



Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Leader Environmental Technologies Limited

Stock code: LS9

Meeting details:

Date: 30 April 2021

Time: 1.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. As highlighted in the chairman's statement, the group carried out a strategic review in June 2020 and it aims to transform into a technology-driven environmental solutions provider by expanding its business focusing on municipal sludge management, industrial wastewater treatment using membrane technologies, and production of equipment widely used in the sludge and water treatment segments. The group will also focus on building up revenue streams that are recurring in nature.

The group had carried out two fund-raising exercises – a private placement in May 2020 to raise \$1.7 million for working capital; and a rights issue in September 2020 to raise \$8.6 million for investments and acquisitions.

Dr Lin Yucheng took on the role of executive chairman and chief executive officer on 1 January 2021. The group has secured an industrial wastewater treatment project in Shijiazhuang and a municipal sludge build-operate-transfer ("BOT") project in Tianjin of approximately RMB119.0 million. This is the maiden BOT project which will provide the group with 25 years of recurring income.

- (i) **Would the new executive chairman and CEO be presenting to shareholders his vision for the group and his priorities for the next 18-24 months? What was Dr Lin Yucheng's input to the strategic review given that Dr Lin was only and newly appointed in June 2020?**
- (ii) **Can management help shareholders understand if the group has the expertise and technical skills to execute on the new projects, especially in sludge treatment?**
- (iii) **Has the integration of Bituo Environmental Technologies (Tianjin) Co., Ltd. been completed? How did the group assess the technical capability of Bituo which is an environmental technology company specialising in municipal sludge treatment?**
- (iv) In addition, on 14 April 2021, the company announced that it has recorded pre-tax losses for three financial years. **What are management's plans to return the group to profitability?**

Q2. As noted in the corporate governance report, Mr Lim Kuan Meng and Mr Lee Suan Hiang were appointed to the board on 8 June 2020 and 16 July 2020 respectively.

The profiles of the directors can be found on pages 11 to 13 of the annual report.

Mr Lim is currently the managing partner of Pinnacle Partnership LLP and JB Chua & Co. In his previous role in a Big 4 accounting firm, he was involved in multiple engagements, including with Citic Envirotech Ltd (previously known as United Envirotech Ltd). He is also an independent non-executive director of Triyards Holdings Ltd, which is currently placed

under Judicial Management (page 28) and was on the board of Falcon Energy Group Limited as an independent non-executive director.

Mr Lee Suan Hiang holds directorships in several listed companies, including Viking Offshore & Marine Ltd. His previous directorships include CITIC Envirotech Ltd. and United Engineers Limited (page 13). On page 33, it was also disclosed that Mr Lee received a “supervisory warning” from the MAS in May 2015 for failing to notify a listed corporation (of which he was a director) of changes in his interest in the securities of the incorporation within two business days of acquisition of the interest, as required under Section 133 of the Securities and Futures Act, Chapter 289 of Singapore.

- (i) **Would the board help shareholders understand the search and nomination process for directors, especially for independent directors?** It is noted that the two newly appointed directors were both associated with CITIC Envirotech Ltd in various capacities, as is the newly appointed executive chairman and CEO.

The other independent director, Mr Mak Yen-Chen Andrew, was appointed on 21 June 2010 and has served on the board for more than 9 years. Mr Mak is also an independent director of Falcon Energy Group Limited, which is court protection from creditors (page 28).

- (ii) **Do the independent directors have the appropriate balance and mix of skills, knowledge, experience, especially in wastewater/sludge treatment industry in China, to engage in effective and constructive debate with the executive directors?**
- (iii) **How does the current board composition create a board culture with high level of independence, diversity of thought and high propensity to avoid groupthink?**

Q3. On 14 April 2021, the company announced that there are material variances between the unaudited financial statements and the audited financial statements for the financial year ended 31 December 2020 following the finalisation of audit.

The announcement on unaudited financial results for the financial year ended 31 December 2020 was first released via SGXNet on 1 March 2021. The announcement on material variance came more than 6 weeks after the company first announced the unaudited financial statements.

The changes following the finalisation of audit include:

- Impairment loss on financial assets and contract assets increased by \$(45.7) million
- Other expenses reduced by \$(45.9) million to \$(2.8) million

The company announced material discrepancies between the unaudited and the audited financial statements for the past three financial years, i.e. financial year ending 31 December 2020, ending 31 December 2019 and ending 31 December 2018.

Date & Time	Issuer Name	Security Name	Title	Category
14 Apr 2021 06:48 PM	LEADER ENVIRONMENTAL TECHNOLOGIES LIMITED	LEADER ENVIRONMENTAL TECH LTD	Financial Statements and Related Announcement::Discrepancies between unaudited and audited accounts	Financial Statements
05 May 2020 06:12 PM	LEADER ENVIRONMENTAL TECHNOLOGIES LIMITED	LEADER ENVIRONMENTAL TECH LTD	Financial Statements and Related Announcement::Discrepancies between unaudited and audited accounts	Financial Statements
10 Apr 2019 12:16 PM	LEADER ENVIRONMENTAL TECHNOLOGIES LIMITED	LEADER ENVIRONMENTAL TECH LTD	Financial Statements and Related Announcement::Discrepancies between unaudited and audited accounts	Financial Statements

(Source: www.sgx.com)

- (i) **Is the group and its officers familiar with the Singapore Financial Reporting Standards (International) (SFRS(I))?**
- (ii) **How can shareholders get assurance from management that the financial statements are prepared in accordance with the relevant Act and financial reporting standards?**
- (iii) **Has the audit committee (AC) evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**
- (iv) **What changes have been made/will be made to the group's financial reporting systems and processes? Will the AC be taking ownership to oversee the improvement of the financial reporting function?**

[^]On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

Join our mailing list [here](#) to receive latest news and upcoming events.

CONNECT WITH US

