

## LEADER ENVIRONMENTAL TECHNOLOGIES LIMITED

(Company Registration No.: 200611799H)

(Incorporated in the Republic of Singapore)

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### ENTRY INTO A NON-BINDING TERM SHEET IN RELATION TO THE PROPOSED DISPOSAL OF THE AIWATER GROUP

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#### 1. INTRODUCTION

1.1 The board of directors ("**Board**" or "**Directors**") of Leader Environmental Technologies Limited ("**Company**", and together with its subsidiaries, "**Group**") wishes to announce that the Company had, on 12 November 2024, entered into a non-binding term sheet ("**Term Sheet**") with Consortium (as defined below) (the Consortium together with the Company, the "**Parties**") for the disposal of:

- (a) all the shares in the capital of AIWater (Anhui) Co., Ltd. ("**AIWater**") held by the Company through its wholly-owned subsidiary, United Greentech Holdings Pte. Ltd. ("**United Greentech**"), representing 70% of the share capital of AIWater; and
- (b) all the shares in the capital of UG Water Pte. Ltd. ("**UG Water**") held by the Company through United Greentech, representing 50% of the share capital of UG Water, which in turn wholly owns Xinwo AIWater (Hubei) Co., Ltd. ("**Xinwo AI**" together with AI Water and UG Water, the "**AIWater Group**"),

to the Consortium (the "**Proposed Disposal**").

1.2 The Term Sheet is not intended to be legally binding between the Company and the Consortium, except for provisions relating to, *inter alia*, exclusivity, due diligence, costs and expenses, and governing law and dispute resolution.

#### 2. INFORMATION ON THE AIWATER GROUP AND THE CONSORTIUM

##### 2.1 AIWater Group

###### AIWater

AIWater is a company incorporated in the People's Republic of China. It is principally engaged in the business of developing and utilising artificial intelligent technology in the management of wastewater treatment plants.

As at the date of this announcement, United Greentech (a wholly-owned subsidiary of the Company) holds 70% of the share capital in AIWater. AIWater has a registered capital of RMB 65,000,000 with a paid up registered capital of RMB 37,999,500.

###### UG Water

UG Water is an investment holding company incorporated in the Republic of Singapore. As at the date of this announcement, the Company holds 50% of the share capital in UG Water, and Mr Gong Shuyi holds the remaining 50% of the share capital in UG Water.

## Xinwo AI

Xinwo AI is a company incorporated in the People's Republic of China, and it is a wholly-owned subsidiary of UG Water. Xinwo AI is principally engaged in the business of the management of wastewater treatment plants, and it utilises the wastewater treatment plant management system developed by AIWater.

### 2.2 The Consortium

United AI Greentech Ltd ("**Consortium**") is a company incorporated in Cayman Island on 19 September 2024. Its directors are Mr Zhao Fu, Mr Zhou Bo, Mr Li Li, Ms Pan Shuhong ("**Ms Pan**") and Ms Lien Cheng and its sole shareholder is currently InnoVision Super Aqua Limited.

It is intended to be a consortium led by, among other others, the following parties for the purpose of undertaking the Proposed Disposal:

- (a) InnoVision Capital GP Limited (and/or its affiliates) ("**InnoVision Capital**");
- (b) Dr Lin Yucheng ("**Dr Lin**"), who is the executive chairman and a substantial shareholder of the Company, holding 414,779,500 ordinary shares in the Company ("**Shares**"), representing approximately 27.02% of the Company's total number of issued Shares;<sup>1</sup> and
- (c) Ms Pan, who is a substantial shareholder of the Company, with an interest in 168,199,000 Shares in the Company, representing approximately 10.96% of the Company's total number of issued Shares.

In this regard, InnoVision Super Aqua Limited is a holder of redeemable zero-coupon convertible bonds in aggregate principal amount of US\$15 million issued by the Company, which are convertible into ordinary shares in the capital of the Company. InnoVision Super Aqua Limited's shareholders are InnoVision USD Fund I LP, InnoVision Capital Dingsheng LP and InnoVision Capital.

InnoVision Capital is broadly recognised as an institutionalised Asia/PRC Private Equity 3.0 manager with a strong a proven track record. As one of the successful early movers in ESG investing in pan-Asia, InnoVision Capital has been focusing on investing in the green energy/climate impact and ESG/sustainability sectors extensively.

### 3. SALIENT TERMS OF THE TERM SHEET

#### 3.1 Indicative Consideration

The indicative consideration for the Proposed Disposal under the Term Sheet is RMB370 million (equivalent to approximately S\$68.39 million)<sup>2</sup> ("**Indicative Consideration**").

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<sup>1</sup> Unless otherwise stated, references in this announcement to the total number of issued Shares are based on 1,534,878,360 Shares in issue (based on a search conducted at the Accounting and Corporate Regulatory Authority of Singapore as at 11 November 2024).

<sup>2</sup> Based on S\$1.00:RMB5.41 as at 11 November 2024, being the last full market day preceding the date of the Term Sheet where the Shares were traded, obtained from Monetary Authority of Singapore.

### 3.2 **Exclusivity**

The Parties have agreed to an exclusivity period of two (2) months commencing from the date of the Term Sheet for, *inter alia*, the Consortium to conduct due diligence on the AIWater Group, and for the Parties to negotiate and finalise the definitive agreements relating to the Proposed Disposal (the "**Definitive Agreements**").

### 3.3 **Conditions Precedent**

The Proposed Disposal will be subject to customary conditions precedent for transactions of a similar nature, including without limitation:

- (a) the results of a due diligence exercise to be undertaken by the Consortium in relation to the AIWater Group being satisfactory to the Consortium;
- (b) the Definitive Agreements between the Parties being finalised and entered into;
- (c) all regulatory and third-party approvals being obtained (including from the State Administration of Foreign Exchange (SAFE) of the People's Republic of China, the Singapore Exchange Regulation Pte. Ltd. ("**SGX RegCo**") and shareholders of the Company);
- (d) the Indicative Consideration being validated to be in the best interests of the Company by an independent valuer appointed by the Company; and
- (e) the independent financial adviser to be engaged by the Company opining that the Proposed Disposal is on normal commercial terms and not prejudicial to the interests of minority shareholders of the Company.

### 3.4 **Rationale for the Proposed Disposal**

The Company is of the view that if the Proposed Disposal completes, it is in the best interests of the Group for the following reasons:

- (a) **Financial performance and cash flow concerns.** The Group has experienced consecutive losses over the past two and a half years and a high cash burn rate of approximately RMB50 million (equivalent to approximately S\$9.24 million) annually. This makes it challenging for the Group to support both the AIWater Group and the sludge treatment and membrane manufacturing business. The Proposed Disposal aims to reallocate resources to strengthen growth in the Group's sludge treatment and membrane manufacturing businesses.
- (b) **High capital outlay.** The artificial intelligence business necessitates substantial capital investment for infrastructure and manpower. Pursuing additional fundraising exercises is difficult under the present economic conditions and will result in significant dilution of existing shareholder equity in the Company, which is not a sustainable approach towards the Group's growth strategy.
- (c) **Opportunity to maximise value for shareholders.** The Proposed Disposal will undergo an independent valuation and assessment by an independent financial adviser. This presents a compelling opportunity for shareholders to realise value in a currently illiquid market, while still retaining their Shares to benefit from future growth in the Company's sludge treatment and membrane manufacturing businesses.

- (d) **Strategic realignment and focus on achieving profitability in the near term.** Strategically, the Proposed Disposal will enable the Group to redirect resources into its existing business segments, namely sludge treatment and membrane manufacturing businesses, allowing the Group to focus on achieving sustainable profitability and generating stronger returns for shareholders in the near term.

#### 4. **INTERESTED PERSON TRANSACTION**

Dr Lin, who is a director and a controlling shareholder of the Company, is currently envisaged to hold at least 30% of the shares in the Consortium. Pursuant to Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**Listing Manual**"), the Consortium will be an associate of Dr Lin, and the Consortium will be regarded as an "interested person" and the Proposed Disposal will thus constitute an "interested person transaction". The consideration for the Proposed Disposal would constitute the "amount at risk" for the interested person transaction.

Based on the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2023 ("**FY2023**"), the net tangible asset ("**NTA**") of the Group was approximately RMB88.45 million (equivalent to approximately S\$16.35 million).

The Indicative Consideration, being RMB370 million (equivalent to approximately S\$68.39 million), would represent approximately 418.3% of the NTA of the Group as at 31 December 2023.

Based on the Indicative Consideration which exceeds 5.0% of the NTA of the Group, the Company is required to seek shareholders' approval for the Proposed Disposal. Pursuant to Rule 919 of the Listing Manual, the aforementioned interested person and its associates will be required to abstain from voting on the resolution approving the interested person transaction at the extraordinary general meeting to be convened.

Save for the Proposed Disposal, and as the date of this announcement, no other interested person transaction has been entered into by the Group in FY2023 or the current financial year ending 31 December 2024, whether with Dr Lin, his associates or otherwise.

Subject to entry into Definitive Agreements, the Audit Committee will form its view as to whether the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its independent minority shareholders after considering the opinion of the independent financial adviser to be obtained in due course.

#### 5. **INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

Save as disclosed in this announcement, none of the Directors or controlling shareholders of the Company and their respective associates has any interest, whether direct or indirect, in the Proposed Disposal save for their direct or indirect interests (if any) arising by way of their shareholdings and/or directorships, as the case may be, in the Company.

#### 6. **DOCUMENTS FOR INSPECTION**

A copy of the Term Sheet is available for inspection at the Company's registered office at 38 Beach Road, South Beach Tower, #29-11, Singapore 189767 for a period of three (3) months from the date of this announcement.

7. **FURTHER ANNOUNCEMENTS**

Based on the Indicative Consideration, the Proposed Disposal will constitute a "major transaction" as defined under Chapter 10 of the Listing Manual. It will be subject to, *inter alia*, the approval by SGX RegCo and the shareholders of the Company under Chapters 9 and 10 of the Listing Manual at an extraordinary general meeting to be convened. The Company will make further announcements as and when appropriate if and when the Definitive Agreements have been entered into and/or when there are material developments in respect of the Proposed Disposal.

8. **CAUTIONARY STATEMENT**

The Proposed Disposal remains subject to the entry into the Definitive Agreements. There is no certainty or assurance that such Definitive Agreements will be entered into at this juncture, and if entered into, whether the transactions contemplated therein can or will proceed. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Persons who are in doubt as to the action they should take should seek their own professional advice and consult with their own stockbrokers.

**By Order of the Board**

Ngoo Lin Fong  
Executive Director  
12 November 2024