approval in-principle granted by the SGX-ST for the listing and quotation of the Rights Shares on the Main Board of the SGX-ST; and
 - (b) lodgement of the Offer Information Statement together with all other accompanying documents by the Company with the Authority.
- 4.7 No commission or fee will be payable by the Company to the Undertaking Shareholders in consideration of the Letters of Undertaking.
- 4.8 Based on the Undertaking Shareholders' aggregate interest in the Shares of the Company, as at the date of this Announcement, the acquisition of the Undertaking Shares by the Undertaking Shareholders pursuant to the Undertaking will not result in the Company failing to comply with the free float requirement under Rule 723 of the SGX-ST Listing Manual.

5. UNDERWRITING OF THE RIGHTS ISSUE

The Manager and Underwriter has, pursuant to the Management and Underwriting Agreement, agreed to subscribe and/or procure subscriptions for the Rights Shares (other than the Undertaking Rights Shares) ("**Underwritten Rights Shares**"), constituting approximately 81.2% of the total number of Rights Shares, at the Rights Issue Price on the terms and subject to the conditions of the Management and Underwriting Agreement.

Pursuant to the Management and Underwriting Agreement, in consideration of the Manager and Underwriter's agreement to manage the Rights Issue and to subscribe and/or procure subscriptions for the Underwritten Rights Shares, the Company will pay to the Manager and Underwriter an underwriting fee of S\$10,000.

The Manager and Underwriter may not terminate the Management and Underwriting Agreement for reason of a force majeure event on or after the commencement of the trading of the Shares ex-rights without consulting the SGX-ST on such termination.

6. ELIGIBILITY TO PARTICIPATE IN THE RIGHTS ISSUE

6.1 Entitled Depositors

Shareholders whose securities accounts with the CDP ("**Securities Accounts**") are credited with Shares on the Books Closure Date ("**Depositors**") will be provisionally allotted Rights Shares on the basis of the number of Shares standing to the credit of their Securities Accounts with the CDP on the Books Closure Date.

To be "**Entitled Depositors**", Depositors must have registered addresses in Singapore with the CDP as at the Books Closure Date or if they have registered addresses outside Singapore must provide the CDP, at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588, with addresses in Singapore for the service of notices and documents, not later than 5.00 p.m. (Singapore time) on the date being three (3) market days (a market day being a day on which the SGX-ST is open for trading in securities ("**Market Day**")) prior to the Books Closure Date, in order to receive their provisional allotments of Rights Shares.

6.2 Entitled Scripholders

Shareholders whose share certificates are not deposited with the CDP and whose Shares are not registered in the name of the CDP ("**Entitled Scripholders**") will have to submit duly completed and stamped transfer forms (in respect of Shares not registered in the name of the CDP), together with all relevant documents of title, so as to be received by the Books Closure Date by the Company's share registrar, M&C Services Private Limited ("**Share Registrar**") in order to be registered to determine the Entitled Scripholders' provisional allotments of the Rights Shares.

To be "**Entitled Scripholders**", scripholders must have registered addresses in Singapore with the Company as at the Books Closure Date or if they have registered addresses outside Singapore, must provide the Share Registrar at 112 Robinson Road #05-01, Singapore 068902 with addresses in Singapore for the service of notices and documents, not later than 5.00 p.m. (Singapore time) on the date being three (3) Market Days prior to the Books Closure Date, in order to receive their provisional allotments of Rights Shares.

The Entitled Depositors and Entitled Scripholders shall be collectively referred to as "**Entitled Shareholders**" in this announcement.

The procedures for, and the terms and conditions applicable to, acceptances, renunciation and/or sales of the Rights Shares and application for excess Rights Shares, including each different mode of acceptance or application and payment, will be contained in the Offer Information Statement and the relevant application forms.

6.3 Foreign Shareholders

For practical reasons and to avoid any violation of securities legislation applicable in countries other than Singapore, the Rights Shares will not be offered to Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least three (3) Market Days prior to the Books Closure Date, provided to the CDP or the Share Registrar, as the case may be, addresses in Singapore for the service of notices and documents ("**Foreign Shareholders**"). The Offer Information Statement and accompanying documents will not be despatched to Foreign Shareholders. As such, no provisional allotments of the Rights Shares will be made to, and no purported acceptance thereof and application therefor by, Foreign Shareholders will be valid.

If it is practicable to do so, arrangements may be made, at the discretion of the Company, for provisional allotments of Rights Shares which would otherwise be provisionally allotted to Foreign Shareholders to be sold "nil-paid" on the SGX-ST as soon as practicable after dealings in the provisional allotments of the Rights Shares commence.

Such sales may, however, only be effected if the Company, in its absolute discretion, determines that a premium can be obtained from such sales, after taking into account the relevant expenses to be incurred in relation thereto.

The net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed among Foreign Shareholders in proportion to their respective shareholdings or, as the case may be, the number of Shares standing to the credit of their respective Securities Accounts as at the Books Closure Date and sent to them by means of a crossed cheque at their own risk by ordinary post, or in such other manner as they may have agreed with the CDP for payment of any cash distributions. If the amount of net proceeds distributable to any single Foreign Shareholder is less than S\$10.00, such net proceeds will be retained or dealt with as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company, the Manager and Underwriter, the Share Registrar or the CDP in connection therewith.

Where such provisional allotments of Rights Shares are sold "nil-paid" on SGX-ST, they will be sold at such price or prices as the Company may, in its absolute discretion, decide and no Foreign Shareholder shall have any claim whatsoever against the Company, the Manager and Underwriter, the Share Registrar or the CDP in respect of such sales or proceeds thereof, the provisional allotments of nil-paid Rights Shares or the nil-paid Rights Shares represented by such provisional allotments.

If such provisional allotments of Rights Shares cannot be sold or are not sold on SGX-ST as aforesaid for any reason by such time as the SGX-ST shall have declared to be the last day for trading in the provisional allotments of Rights Shares, the Rights Shares represented by such provisional allotments will be used to satisfy excess applications or disposed of or dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company, the Manager and Underwriter, the Share Registrar or the CDP in connection therewith.

Shareholders should note that the special arrangement described above would apply only to Foreign Shareholders.

7. APPROVALS

7.1 The Rights Issue is subject to, *inter alia*,

- (i) the approval in-principle of the SGX-ST for the listing and quotation of the Rights Shares on the Main Board of the SGX-ST;
- (ii) the lodgement of the Offer Information Statement together with all other accompanying documents (if applicable) with the Authority; and
- (iii) all other necessary consents, approvals and waivers required from any person, financial institution or regulatory body or authority of Singapore or elsewhere under any and all agreements applicable to the Company and/or applicable laws for the Rights Issue and to give effect to the Rights Issue being obtained and not having been revoked or amended before the completion of the Rights Issue.

7.2 An application will be made by the Company to obtain the SGX-ST's approval for the listing of and quotation of the Rights Shares. An appropriate announcement on the outcome of the application will be made in due course.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in this announcement, none of the Directors and substantial shareholders has any interests, direct or indirect, in the Rights Issue, other than through each of their respective shareholding interests, direct and/or indirect, in the Company.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Rights Issue, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

10. CAUTIONARY STATEMENT

The Directors would like to advise the Shareholders that the Rights Issue is subject to certain conditions being fulfilled and there is no certainty or assurance as at the date of this announcement that the Rights Issue would be completed or that no changes will be made to the terms thereof. The terms and conditions of the Rights Issue are subject to such changes as the Directors may deem appropriate. An Offer Information Statement containing further details on the Rights Issue will be lodged with the Authority and despatched to Entitled Shareholders in due course. Accordingly, Shareholders are advised to exercise caution before making any decision in respect of their dealings in the Shares. Shareholders are advised to read this announcement and any further update announcement(s) released by the Company in connection with the Rights Issue carefully. Shareholders who are in any doubt about this announcement should consult their stockbroker, bank manager, solicitor or other professional adviser.

BY ORDER OF THE BOARD

Lin Yucheng
Executive Director
12 June 2020