



**HONG LAI HUAT GROUP LIMITED**  
(Incorporated in the Republic of Singapore)  
Reg. No. 199905292D

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**RESPONSE TO THE SGX-ST'S QUERIES IN RESPECT OF THE ANNOUNCEMENT  
DATED 14 APRIL 2020**

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The board of directors (the “**Board**”) of Hong Lai Huat Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to inform shareholders that it had received queries from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (the “**Queries**”) in relation to Company’s announcement dated 14 April 2020 in respect of the Company’s Annual Report for the financial year ended 31 December 2019 (“**FY2019**”). The Board wishes to respond to the Queries as follows:

**Query 1**

Provision 9.2(a) of the Code of Corporate Governance 2018 (the “**Code**”) states that the Board is required and discloses in the company’s annual report that it has received assurance from the Chief Executive Officer (“**CEO**”) and the Chief Financial Officer (“**CFO**”) that the financial records have been properly maintained and the financial statements give a true and fair view of the company’s operations and finances.

Please explain how the Company has complied with Provision 9.2(a) of the Code.

**Company’s Response**

The Board has received assurance from the Chief Executive Officer and the Group Financial Controller that the financial records have been properly maintained and the financial statements give a true and fair view of the company’s operations and finances.

## **Query 2**

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. We note that the Company had not complied with Provisions 8.1 of the Code with regards to the disclosure of remuneration. 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.

### **Company’s Response**

As explained on page 21 of our FY2019 Annual Report, although the 2018 Code recommends full disclosure of the remuneration of each individual director and CEO, the Company needs to consider the commercial sensitivity and confidentiality attached to remuneration matters in a highly competitive industry. As such, the Company discloses the actual remuneration paid to each director and the CEO in a narrower band of \$100,000 to improve transparency. In this way, the Company believes the practices it had adopted are consistent with the intent of Principle 8 of the Code.

## **Query 3**

Listing Rule 1207(10C) requires the Audit Committee’s comments on whether the internal audit function is independent, effective and adequately resourced. Please also provide information on whether the head of the internal audit function team has the relevant experience and qualifications. Where the internal audit function is outsourced, please provide information on the relevant experience of accounting firm and the engagement team.

### **Company’s Response**

As explained on page 25 of our FY2019 Annual Report, the company has outsourced its internal audit function to external audit professional, Crowe Governance Sdn Bhd.

Crowe Governance Sdn Bhd is a corporate member of the Institute of Internal Auditors Malaysia and a member firm of Crowe Global, a top 10 global accounting network with member firms in 130 countries. It has significant experience in providing risk consulting services, including internal audit.

The internal audit engagement partner, Mr Amos Law is a chartered member of Malaysian Institute of Internal Auditors and has 23 years of experience in performing internal audits for listed companies in Malaysia and Singapore.

## **By Order of the Board**

Dato Dr. Ong Bee Huat  
Executive Director & CEO  
11 June 2020