

LUXKING GROUP HOLDINGS LIMITED
(Incorporated in Bermuda)

**RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED
("SGX-ST") ON THE ANNUAL REPORT FY2020**

The Board of Directors (the "**Board**") of Luxking Group Holdings Limited ("**Company**") refers to the following queries raised by the SGX-ST on 23 October 2020 and would like to provide additional information in relation to the Company's annual report for the financial year ended 30 June 2020 (the "**AR FY2020**"), as follows:

SGX Query 1:

Listing Rule 1207(10C) states that the annual report must contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including audit committee's comment on whether the internal audit function is independent, effective and adequately resourced.

Please clarify whether and how Listing Rule 1207(10C) has been complied with. Where the internal audit function is outsourced, please provide information on the relevant experience of the accounting firm and the engagement team.

Company's Response 1:

The Company has on page 29 of the AR FY2020 disclosed that Weide Certified Public Accountants Zhongshan, the PRC ("**IA**"), who is independent of the Group's business activities, has been appointed as the Company's Internal Auditors to undertake the internal audit function, and the AC is satisfied that the IA are staffed with suitably qualified and experienced professionals with the relevant experience and have carried out their function properly. Accordingly, the Company has complied with Listing Rule 1207(10C).

The IA is registered as a Certified Public Accountants with the Ministry of Finance of the PRC since Year 2006, with over 10 years of internal audit experiences. The internal audit services provided by the IA are in accordance with the Basic Internal Control Norms for Enterprises (2008 No.7) and its related regulations by the Ministry of Finance of PRC and Auditing standard No. 3101 - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and Internal Control Audit Guidance by the Chinese Institute of Certified Public Accountants.

The engagement team in-charge of the Group's internal audit function comprise three members and is led by Mr Liu Dongliang, a Certified Public Accountant in PRC, who has over 10 years of experiences in internal audit function. The engagement members have over 5 years of experiences in internal audit function.

SGX Query 2:

Provision 8.1 of the Code of corporate governance 2018 (the “**Code**”) states that “The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:

- (a) each individual director and the CEO; and
- (b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel.” (emphasis added)

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide 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 Provision 8.1 of the Code with regard to the disclosure of the amounts of remuneration of each individual director and the CEO. 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 2:

The Company has on page 24 of the AR FY2020 disclosed the names, amounts and breakdown of remunerations of each individual director, the CEO and the key management personnel (who are not directors or the CEO) of the Company, in percentage breakdown with respect of salary/Directors’ fees, pension, bonus and one-time ex-gratia payment, and in remuneration bands of S\$250,000. The reason for deviation from Provision 8.1 of the Code of not disclosing the exact remuneration amount of each individual director and the CEO, has been disclosed on page 25 of the AR FY2020.

The Company is of the view that by providing full details of the remuneration of each individual director and the CEO, it is not in the best interests of the Company and may adversely affect talent attraction and retention and may seriously affect the competitive edge of the Group.

The Company has on page 23 of the AR FY2020 disclosed the Company’s remuneration policies, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Based on the abovementioned disclosures, the Company is therefore of the view that the practices it has adopted are consistent with the intent of Principle 8 of the Code as a balance is struck between the requirement for 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, vis-à-vis the Group’s need to maintain confidentiality of remuneration matters.

The Company will consider providing disclosure of the remuneration matters as required under Provision 8.1 of the Code in future.

SGX Query 3:

Provision 8.2 of the Code states that, “The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.”

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide 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 Provision 8.2 of the Code with regard to the disclosure of remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000. 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 3:

The Company has on page 25 of the AR FY2020 disclosed that Ms Leung Hi Man, daughter of the Company's Executive Chairman and CEO and controlling shareholder, is in the employment of the Group whose annual remuneration exceeded S\$100,000 but below S\$250,000 for FY2020.

The Company had inadvertently set a band of S\$250,000 instead of S\$100,000. The Company wishes to state that Ms Leung Hi Man's annual remuneration exceeds S\$100,000 but below S\$200,000 for FY2020. Besides, Mr Leung Chee Kwong, a substantial shareholder of the Company, is in the employment of the Group whose annual remuneration exceeds S\$300,000 but below S\$400,000 for FY2020.

Other than Mr Leung Chee Kwong and Ms Leung Hi Man, there was no other employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000 for FY2020.

The Company has on page 23 of the AR FY2020 disclosed the Company's remuneration policies, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Based on the abovementioned disclosures, the Company is of the view that the intent of Principle 8 of the Code is met.

By Order of the Board

Leung Chee Kwong
Executive Chairman and Chief Executive Officer

27 October 2020