



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

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 18 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

- a) Listing Rule 1207(10c) provides that the annual report must contain the audit committee's comment on whether the internal audit function is independent, effective and adequately resourced.
 - i) Please clarify how the Company had complied with Listing Rule 1207 (10c) in explicitly disclosing the audit committee's comment on whether the internal audit function is independent, effective and adequately resourced.
 - ii) Please provide information on the relevant experience of the accounting firm and engagement team of MS Risk Management Pte Ltd.

The Company's response to SGX's query

- (i) Further to the Company's announcement on SGXNet dated 15 May 2020, the Company wishes to add that it currently does not have a separate internal audit function. The AC will, as and when necessary, make an assessment and then recommend to the Board the appointment of internal audit professionals (with the requisite qualifications and experience) to undertake the internal audit function of the Group for the relevant financial years. The internal audit professionals report directly to the AC. Accordingly, the AC concurs with the Board that its internal audit function is independent. Based on the foregoing, and coupled with the explanations set out in the Company's announcement dated 15 May 2020, the AC is of the view that the Company's internal audit function is independent, effective and adequately resourced.

- (ii) For FY2019, the internal audit function was outsourced to MS Risk Management Pte Ltd. MS Risk Management Pte. Ltd. (“MSRM”) is an affiliated firm of Moore Stephens LLP, a leading accounting and consulting firm that has been established in Singapore for more than 30 years. MSRM is a member of the Institute of Internal Auditors Singapore (“IIA”) and staffed with persons with the relevant qualifications and experience, to perform the review and testing of controls of the Group’s processes consistent with the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors.

The internal audit team is led by Ms Lao Mei Leng, a Director of MSRM and also an Audit Partner of Moore Stephens LLP. Ms Lao is a practising member of the Institute of Singapore Chartered Accountants (“ISCA”) and a member of IIA and Singapore Institute of Directors (“SID”). She has more than 20 years of audit experience and provides audit services, documentation of policies and procedures, sustainability reporting, SOX compliance and corporate governance review to a number of public-listed companies, MAS-regulated entities and government agencies. Ms Lao is assisted by a Manager who directly oversees the engagement team and has over 13 years of experience in providing risk management services.

SGX-ST’s Query

- b) Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the “Code”), the provision from which it has varied, an explanation for the variation and an explanation on how the practices it had adopted are consistent with the intent of the relevant principle.

We note that the Company had not complied with Provision 8.1 of the Code with regards to the disclosure of remuneration of the directors, and there were no explanations were provided for in your FY2019 annual report on how it is consistent with the intent of Principle 8 of the Code.

Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company’s remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

The Company’s response to SGX’s query

- (b) Further to the Company’s announcement on SGXNet dated 15 May 2020, the Company wishes to add that the remuneration policies, level of mix of remunerations, procedure of setting remuneration and the relationships between remuneration, performance and value creation of Executive Director and Independent Non-Executive Directors are disclosed on page 31 of the Annual Report under Provision 7.1 - Remuneration of directors and key management personnel, Provision 7.2 - Remuneration of Non-Executive Directors, and Provision 7.3 - Long term incentive plan to provide good stewardship of the company and key management personnel. The Company believes that, these together with the explanations already announced on SGXNet on 15 May 2020, taken as a whole, constitute disclosures which are reasonable, meaningful and sufficiently transparent in giving an understanding of the remunerations of the Executive Director and Independent Non-Executive Directors. Accordingly, the Company is of the view that its practices are consistent with the intent of Principle 8 of the Code, as well as appropriate for the sustained performance and value creation of the Company, taking cognisance of the strategic objectives of the Company pursuant to Principle 7 of the Code.

By Order of the Board

Lin Baiyin
Executive Chairman and Chief Executive Officer
19 May 2020