



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

The Board of Directors 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 to be convened and held by way of a physical meeting on Monday, 29 April 2024 at 10.00 a.m.

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

1. Shareholder's question:

The auditors of the company included a Material Uncertainty Related to Going Concern in their Independent Auditor's report dated 27 March 2024. Should shareholders be concerned? What are the implications of this inclusion of "Material Uncertainty Related to Going Concern" in the auditor report? Will the company go bankrupt? Will the company need to do another fund-raising, via rights issue or placement? Please explain and elaborate.

Company's response:

We wish to draw shareholders' attention to pages 114 and 115 of the Annual Report with regard to management's assessment on the going concern assumptions of the Group and Company.

Based on the 12-month cashflow forecast prepared by management and reviewed by the Auditor, the directors of the Company are of the view that it is appropriate for the Group to continue to prepare the financial statements on a going concern basis.

In addition, the Company and its subsidiaries have a consolidated cash and cash equivalent balance of RMB91.2 million (2022: RMB 43.3 million) and a current ratio of 3.50 (2022: 2.82). As such, 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.

Company's response (cont'd):

Currently, the Company does not have any plans for any fund raising via rights issue or share placements.

In addition, in the opinion of the Auditor, 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. Accordingly, other than the emphasis of matter, the auditors have issued a clean opinion.

2. Shareholder's question:

The company has lost more money last year (loss of 53 million vs 19.3 million the year before), 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 11 and 12 of the Annual Report – Operations & Financial Review, which summarised the factors contributing to the Group's loss after taxation of RMB 53.0 million.

The Group entered 2023 navigating through economic uncertainty. The People's Republic of China's ("PRC") sluggish emergence from the impact of stringent COVID-19 restrictions weakened our Group's financial performance for FY2023 as compared with prior year.

Nonetheless, the Group remains focused in laying the foundations for a stronger 2024 by investing in research and development for its Artificial Intelligence in Water Management ("AIWater") technology and active marketing of the Group's core businesses, including AIWater, municipal and oily sludge treatment and high-performance membrane products, to potential customers.

Despite the sluggish macroeconomic conditions in the PRC market, the Group has secured and is in the process of implementing several AIWater projects. As at 31 March 2024, the combined treatment capacity for the AIWater business segment is approximately 1.5 million tonnes/day. The potential market for our AIWater business is immense as China generates more than 220 million tons of municipal wastewater and 60 million tons of industrial wastewater daily.

Technology continues to be the driving force behind the sustainable growth of our business. 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 2024 through the combined effort and diverse experience of our team.

3. Shareholder's question:

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. How bad are the macroeconomic conditions in the PRC? Is the PRC Government cutting back on spending on environmental/waste treatment/water treatment spending?

Can you please provide numbers and statistics on the budget that the Government, be it national and/or state and/or provincial and/or local, is spending on environmental/waste treatment/water treatment spending versus last year? Is there a de-emphasis on spending in related sectors to save costs? Please detail and elaborate using statistics and numbers.

Company's response:

Based on a The Business Times news article dated 18 December 2023 titled "China's economic conditions to improve in 2024: officials", we noted that the macroeconomic condition in the PRC is expected to see more favourable conditions and opportunities than challenges in 2024. This news article quoted the PRC's State Media sources which cited officials of Chinese Communist Party's finance and economy office.

Based on publicly available information, the Group is not aware of any news or information that indicates that the PRC government will cut back on its spending on environmental and wastewater related treatment.

The Group is not in a position to provide any specific data and budget spending information. However, the Group believes that the broad macroeconomic policies in place for 2024 is likely to provide support for economic recovery for most sectors, including the environmental protection sector in PRC.

The economic recovery will provide growth opportunities and complement the Group's core businesses, especially our AIWater system which features the integration of our AI digital twin technology to achieve AI Sensing, AI Prediction, AI Control and AI Management of wastewater treatment plants.

Sources:

[China's economic conditions to improve in 2024: officials \(businesstimes.com.sg\)](https://www.businesstimes.com.sg/news/economy/china-economic-conditions-improve-2024-officials)

4. Shareholder's question:

How long will the sluggish macroeconomic conditions of the People's Republic of China ("PRC") market persist? Please provide your personal assessment of the outlook for the PRC market, with reasons.

Company's response:

The Chinese economy has not demonstrated a clear path of recovery since 2022. The Company observed that capital investments in environmental protection projects have not recovered to pre-pandemic levels in 2023.

Based on the latest publicly available information, we noted that the PRC government's fiscal policy is expected to focus on expanding domestic demand and extending fiscal subsidies, loan interest subsidies and tax incentives to support technology innovation and advanced manufacturing. This is further supported by the government's strategy to issue special local government bonds to fund key investments and infrastructure projects in an attempt to stimulate the PRC economy.

Based on a CNBC news article dated 15 April 2024, the China economy grew by 5.3% in the first quarter of 2024, beating expectations.

As we progress into 2024 amidst geopolitical tensions, the global economy remains uncertain. Nonetheless, management believes that the macroeconomic indicators of the PRC economy are pointing towards signs of recovery if it can continue to navigate through the challenges ahead.

Sources:

1. <https://www.reuters.com/world/china/chinas-fiscal-revenue-growth-picks-up-2023-2024-02-01/>
2. [China's Q1 GDP grew 5.3% in the first quarter, beating expectations \(cnbc.com\)](#)

5. Shareholder's question:

If the sluggish macroeconomic outlook in PRC is likely to persist for some time, would it be prudent to diversify and operate in other jurisdictions / countries with more favourable outlook? Please elaborate and share your thoughts.

Company's response:

The Group is actively looking at marketing its core business segments in the PRC and other jurisdictions. The Company has already started to diversify its business to Taiwan and Singapore in its sludge treatment business. The Group supplied sludge treatment system to Taiwan during FY2023 and is in the process of installing a sludge treatment demonstration plant in Singapore in FY2024.

In 2023, the Group added our proprietary Oily Sludge Treatment to our technology and equipment service offerings. The technology and equipment deployed is an advanced and environmentally friendly approach which utilises Electromagnetic Induction Pyrolysis ("EIP") to treat oily drill cuttings arising from drilling operations at offshore oil platforms. We believe that our EIP technology will have the potential to be deployed at oilfields in China, Southeast Asia, the Middle East and the North Sea.

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 Director
23 April 2024