



**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)

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## **RESPONSE TO SGX QUERIES ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

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The Board of Directors of Leader Environmental Technologies Limited (“**Company**”) refers to the following queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) in its email dated 13 May 2020 in relation to the Company's annual report for the financial year ended 31 December 2019 (“**Annual Report**”).

*All capitalised terms used in this announcement shall bear the meaning as ascribed to them in the Annual Report.*

### **SGX-ST’s Query**

As you may be aware, there have been several amendments to the Listing Rules and revisions to the Code of Corporate Governance (the “Code”). Under the amended Listing Rules, listed issuers are required, inter alia, to disclose in its annual report:-

Whether any new directors with no prior experience as a director of an issuer listed on the Exchange, was appointed to the board during the financial period under review, whether the said director(s) have attended training as required, the date of the training(s) attended, and if no trainings have been attended, the reason why (i.e. Listing Rule 210(5)(a)).

### **The Company’s response to SGX’s query**

As disclosed on page 17 of the Annual Report, Mr Liu Kaiyi was appointed as an Independent Non-Executive Director on 20 February 2020. It was further disclosed on page 27 of the Annual Report that Mr Kaiyi is seeking re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, and he has no prior experience as a director of an issuer listed on the Exchange. Hence, the Company will make arrangement for him to attend the relevant seminar(s) and/or course(s) conducted by the Singapore Institute of Directors on the roles and responsibilities of a director of a listed company as soon as practicable after his re-election.

### **SGX-ST’s Query**

The relationship between the chairman and the CEO if they are immediate family members (i.e. Listing Rule 1207(10A)).

### **The Company's response to SGX's query**

As disclosed on page 21 of the Annual Report, the Group's Executive Chairman, Mr Lin Baiyin, is also the CEO of the Group. The Board is of the view that it is not necessary to separate the roles of the Executive Chairman and the CEO, after taking into consideration the size, scope and the nature of the operations of the Group. Mr Lin Baiyin has been with the Group since its establishment and has played an instrumental role in developing our business. He has considerable industry experience and business network and has also provided the Group with strong leadership and vision. The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure. In addition, there are sufficient safeguards and checks in place to ensure that Management is accountable to the Board as a whole.

As the Executive Chairman and CEO of the Group, Mr Lin Baiyin is in charge of the management and day-to-day operation of the Group. He is also responsible for developing the overall strategic directions of the Group, as well as the business strategies and policies of the Group.

### **SGX-ST's Query**

The designations (i.e. independent, non-executive, executive etc) and roles (as members or chairman of the board or board committees) of all directors (i.e. Listing Rule 1210(10B)).

### **The Company's response to SGX's query**

As disclosed on page 19 of the Annual Report, the Board comprises four members, one of whom holds executive position:

Mr Lin Baiyin	Executive Chairman and Chief Executive Officer
Mr Goh Kay Seng Edwin	Independent Non-Executive Director
Mr Mak Yen-Chen Andrew	Independent Non-Executive Director
Mr Liu Kaiyi	Independent Non-Executive Director

The Board has established three Board committees, namely, the Audit Committee, the Nominating Committee and the Remuneration Committee, all of which are mainly chaired by Independent Directors and are as follows:

#### **AUDIT COMMITTEE**

Goh Kay Seng Edwin (Chairman)  
Mak Yen-Chen Andrew  
Liu Kaiyi

#### **NOMINATING COMMITTEE**

Liu Kaiyi (Chairman)  
Lin Baiyin  
Goh Kay Seng Edwin

#### **REMUNERATION COMMITTEE**

Mak Yen-Chen Andrew (Chairman)  
Goh Kay Seng Edwin  
Liu Kaiyi

The respective Chairman and members of the Committees operate within clearly defined and written terms of reference and functional procedures, which are reviewed on a regular basis, and they are as follows:

As disclosed on pages 21 and 22 of the Annual Report, the principal roles and functions of the Nominating Committee are:

- to make recommendations to the Board on all board appointments, including re-nominations, having regard to the Directors' contribution and performance (for example, attendance, preparedness, participation and candour);
- to determine annually whether or not a Director is independent;
- in respect of a Director who has multiple board representations on various companies, deciding whether or not such Director is able to and has been adequately carrying out his/her duties as Director, having regard to the competing time commitments that are faced when serving on multiple boards;
- to decide how the Board's performance may be evaluated and propose objective performance criteria, as approved by the Board, that allows comparison with its industry peers and addresses how the Board has enhanced long term shareholders' value;
- to assess the performance of the Board and contribution of each Director to the effectiveness of the Board;
- to review board succession plans for Directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel; and - to review the training and professional development programmes for the Board and its directors.

As disclosed on page 30 of the Annual Report, the principal roles and functions of the RC are:

- to recommend to the Board a framework of remuneration for the Board and key management personnel, including but not limited to Director's fees, salaries, allowances, bonuses, options and benefits in kind;
- to recommend specific remuneration packages for each director, including the Chairman;
- to review the remuneration of key management personnel;
- to perform an annual review of the remuneration of employees related to the Directors and substantial Shareholders (if any) to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scope and level of responsibilities;
- to review the level and structure of remuneration to align with the long-term interest and risk policies of the Company in order to attract, retain and motivate the Directors and key management personnel;
- to review, approve and administer the shares awarded for each Director and employees under the Company's performance share scheme;
- to review and approve the remuneration packages for the Board and key management personnel; and to review the Group's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

As disclosed on pages 36 and 37 of the Annual Report, the principal roles and functions of the AC are:

- reviewing the audit plans of the external auditors and the internal auditors, including the results of the external and internal auditors' review and evaluation of the system of internal controls;
- reviewing the annual consolidated financial statements and the external auditors' report on those financial statements, and discussing any significant adjustments, major risk areas, changes in accounting policies, compliance with international financial reporting standards, concerns and issues arising from their audits, including any matters which the auditors may wish to discuss in the absence of management, where necessary, before submission to the Board for approval;
- reviewing the periodic consolidated financial statements comprising the profit and loss statements and the balance sheets and such other information required by the Listing Manual, before submission to the Board for approval;
- reviewing and discussing with external and internal auditors (if any), any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position and the Management's response;
- Reviewing the co-operation given by the Management to the external auditors;
- to review the adequacy, effectiveness, independence, scope and results of the Company's external audit and internal audit function;
- considering the appointment and re-appointment of the external auditors and matters relating to resignation or dismissal thereof;
- reviewing, approving and ratifying any interested person transactions falling within the scope of Chapter 9 of the Listing Manual;
- reviewing the guidelines and review procedures relating to interested person transactions and potential conflicts of interest and future interested person transactions, if any;
- reviewing any potential conflicts of interest;
- reviewing the adequacy and supervision of the finance and accounting team on an on-going basis;
- reviewing the procedures by which employees of the Group may, in confidence, report to the Chairman of the AC, possible improprieties in matters of financial reporting or other matters and ensuring that there are arrangements in place for independent investigation and follow-up actions in relation thereto;
- undertaking such other reviews and projects as may be requested by the Board, and reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- undertaking generally such other functions and duties as may be required by law or the Listing Rules, and by such amendments made thereto from time to time.

Guided by the respective terms of reference, the Chairman of each Committee will play a key role to engage and consult its members, either with or without the presence of management, on matters under their purview with the view to achieve the best interest for the Group.

### **SGX-ST's Query**

The Audit Committee's comment on whether the internal audit function is independent, effective and adequately resourced (i.e. Listing Rule 1210(10C)).

### **The Company's response to SGX query**

The Audit Committee ("AC") confirms that the internal audit function is independent as it was disclosed on page 41 of the Annual Report that the Company's internal audit function is independent of the external audit and report primarily to the Audit committee.

The AC agrees that the internal audit function is effective as this was disclosed on page 36 of the Annual Report that the Board concurs with Management and agreed that the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective for FY2019.

The AC also affirmed that the internal audit function is adequately resourced as it was disclosed on page 41 of the Annual Report that the appointed internal audit professionals shall have unfettered access to all the company's documents, records, properties and personnel, including access to the AC. It was also noted by the AC that necessary co-operation were provided by the Management to enable the internal auditor to perform its function.

### **SGX-ST's Query**

In addition, listed issuers are also required, under Listing Rule 710, to describe in its annual report its corporate governance practices with specific reference to the principles and the provisions of the Code. An issuer must comply with the principles of the Code. Where an issuer's practices vary from any provisions of the Code, it must explicitly state, in its annual report, the provision from which it has varied, explain the reason for variation, and explain how the practices it had adopted are consistent with the intent of the relevant principle.

### **The Company's response to SGX's query**

The Company wishes to highlight the following disclosures and explanations made in the Corporate Governance Report of the Annual Report 2019 on the deviation of its practices from the provisions prescribed in the Code:

#### **Provision 2 - Board diversity policy**

As disclosed on page 20 of the 2019 Annual Report, the Board periodically examines its size to ensure that it is of an appropriate number for effective decision-making, taking into account the scope and nature of the operations of the Group. The Company recognises and embraces the benefits of diversity of experience, age, skill sets, gender and ethnics on the Board ("**Board Diversity**") and views Board Diversity as an essential element to attainment of its strategic objectives and sustainable development.

Unlike the previous years, the existing Board comprises only male Directors which deviate from recommended practice. Nonetheless, the Board is committed to pursuing gender diversity in relation to the composition of the Board. In this connection, the NC will ensure that female candidates are included for consideration whenever it seeks to identify a new director to the Board. Having said that, gender is but one aspect of diversity and a new director will continue to be selected on the basis of his/her skills, experience, knowledge, insights and relevance to the Board.

As independent directors make up majority of the Board, the Board has an independent element that sufficiently enables it to exercise objective judgement and no individual or group of individuals dominate the Board's decision-making process. The Board believes that its current composition and size provide an appropriate balance and mix of skills, experience and knowledge of the Group. The directors provide core competencies such as accounting, finance, legal and human resource expertise, business and management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge required for the Board to be effective.

In light of the foregoing, although the Company does not have a written policy on Board Diversity, it is evident that the Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company. The Nominating Committee will continue to assess on an annual basis the diversity of the Board and ensure that the diversity would be relevant to the business of the Group. The Board believes that the practices adopted above are consistent with the intent of Provision 2 of the Code.

### **Provision 3.1 - Separation of the Role of Chairman and the CEO**

Provision 3.1 of the Code requires the separation of the role of Chairman and the CEO so that there is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making. The Company has deviated from Provision 3.1 of the Code as Mr Lin Bai Yin is the executive Chairman and CEO of the Group.

As disclosed on page 20 of the Annual Report, the Board is of the view that, at this point in time, it is in the best interests of the Group to adopt a single leadership structure, whereby the Chairman of the Board and the CEO is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

The Board will take into consideration the separation of the role of the Chairman and the CEO as stipulated as part of the on-going succession planning and Board renewal process, which should materialise in the near future.

All major proposals and decisions made by the Executive Chairman and CEO are discussed and reviewed by the AC. His performance and appointment to the Board is reviewed periodically by the Nominating Committee ("NC") and his remuneration package is reviewed periodically by the Remuneration Committee ("RC"). As the AC, NC and RC consist of majority Independent Non-executive Directors, the Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an uneven concentration of power and authority in a single individual.

As disclosed on page 21 of the Annual Report, the Company has a Lead Independent Non-Executive Director who is also the Chairman of the AC. To uphold the spirit of corporate governance and in accordance with the Code, the Lead Independent Non-Executive Director will be available to shareholders where they have concerns and for which contact through the normal channels of the Chairman and, CEO has failed to resolve or is inappropriate.

In light of the foregoing, the Board is of the view that the Company's practices are consistent with the intent of Provision 3.1 of the Code.

**Provision 8 – Disclosure of remunerations of Directors and Key Management Personnel (“KMP”)**

The Company has not disclosed exact details of the remunerations of its Executive Director, Independent Directors and KMP which deviated from Provision 8.1 of the Code. As disclosed on page 33 of the Annual Report, the Board is of the view that it is not in the best interests of the Company and the employees to disclose such details due to the sensitive nature of such information and as our industry is highly competitive in respect of the recruitment of experienced executives.

The disclosure of the indicative range of the Directors’ (below S\$100,000 and S\$100,000 to S\$249,999) and KMPs’ remunerations (below S\$250,000) as well as the composition of the remunerations into its fixed salary, fees, bonus and other benefits do provide a reasonable and meaningful amount of information on the Company’s remuneration framework for the shareholders to understand the link between the Company’s performance and the remuneration of the Directors and KMP. In addition, the Group also disclosed the aggregate remunerations paid to four Key Executives of the Company (who are not Directors or the CEO) for FY2019 and any employees who are related to substantial shareholders or directors, and are paid more than S\$100,000 annually. The fees paid to the Independent Non-Executive Directors do not have variable components and are subjected to shareholders’ approval at the Company’s Annual General Meeting. The Board therefore believes that the Company’s practices are consistent with the intent of Provision 8.1 of the Code.

**By Order of the Board**

Lin Baiyin  
Executive Chairman and Chief Executive Officer  
15 May 2020