



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)

RESPONSE TO QUESTIONS RECEIVED FROM A SHAREHOLDER PRIOR TO THE COMPANY'S ANNUAL GENERAL MEETING AND EXTRAORDINARY GENERAL MEETING

The Board of Directors ("**Board**") of Leader Environmental Technologies Limited ("**Company**", and together with its subsidiaries, "**Group**") would like to thank a shareholder for submitting certain questions in advance of the Company's annual general meeting and the extraordinary general meeting to be convened and held by way of a physical meeting on Tuesday, 29 April 2025 at 10.00 a.m., and at 10.30 a.m. (or as soon thereafter following the conclusion of the annual general meeting at the same place) respectively.

We set out below the questions received from the shareholder, and the Company's responses to those questions:

1. Shareholder's question:

The company lost even more money last year (loss of 62.million vs FY2023 53 million vs FY2022 19.3 million), is the management concerned? What active steps is the company doing to ensure that it can reverse the trend of increasing losses? Please detail and elaborate.

Company's response:

We wish to draw the attention of shareholders to pages 12 and 13 of the "Annual Report – Operations & Financial Review" section, which summarised the factors contributing to the Group's loss after taxation of RMB 62.1 million.

In 2024, the Group demonstrated the resilience of our business model and the cohesiveness of our people, who have worked tirelessly towards augmenting and enhancing the marketability of our technologies amidst a challenging macroeconomic environment.

The Board and the management are concerned about the consecutive losses recorded by the Group and have stepped up efforts to secure projects and to control operational costs.

The Group is in the midst of commissioning our sludge treatment demonstration plant using our proprietary Continuous Thermal Hydrolysis ("**CTH**") and pyrolysis technologies. The demonstration plant can achieve a closed loop sludge treatment to achieve zero-waste discharge and full resource recovery. The completion of the plant is expected in the second quarter of 2025 and will set the stage for the Group to extend our services to customers in ASEAN.

Company's response (cont'd):

In October 2024, the Company's subsidiary, NTi Memtech Pte. Ltd. set up a joint venture company named NTi Technology Pte. Ltd. with Innovamem Holdings Pte. Ltd., to carry out the business of high-performance membrane production. Headed by Dr. Ge Hailin, who has more than 40 years of experience in the fields of polymer, membrane materials and chemical engineering. This synergistic collaboration creates an optimized cost structure to establish a competitive edge in quality. By leveraging the combined resources of the joint venture, NTi Tech is set to strengthen the Group's brand presence and expand its market outreach.

The Group is raring to move forward and accelerate business growth. We entered 2025 with formation of the consortium with Econ Technology Co. Ltd, a subsidiary of Shandong Hi-Speed Co Ltd, a state-owned enterprise listed on the Shanghai Stock Exchange. The consortium has secured a contract worth RMB71.3 million and RMB72.0 million to treat municipal sludge in Tongxu county and Tangyin County respectively, both located in Henan province, China. The Group will be responsible for providing its proprietary technologies, namely the CTH coupled with its efficient energy recovery system for sludge treatment.

In January 2025, to streamline our technologies and business portfolio, the Company entered into two (2) conditional share sale and purchase agreement ("SPAs") for the proposed disposal of the AIWater Group (as defined in the circular to shareholders dated 7 April 2025 (the "**Circular**")) (the "**Proposed Disposal**"). Strategically, the Proposed Disposal will enable the Group to redirect resources into the sludge treatment and membrane manufacturing businesses, reduce our annual cash burn rate, conserve cashflow and allow the Group to focus on achieving sustainable profitability to generate stronger returns for shareholders in the near term.

From the Group's perspective, technology continues to be the driving force behind the sustainable growth of our businesses. The Group has made significant progress in its transformation into a green technology driven and asset light business, moving away from the conventional capital-intensive investment model.

Barring any unforeseen circumstances, the Group will strive to deliver better results in 2025 through the combined effort and diverse experience of our team.

2. Shareholder's question:

What do you envisage would be the impact of the tariffs announced by the US and China in the past (few) weeks on Leader Env? Please explain and elaborate.

Company's response:

Tariffs are typically applied in the context of international trade, particularly on goods imported and exported between countries.

For the Group's secured projects, our customer base is primarily located in China, and we procure our materials and supplies locally within the country. Given our current emphasis on the domestic market, we do not anticipate a significant or direct impact of tariffs on the Group's near-term profitability.

Notwithstanding the above, tariffs could have indirect effects on the Group. These may include broader economic slowdown, fluctuations in exchange rates etc, which are beyond the Group's control.

3. Shareholder's question:

The AIwater management system is an "Integrated artificial intelligence (AI) technology and modeling for wastewater process data prediction and risk management" What do you envisage would be the impact of the new GPU chip restrictions announced in the past (few) weeks by the USA on Leader Env? Will it impact artificial intelligence developments and have negative consequences on Leader Env? What type of GPU chip is used in the AIwater management system? Please explain and elaborate.

Company's response:

The AIWater management system is built on proprietary AI models that we develop in-house, combining our custom algorithms with the expertise of our technical, operations and maintenance teams.

As such, the requirements to maintain high computing power, through selected GPU chips, is not likely to have a material impact on the AIWater business.

4. Shareholder's question:

For the sale of AIWater group, can you provide more insights as to how the SPA agreement was consummated? How did the company seek buyers for the assets to be disposed of? Please elaborate. Did the company hold an open, competitive bidding process? If not, why not? Did the company actively seek to find buyers for the assets to be disposed of? If not, why not? Please explain and elaborate.

Company's response:

The two (2) conditional SPAs for the disposal of the AIWater Group were entered into following a structured and carefully considered process.

- a. Strategic review: The Company conducted an internal review to assess the long-term strategic fit of the AIWater Group within its overall business portfolio before the decision was approved by the Board of Director to explore a potential divestment.
- b. Engagement of Advisors: An independent valuer was appointed to conduct an independent valuation on the market value of the AIWater Group, an independent financial advisor ("IFA") was appointed to provide an opinion on whether the Proposed Disposal is on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholder, and legal advisers were also appointed to advise on the legal parameters of the Proposed Disposal.
- c. Buyer identification and Negotiations: Potential buyers were selectively approached through the Company's internal network, with engagement limited to parties possessing relevant expertise in wastewater treatment or a strong understanding of AI applications. Given the highly specialised and first-of-its-kind nature of the AIWater Business (as defined in the Circular), it was deemed impractical to initiate discussions with parties lacking the necessary technical background, as they would not be in a position to fully assess or appreciate the value of the offering. Accordingly, a closed bidding process was facilitated. All discussions were conducted under strict confidentiality. After several rounds of negotiations, the buyer, WJL Holding Pte Ltd ("WJL"), which is wholly owned subsidiary of United AI Greentech Ltd ("Consortium"), was the only party to submit a term sheet which was accepted by the Company on 12 November 2024.

The Company would also like to highlight that the disposal consideration of RMB370 million represents a significant premium of 900.00% and 742.82% over the lower bound and upper bound of the market value of the equity interests in the capital of AIWater Group being disposed of being RMB37.0 million and RMB43.9 million as at the valuation date of 31 August 2024.

Upon receiving the term sheet from the Consortium, the Company observed that the offer included a substantial premium over the independent valuation, as assessed by an independent valuer appointed by the Company. Following careful evaluation and deliberation, the Non-Interested Directors (as defined in the Circular) had resolved to accept the offer, notwithstanding it being the first formal bid received.

For the avoidance of doubt, the Company was open to negotiations with all interested buyers prior to the acceptance of the Consortium's offer. Nonetheless, in light of the Company's financial position and its high annual cash burn rate, the Non-Interested Directors had to act decisively and decided to accept and secure the Consortium's offer.

Company's response (cont'd):

- d. Due diligence: A due diligence exercise was undertaken by the Consortium to assess operational, financial and legal aspects of the AIWater Group.
- e. Finalisation of the terms of the SPAs: The conditional SPAs were carefully negotiated, to include customary provisions such as the purchase consideration, conditions precedent, warranties, confidentiality clauses etc.
- f. Execution of SPA: On 12 January 2025, the conditional SPAs were signed by both the Company and the Buyer. On 28 February 2025, it was further announced that a conditional cash distribution to shareholders will be made together with the Company's entry into a setoff agreement. Shareholders are advised to refer to the Circular, a copy of which was made available on SGX-Net on 7 April 2025, for further details on the conditional cash distribution and the setoff agreements.

Please also refer to page A-29 of the Circular, where the IFA had advised the Non-Interested Directors that the Proposed Disposal of the AIWater Group is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

5. Shareholder's question:

Before deciding to sell to the buyers Zhao Fu and Huang Wenjing, how many other prospective buyers did the company engage? Please quantify. Why did the company not sell to the other interested buyers, if any? Please explain and elaborate.

Company's response:

To clarify, the Buyer is a wholly-owned subsidiary of the Consortium, and the Consortium is currently owned by Feynman Capital Pte. Ltd. and InnoVision Super Aqua Limited. Following an internal restructuring exercise of the Consortium, the Consortium will comprise seven (7) members. Please refer to Sections 2.4 and 2.5 of the Circular for more information regarding the Buyer, the Consortium and its members.

Please refer to our response to Question 4 above in relation to the manner in which the Buyer was identified and the circumstances leading up to the entry into the two (2) SPAs.

6. Shareholder's question:

Was the company forced by creditors to dispose of the assets? Did the company face any cash flow issues? What triggered the company to sell the assets? Please explain and elaborate.

Company's response:

No, the Company was not forced by creditors to dispose its assets nor did the Company faced any immediate cash flow issues.

Please refer to our response to Question 7 below on the rationale for the disposal of the AIWater Group.

7. Shareholder's question:

What is the company's view on the outlook and prospects of the assets to be disposed of? If the company is not in urgent need to pare down its debt, would the company keep AIWater? Please explain and elaborate.

Company's response:

The Company believes that the Proposed Disposal would be in the interests of the Company for the following reasons:

- (a) Improve financial performance and allay cash concerns
- (b) Eliminate the high capital outlay of the Artificial Intelligence business
- (c) The Proposed Disposal presents an opportunity to maximise value for Shareholders
- (d) Strategic realignment and focus on achieving profitability in the near term

Additionally, upon the successful completion of the AIWater disposal, shareholders are entitled to receive a cash distribution of approximately S\$0.03/share, which is an attractive return given the current share price of the Company.

Please refer to Section 4 (Rationale for the Proposed Transactions, Proposed Capital Reduction and Proposed Distribution) of the Circular for more information.

8. Shareholder's question:

Despite making another year of loss of 62million and many years of losses and counting, the company decided to hike the director fees from S\$221k to S\$260k. Shareholders have not been paid dividends for years and counting. Given the poor financial performance of the company, and no dividends were declared for shareholders, shouldn't the company directors also bear in the pain and take a pay cut for their director fees too (in the spirit of shareholder alignment)? Please explain clearly the rationale for increasing director fees despite the company making steep and increasing losses and no dividends being declared to shareholders. Please explain and elaborate.

Company's response:

The increase in directors' fees was attributable to the appointment of an additional independent director to the Company's Board. The appointment was made in compliance with SGX regulations, which require that independent directors constitute a majority of the Board in cases where the Chairman is not independent.

In 2023, the Company issued Convertible Bonds ("CB") to InnoVision Super Aqua Limited ("InnoVision SAL" or "Bondholder"). For further details, please refer to the CB Circular released in SGXNet on 13 February 2023.

As stipulated in the CB Circular approved by the Company's shareholders, the Bondholder is entitled to nominate a director onto the Company's Board as a Non-Independent Non-Executive Director. Pursuant to this, Mr Zhao Fu, CEO of InnoVision SAL, was nominated and appointed onto the Company's Board on 1 August 2024. On the same date, Ms Ng Sook Zhen was appointed as an independent Director of the Company.

Company's response (cont'd):

Mr Zhao Fu has voluntarily waived his rights to any directors' fees for FY2024. Consequently, the increase in director fees for FY2024, from S\$221,667 to S\$242,500, reflects the pro-rated fees paid to Ms Ng Sook Zhen's for the period from 1 August 2024 to 31 December 2024. With regards to the proposed directors' fee of S\$260,000 for FY2025, we wish to draw shareholders' attention to Pages 41 and 42 of the "Annual Report – Corporate Governance Report" section where the remuneration structure for Directors are set out.

From an individual director basis, there was no increase in director fees for FY2024 when compared to FY2023 director fees.

9. Shareholder's question:

Shareholder alignment is an essential component of corporate governance, as it ensures that the interests of shareholders are aligned with those of the company. When shareholders are aligned with the company's objectives, they are more likely to invest in the company and support its growth. Does the company believe in the principle of shareholder alignment? Given that profits were down, dividends were non-existent, but yet director fees went up (and possibly key management remuneration went up too), how is it congruent with the spirit of shareholder alignment? Please explain and elaborate clearly.

Company's response:

The Company's responses are set out as follows:

- a. We wish to draw the attention of shareholders to pages 12 and 13 of the "Annual Report – Operations & Financial Review" section, which summarised the factors contributing to the Group's loss for FY2024.
- b. We wish to draw shareholders' attention to Page 57 of the "Annual Report – Dividend Policy" where the dividend policy is set out.
- c. Please refer to our clarifications to Question 8 with regards to the reasons for the increase of directors' fees for FY2024 and FY2025.

The Company remains committed to maintaining alignment with shareholders and adheres to the principle of transparent communication. We continue to provide timely and accurate updates on material matters through multiple disclosure channels, including the Annual Report and announcements via SGXNet, to keep shareholders informed about the Company's operations and developments.

The above questions received from the shareholder have been reproduced in this announcement in *Italic* and no changes have been made to its content.

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

Mr Ngoo Lin Fong
Executive Chairman
25 April 2025

This announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, exchange rate movement, cost of capital and capital availability, competition from other companies and venues for sale and distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes. The forward-looking statements reflect the current views of Management on future trends and developments.