



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 the questions in advance of the Company’s Annual General Meeting to be convened and held by way of a physical meeting on Thursday, 27 April 2023 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

It is proposed that directors’ fees would increase from 225k to 350k (increase of 56%). Why are directors’ fees being increased by more than 55% when the company made a loss of 19.3 million RMB last year and has been losing money for 4 out of the last 5 years? Shareholders have not paid dividends for years, so please clearly justify and account for the increase in directors’ fees being put forth for the coming AGM.

Company’s response

We wish to draw shareholders’ attention to the explanation stated on page 168 of the Annual Report, under agenda 4 of the notice of annual general meeting, that the proposed directors’ fees of up to S\$350,000 is in anticipation of the increased board size in FY2023. Two additional non-executive directors will have to be considered for appointment to the Board due to the circumstances set out below.

With the Company’s successful issuance of the convertible bond on 2 March 2023, the investor, InnoVision Super Aqua Limited, has the right under the supplemental investment agreement dated 18 December 2022 to appoint a nominee director, and he/she will be deemed as a non-independent non-executive director. With this addition, the composition of the Board will comprise 2 executive directors, 3 independent non-executive directors, and 1 non-independent non-executive director.

To ensure that independent non-executive directors make up a majority of the Board as the Chairman is not independent, another independent non-executive director will have to be considered for appointment. These proposed appointments will result in a total of 5 non-executive directors on the board, up from 3 currently, which explains the reason for the increase in the directors' fees from S\$225,000 to up to S\$350,000.

In considering the directors' fees for the existing directors in FY2023, the Board, after taking cognizant of the losses suffered by the Group in FY2022, had concurred with the remuneration committee's recommendation that the directors' fees for the existing 3 independent non-executive directors be maintained at the same rate as in FY2022.

We understand shareholders' frustrations with the Group's underperformance, and would like to reassure shareholders that the team remains committed, and is working hard, to source and deliver more projects with the key objective of turning around the Group's results in FY2023 and beyond. The transformation of the Group, which it embarked on the journey in second half of FY2020 to develop into a technology-driven company, will require a bit more time to reap the rewards. Hence, we seek shareholders' understanding and patience.

For the avoidance of doubt, the maximum sum of directors' fees for FY2023 will not exceed \$350,000 as it depends on the actual number of directors appointed and the period the directors are in office.

2. Shareholder's question

Please explain and justify the increases in remuneration for directors and other management personnel who saw salary increases. Would the remuneration committee (and other relevant personnel) please explain. What is the remuneration policy of the company, is it performance based? And on what grounds/basis are the remuneration committee assenting to these pay increases when the company has reported losses for last year and 4 out of the last 5 years? Please explain and elaborate clearly.

Company's response

The increases in remunerations in FY2022 as compared against the corresponding year FY2021 were largely attributed to the increases in (i) directors' fees to compensate for more time being devoted on the Group's business activities as it undertook transformation to develop itself into a technology-driven company, and to review and approve acquisitions and key appointments of the Group; (ii) grant of stock options to an executive director, CEO and employees as part of the Group's annual plan to attract, reward and retain eligible employees; (iii) full 12-month remuneration of the CEO was recorded in FY2022 as he was appointed on 1 September 2021; and (iv) added job scope and responsibilities of the Group's general manager and chief technical officer.

Save for the above-mentioned 2 key management personnel, there was no increment or pay adjustment for executive directors, CEO and other key management personnel.

The considerations in approving the pay revisions were not solely performance based, but also took into account other factors, among others, the additional job scope, responsibilities, level of skills set required, and time and effort spent. In a tight labour market, it is difficult to find suitable candidates with the requisite skills to fill up certain positions in the Group, and higher costs may have to be incurred to bring in and train the right candidates. In the circumstances, the remuneration committee after discussion with Management, concurred with the need to strike a balance between restraining the Group's payroll and related costs and remaining competitive in its talent acquisition and human resource management.

Notwithstanding the reported losses, the Group needs to continue to invest in its people as they are considered valuable assets to the Group. It is imperative in this challenging business landscape to pay above market rate so as to retain talented employees who will contribute to or play a pivotal role in the future success of the Group.

BY ORDER OF THE BOARD

Ngoo Lin Fong
Executive Director
21 April 2023