**LHT HOLDINGS LIMITED** **(Company Registration No198003094E)**
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# RESPONSE TO SGX-ST QUERIES REGARDING THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Board of Directors (the "Board") of LHT Holdings Limited (the "Company") refers to the queries from the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 6 May 2020 in relation to the Company's Annual Report for the financial year ended 31 December 2019 ("AR 2019") and wishes to provide the following information in response to such queries:

**Query (i)**
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.

Provision 8.1 of 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*."

We note the Company's disclosure on remuneration at pages 110, 111 and 112 of the annual report for FY2019. Where the Company's practices deviate from the provisions of the Code, please explain how the practices it 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:**

On pages 111 and 112 of AR 2019, the Company disclosed the remuneration of each director (including the managing director or CEO) in band of S$250,000. The Company also disclosed percentage contributions of each of the 4 separate components making up the total remuneration received by each director.

On the remuneration of the Managing Director and the 2 other Executive Directors, it should be noted that performance-related elements of remuneration formed a significant proportion of their respective total remuneration package. Variable bonuses made up 19%, 19% and 17% of the total remuneration paid to each of the Executive Directors, Ms Yap Mui Kee, Mr Tan Kim Sing, and Billy Neo Kian Wee respectively in FY2019. This performance-based component was intended to align the Executive Directors' interests with that of the Shareholders by bringing about a direct relationship

between their remuneration and the performance of and value creation for the Company.

It should also be noted that the terms in determining their remuneration are set out in the respective service agreements that they had entered into with the Company, which were subject to the approval of the Remuneration Committee ("**RC**") and the Board. It should be noted that none of the Executive Director was involved and voted in the approval of his or her service agreement by the RC and the Board.

Other than fixed salary and bonus payment, the 3 Executive Directors were also paid directors' fees. The directors' fees made up between 11% to 16% of their total remuneration package. The total amount of fees payable to the directors was disclosed in Note 24 to the notes to the Financial Statements of AR 2019 and shown on page 74 of AR 2019. As for the amount of fees paid to each director, this was determined based on their level of contribution and also taking into account factors such as frequency of meetings held and duties and responsibilities assumed, such as lead independent directors or as chairpersons of various Board committees. Other than directors' fees, the non-executive directors of the Company ("**NEDs**") do not receive salary, bonus and any other benefits.

As for the Key Management Personnel (who are not directors or the Managing Director), their total remuneration for FY 2019 was set out on page 74 of AR 2019. As disclosed, their remuneration was determined by the RC, having regard to their performance and market trends.

Due to the sensitive and confidential nature of the remuneration packages of the Executive Directors, who are critical to the businesses of the Group, the Company decided not to provide information on the exact amount of remuneration received by each of them. This was intended to protect the Group's interest, and ensuring the Company's competitive advantage in retaining them. However, please note that the total remuneration amount of the 3 Executive Directors was disclosed in Note 24 to the notes to the Financial Statements of AR 2019 and shown on page 74 of AR 2019. Therefore, taking into account the aggregate remuneration of the 3 Executive Directors as shown on page 74 of AR 2019 and the disclosure made in Pages 111 and 112 of the AR 2019, there was sufficient transparency on their remuneration packages, notwithstanding the deviation on disclosure

of the exact amount of the remuneration of the Directors required under Provision 8.1(a).

The Company is of the view that disclosures adopted by the Company in AR 2019 are consistent with the intent of Principle 8 of the Code of Corporate Governance, 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.

**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 122 to 123 of the AR 2019, 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 2019 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 2 assistant managers who are university graduates 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

8 May 2020