



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)

(1) MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

(2) MATERIAL UNCERTAINTY RELATED TO GOING CONCERN ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

(1) MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Unless otherwise defined, capitalised terms herein shall have the same meaning as ascribed to them in the Company's announcement dated 26 February 2024 in relation to its unaudited financial results for the financial year ended 31 December 2023.

The Board of Directors (the "Board") of Leader Environmental Technologies Limited ("Company" and together with its subsidiaries, "Group") refers to the unaudited full year financial results announcement for the financial year ended 31 December 2023 ("FY2023") released via the SGX-NET on 26 February 2024 ("Unaudited"). Further reference is made to the Audited Financial Statements of the Company for FY2023 ("Audited").

Pursuant to Rule 704(6) of the Listing Manual, the Board wishes to highlight that there were certain adjustments made by the Company in respect of the Consolidated Statement of Financial Position and Consolidated Statement of Profit or Loss and Other Comprehensive Income in the FY2023 Audited Financial Statements as compared with the Unaudited Financial Statements for FY2023 which was announced on 26 February 2024. The comparisons of the Audited and Unaudited Financial Statements are as below.

Consolidated Statement of Financial Position for the year ended 31 December 2023:

<u>Capital and Reserves</u>	<u>Audited</u>	<u>Unaudited</u>	<u>Variance</u>
	RMB'000	RMB'000	RMB'000
Share capital	375,049	375,049	-
PRC statutory common reserve	1,168	1,168	-
Merger reserve	-	-	-
Currency translation reserve	2,573	2,573	-
Share option reserve	2,636	2,636	-
Capital reserves	-	-	-
Accumulated losses ^(a)	(303,194)	(302,229)	(965)
<hr/>			
Equity attributable to owners			
of the Company	78,232	79,197	(965)
Non-controlling interests ^(a)	14,504	13,539	965
<hr/>			
Total equity	92,736	92,736	-
<hr/>			

(a) During the year, the Company increased its equity interest in NTi Memtech Pte Ltd (“NTi”), a subsidiary of the Group. The decrease in equity attributable to owners of the Company is due to the difference between the consideration paid and the carrying amount of net assets of NTi acquired.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2023:

	<u>Audited</u>	<u>Unaudited</u>	<u>Variance</u>
<u>Loss Per Share</u> ^(Note)			
Basic (RMB cents)	(2.72)	(2.72)	-
Diluted (RMB cents)	<u>(3.26)</u>	<u>(2.72)</u>	<u>(0.54)</u>

Note: There is no change to the Basic Loss Per Share.

Workings:

	<u>Audited</u>	<u>Unaudited</u>
	(RMB'000)	(RMB''000)
<u>Diluted Loss Per Share</u>		
Loss attributable to owners of the Company	(41,806)	(41,806)
<u>Adjustments for:</u> ^(b)		
- Interest expense on Convertible Bonds ("CB")	6,768	-
- Fair value gain on embedded derivatives on CB	(22,005)	-
Net loss used to determine diluted earnings per share	<u>(57,043)</u>	<u>(41,806)</u>
Weighted average number of ordinary shares	1,534,878,360	1,534,878,360
<u>Adjustment for:</u> ^(b)		
- Potential ordinary shares of the CB	214,260,000	-
Adjusted Weighted average number of ordinary shares	<u>1,749,138,360</u>	<u>1,534,878,360</u>
Diluted loss per share (RMB cents)	<u>(3.26)</u>	<u>(2.72)</u>

(b) The potential effect of the convertible bond and the conversion of ordinary shares should be treated as dilutive as it will increase the loss per share.

(2) MATERIAL UNCERTAINTY RELATED TO GOING CONCERN ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “SGX-ST”), the Board of Leader Environmental Technologies Limited (the “Company” and together with its subsidiaries, the “Group”) wishes to announce that its independent auditor, Foo Kon Tan LLP, has included a Material Uncertainty Related to Going Concern in their Independent Auditor’s report dated 27 March 2024 (the “Independent Auditor’s Report”) on the audited financial statements of the Group for the financial year ended December 31, 2023 (the “FY2023 Financial Statements”). The Independent Auditor’s Report and the FY2023 Financial Statements will form part of the Company’s Annual Report for FY2023 (the “FY2023 Annual Report”).

The relevant extracts of the Independent Auditor’s Report and Note 2(f) to the FY2023 Audited Financial Statements are attached to this announcement.

The opinion of the Auditor is unqualified. The audited consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act 1967 and Singapore Financial Reporting Standards (International) so as to give a true and fair view of the consolidated financial position of the Group and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended December 31, 2023.

The Auditor has included an emphasis of matter in the Auditor’s Report to draw the attention to the sluggish macroeconomic conditions of the People’s Republic of China (“PRC”) market and the possible impact on the Group, which may cast doubt on its going concern, should the prevailing conditions persist with uncertain outlook.

The Board, based on the factors and judgement detailed in Note 2(f), are of the opinion that the use of going concern assumption is appropriate.

Shareholders and investors are reminded to exercise caution when dealing or trading in the securities of the Company and should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they are in doubt about the actions that they should take.

BY ORDER OF THE BOARD OF DIRECTORS OF
LEADER ENVIRONMENTAL TECHNOLOGIES LIMITED

Mr Ngoo Lin Fong
Executive Director
12 April 2024

Extract of FY2023 Independent Auditor's report:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Leader Environmental Technologies Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statement, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(f) in the financial statements, which indicates that the Group reported loss before taxation of RMB 52.7 million (2022 - RMB 17.5 million) and a negative operating cash flows from operations of RMB 50.8 million (2022 - RMB 33.7 million) for the financial year ended 31 December 2023.

The Group's operations can be significantly affected by the macroeconomic conditions currently prevailing in the PRC market. The current prevailing economic conditions demonstrate that the business opportunities in China could be affected by the government initiatives.

In the event that the above events or conditions materialised, along with other matters as set forth in Note 2(f), this may indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Extract of FY2023 Audited Financial Statements:

2(f) Going concern

The Group reported loss before taxation of RMB 52.7 million (2022 - RMB 17.5 million) and a negative operating cash flows from operations of RMB 50.8 million (2022 - RMB 33.7 million) for the financial year ended 31 December 2023.

As at 31 December 2023, the Group has net current assets of RMB 124.7 million (2022 - RMB 85.6 million) and a current ratio (current asset/current liabilities) of 3.50 (2022 - 2.82). The Group has cash and cash equivalents of RMB 91,767,000 (2022 - RMB 43,303,000) and management is of the view that the Group will be able to meet its cashflow requirements and discharge its liabilities in the ordinary course of business in the foreseeable future.

Due to the sluggish macroeconomic conditions in the PRC market, the Group's operations may be affected if such conditions persist, notwithstanding the fact that the Group has secured and is in the process of implementing several Artificial Intelligence in water management ("AIWater") projects. Furthermore, the Group is actively marketing its services to potential customers, both public and private. As at the date of the financial statements, the combined treatment capacity for the AIWater segment is approximately 1.5 million tonnes/day.

The management has prepared a 12-month cashflow forecast from 1 March 2024 to review the appropriateness of the going concern and the directors of the Company are of the view that it is appropriate to prepare the Group's financial statements on a going concern on the following bases:

- (a) the Group will be able to generate sufficient cash flows from its existing business operations mainly in Artificial Intelligence in water management ("AIWater") and the sludge waste treatment projects;
- (b) the Group will rely mainly on Energy Management Contract ("EMC") and Engineering, Procurement and Construction ("EPC") business model to carry out its business, reducing the capital investment required;
- (c) the impact on the government spending and general market sentiments in the PRC will have some constraints on cash flows where the timing of receipt will be longer than expected for which management of the Group will take steps to monitor closely collections from debtors;
- (d) there are no changes in the credit terms granted by suppliers and the Group intends to adhere to the average payables (trade and others) turnover days consistent with prior years; and
- (e) the Group has unutilised banking facilities of approximately RMB 18.8 million as of 31 December 2023 that is available for use.

Subject to the foregoing, the material uncertainty in so far as it regards to the impact of the government initiatives, there is an indication of the existence of a material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern.

Based on these assessments, management has made significant judgment that the use of going concern assumption is appropriate. Accordingly, the financial statements have been prepared on a going concern basis taking into considerations of the above factors.