



RESPONSES TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED IN RELATION TO THE COMPANY'S ANNUAL REPORT FOR FINANCIAL YEAR ENDED 31 DECEMBER 2021

The board of directors (the "**Board**") of LHT Holdings Limited (the "**Company**") wishes to provide its replies to the queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 25 April 2022 with respect to the Company's annual report for the financial year ended 31 December 2021 (the "**Annual Report**").

SGX-ST Query (i)

Listing Rule 710 requires issuers to explicitly state, when varying from any provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), to explain the reason for variation, and explain how the practices it has adopted are consistent with the intent of the relevant principle. In this regard:

Provision 3.1 of the Code states that:

"The Chairman and the Chief Executive Officer ("CEO") are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making."

Provision 3.2 of the Code states that:

"The Board establishes and sets out in writing the division of responsibilities between the Chairman and the CEO."

Page 106 of the annual report provides:

"The Board is of the view that, now, it is in the best interests of the Group to adopt a single leadership structure, whereby the Chairperson of the Board and the CEO is the same person, so as to ensure that the decision-making process of the Group would be more efficient. Despite the above structure, all major proposals and decisions made by the Executive Chairperson and CEO are discussed and reviewed by the AC. Her performance and appointment to the Board is reviewed periodically by the NC and her remuneration package and service agreement are also reviewed regularly by the RC. As the AC, NC and RC comprise of all the non-executive and independent directors, the Board believes that there are adequate safeguards in place against an uneven concentration of power exercised by the single leadership structure. The Board will consider the separation of the role of the Chairperson and the CEO as stipulated as part of the on-going succession planning and Board renewal process.

...

Ms Yap Mui Kee is the Chairperson, Managing Director and CEO of the Company."

Please address whether the Company has complied with Provisions 3.1 and 3.2 of the Code.

If the Company has not complied with Provisions 3.1 and 3.2 of the Code, please explain its reason(s) for varying from Provisions 3.1 and 3.2 of the Code. Please also explain and explicitly state whether the practices it has adopted are consistent with the intent of Principle 3 of the Code.



Company's Response:

The Company is not in compliance with Provisions 3.1 and 3.2 of the Code as Miss Yap Mui Kee is both the Executive Chairperson of the Board and the CEO of the Company.

As explained on Page 106 of the Annual Report, the Board is of the view that it was in the best interests of the Group, now, to adopt this single leadership structure where the Chairperson of the Board and the CEO of the Company is the same person. This was in the context of the financial year ended 31 December 2021 where there was still much business uncertainty arising from the Covid-19 Pandemic. It should also be noted that, and as mentioned on Page 6 of the Annual Report, Miss Yap Mui Kee has been an executive director of the Company for more than 30 years since 1988 and she was appointed acting Managing Director in February 2016 and became the Chairman cum Managing Director and CEO the following year in February 2017.

Principle 3 of the Code requires a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Notwithstanding the adoption of a single leadership structure as mentioned above, Miss Yap Mui Kee does not have unfettered powers of decision-making. This is because, and as stated on page 99 of the Annual Report in relation to Provision 1.3 of the Code, the Group has adopted a set of internal guidelines that set forth matters requiring the Board approval. There is therefore a clear division of matters that require the approval of the Board. In this regard, it should also be noted that the independent directors constitute a majority of the members of the Board. In addition to the above, all major proposals and decisions made by Miss Yap Mui Kee as CEO are also discussed and reviewed by the Audit Committee. Therefore, having regard to the measures described above, the single leadership structure adopted by the Company does not lead to the Miss Yap Mui Kee, as Executive Chairman and CEO, having unfettered powers of decision-making on behalf of the Company and therefore is consistent with the intent of Principle 3 of the Code.

The Board will consider the separation of the roles of the Chairperson of Board and the CEO as part of its on-going succession planning and renewal process.



SGX-ST Query (ii)

Where the internal audit function is outsourced, please provide information on the relevant experience of the professional firm and the engagement team.

Company's Response:

On pages 127 to 128 of the AR 2021, the Company has explained that "The Company has established an effective Internal Audit ("IA") function that is adequately resourced and independent of the activities it audits. The IA team reviews the effectiveness of the Group's financial, operational, compliance and information technology controls.

The Audit Committee ("AC") approves the hiring, removal, evaluation and compensation of the internal auditors. For FY 2021 the internal audit function of the Company was outsourced to D' Ark Services Pte Ltd. The internal auditors report directly to the Chairman of the AC and have full access to the documents, records, properties, and personnel of the Company and the Group.

The AC is satisfied with the internal audit services provided by Ms Helen Sim, Engagement Director and her engagement team of D' Ark Services Pte Ltd ("D' Ark"). The internal auditors have adequate resources to perform its function effectively and is staffed by suitably qualified and experienced professionals with the relevant experience.

Ms Helen Sim, the Engagement Director is a fellow Singapore Chartered Accountant (practising); a fellow member of the Association of Chartered Certified Accountants (United Kingdom) and is also a member of the Institute of the Internal Auditors of Singapore. She was a former member of the Local Executive Committee of the Singapore ACCA Branch from FY 2007 to FY 2010 (as honorary secretary in FY 2010 and honorary treasurer in FY 2009) and a former committee member of the Public Accounting Practice Committee of the then ICPAS.

She is currently a member of the ACRA Complaints and Disciplinary Committee and a member to the ISCA Public Accountants Practising Committee.

Ms Sim has worked in both local and international accounting firms and was a Practice Review Manager with the local regulatory authority prior to starting her practice, D' Ark Associates in May 2007. Helen was previously involved as a seminar trainer for the Continuing Professional



Education seminars organised by the ICPAS and ACCA, AcClarity International Pte Ltd and Wolters Kluwer in auditing and EP200 related topics.

She has the experience to manage and took charge of a portfolio of clients comprising listed Companies multinationals and local enterprises. Helen diversified portfolio ranging from internal audit assignments, and fraud related investigative work, reviewing clients' business risk management processes, internal control structure, identifying business and related risks.

In addition to managing a portfolio of clients, she had been involved in the Technical Department of one of the international accounting firm, supported the Technical help desk and also in the setting up of the Intranet of that Firm. She was also involved in pioneering the implementation of the business process audit methodology and the development of the case studies for training and the drafting of the audit programme templates for the firm.

She is supported by an assistant managers who is university graduate and with 5 years audit experience and a senior manager with more than 10 years of audit experience.

The AC is satisfied that the Engagement Director and the engagement team of D' Ark have the relevant experience and are well qualified to undertake the internal audit function of the Company.

BY ORDER OF THE BOARD

Yap Mui Kee
Managing Director

26 April 2022