



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 2020

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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 23 April 2021 in relation to the Company's Annual Report for the financial year ended 31 December 2020.

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

- a. Listing Rule 1207 (10) requires the Board to comment on the adequacy and effectiveness of the issuer's internal controls (including financial, operational, compliance and information technology controls) and risk management systems. A statement on whether the audit committee concurs with the board's comment must also be provided. Please provide the statement as to whether the audit committee concurs with the Board regarding the adequacy and effectiveness of the Company's internal controls.

### **Company's response to the SGX-ST's query**

The Company wishes to clarify the following:

The Audit Committee (“**AC**”), in making the assessment on the Group's internal controls, has also taken into account the internal controls established and maintained by the Group; work performed and audit findings by the independent external and internal auditors; regular reviews undertaken by Management and the AC; additional internal controls instituted by the Executive Chairman and Chief Executive Officer (“**CEO**”); as well as the assurance received from the CEO and Chief Financial Officer (“**CFO**”): (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances for the year ended 31 December 2020; and (b) regarding the adequacy and effectiveness of the Group's risk management and internal control systems. Thus, based on the aforesaid factors, the AC also concurs with the Board, 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 the financial year ended 31 December 2020 (“**FY2020**”).

The AC will continue to monitor the effectiveness of these controls and augment them with new controls implementation to ensure that the controls remain relevant and adequate in our ever-changing operational and business landscape. Going forward, the AC will continue to engage the internal auditors to perform periodic reviews on the Group's internal controls.

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

- b. Listing Rule 1207 (10C) requires an issuer's audit committee's comment on whether the internal audit function is independent, effective and adequately resourced. We note the company stated that "The AC confirms that the internal audit function is independent as the Company's internal audit function is independent of the external audit and it reports primarily to the AC, in addition to the above, the AC also affirmed that the internal audit function is adequately resourced." Please provide the audit committee's comment about the effectiveness of the internal audit function.

### **Company's response to the SGX-ST's query**

With reference to page 45 of the Annual Report, the AC also concurs with the Board that the internal audit function is effective 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 FY2020.

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

- c. Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "**Code**"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. Practice Guidance 3 requires the separation of the role of the Chairman from that of the CEO to avoid concentration of power in one individual and ensure a degree of checks and balances. We note the Chairman and CEO role is filled by Dr Lin Yucheng. Please confirm if the Company's practices are consistent with the intent of Principle 3 of the Code, which requires the Company to have a separation of the role of the Chairman from that of the CEO to avoid concentration of power in one individual and ensure a degree of checks and balances.

### **Company's response to the SGX-ST's query**

Provision 3.1 of the Code requires the separation of the role of Chairman and the Chief Executive Officer ("**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 Dr Lin Yucheng is the Executive Chairman and CEO of the Group.

As disclosed on page 22 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 ongoing succession planning and Board renewal process.

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 23 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.

Based on the above, the Board is of the view that the Company’s practices are consistent with the intent of Provision 3.1 of the Code.

## **By Order of the Board**

Dr Lin Yucheng  
Executive Chairman and Chief Executive Officer  
26 April 2021