

HOE LEONG CORPORATION LTD.
(the "Company")
(Company registration number 199408433W)
(Incorporated in the Republic of Singapore)

RESPONSE TO SGX-ST QUERIES ON ANNUAL REPORT

The Board of Directors (the "Board") of the Company refers to the queries raised by the Singapore Exchange Securities Trading Limited ("SGX") and would like to provide further information in relation to the Annual Report for the financial year ended 31 December 2019 ("Annual Report 2019").

SGX's Query:

- (a) Please provide confirmation as to whether Korea Crawler Track Ltd. is a significant subsidiary and whether the auditing firm is suitable, pursuant to Rule 715(2) of the Listing Manual.

Company's Response:

The Company would like to confirm that Korea Crawler Track Ltd is a significant foreign-incorporated subsidiary since FY2013. Lian Accounting Corporation is the auditor incharge of the local statutory audit and has been independent auditor since the acquisition of subsidiary by the Company in December 2011.

The Board together with the Audit Committee is of the view that Lian Accounting Corporation is a suitable auditing firm for auditing its significant foreign-incorporated subsidiary given its profile, size, experience and track record.

SGX's Query:

- (b) We note that the Company had not complied with 2.4 of the Code as the Company has not disclosed its board diversity policy and progress made towards implementing the board diversity policy, including objectives, and there were no explanations were provided for in your FY2019 annual report on how it is consistent with the intent of Principle 2 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

Company's Response:

The Board comprises four directors, three of whom are Independent Directors ("IDs"). As majority of the Board is comprised of Independent Directors, there is a strong independent element on the Board to ensure that it is able to exercise objective and independent judgment on corporate affairs. The IDs who are not involved in the operations of the Company would meet regularly for discussion on the matters of the Company without the presence of the Management. All matters put forth to the Board for decision need majority of the Directors to approve. No individual Director dominates the Board's decision-making processes. The sole Executive Director will not be able to dominate Board decision as he

would require at least two other IDs to support the decision. The Company had also disclosed in the Annual Report on page 12 that independence of each Independent Director is assessed annually by the Nominating Committee. All the IDs are required to declare and confirm his/her independence via the Form on Declaration of Independence. The IDs have confirmed that they do not have any relationship with the Company or its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interest of the Company.

The Company recognises the importance and benefits of having a diverse Board to enhance the quality of its performance. Currently, the Board comprises suitably qualified directors with a good balance across different age groups and possessing different skill sets, experience and qualifications. The expertise of the current set of Directors includes audit, accounting, corporate finance, human resource and remuneration, and business and regional management (including business turnaround expertise). The Board, with the concurrence of the NC, had reviewed and considered the size and mix of the Board and the Board Committees annually and is of the view that the current board composition is appropriate for the nature and scope of the Company's operations and facilitates effective decision making for the existing needs and demands of the Group's businesses.

The Company currently does not have a Board Diversity Policy. The evaluation of the suitability of candidates is based on the candidates' skill set, qualification, competency, integrity, and the ability to devote time to the affairs of the Company in meeting the business needs and corporate objectives of the Company. The NC will, however, continue to take steps to ensure that the Board has diversity & inclusion in terms of gender, age and ethnicity during the board renewal process.

The NC will continue to assess on an annual basis the skill set of the board of directors to ensure that the skills of the directors remain relevant to the business of the Group.

SGX's Query:

- (c) We note that the Company had not complied with Provision 8.1 and 8.2 of the Code with regards to (i) the disclosure of the policy and criteria for setting remuneration; (ii) amounts and breakdown of remuneration of each individual director and the CEO; and (iii) with regards to the disclosure for the names and remuneration of employees who are substantial shareholders of the company and whose remuneration exceeded S\$100,000 respectively, and there were no explanations were provided for in your FY2019 annual report on how it is consistent with the intent of Principle 8 of the Code. 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:

The aggregate remuneration paid or payable to the Company's Directors is S\$915,000 for FY2019.

A breakdown showing the level and mix of each individual Director's remuneration in the nearest thousand for the year ended 31 December 2019 is disclosed in the table below:

Name of Directors	Remuneration	Salary ⁽⁶⁾	Fees	Other benefits & Allowances	Share Based Compensation	Total
		(%)	(%)	(%)	(%)	(%)
Kuah Geok Lin ⁽²⁾	S\$ 309,000	91	-	9	-	100
Liew Yoke Pheng Joseph ⁽¹⁾	S\$ 56,000	68	-	-	32	100
Kuah Geok Khim ⁽²⁾	S\$ 227,000	94	-	6	-	100
Quah Yoke Hwee ⁽²⁾	S\$ 186,000	92	-	8	-	100
Ang Mong Seng	S\$ 40,000	-	100	-	-	100
Hoon Ching Sing ⁽³⁾	S\$ 41,000	-	100	-	-	100
Yeoh Seng Huat Geoffrey ⁽³⁾	S\$ 37,000	-	100	-	-	100
Choy Bing Choong ⁽⁴⁾	S\$ 12,000	-	100	-	-	100
Lee Chin Chai ⁽⁵⁾	S\$ 7,000	-	100	-	-	100

Notes:

(1) Appointed as an Executive Director on 23 October 2019 and as Chief Executive Officer ("CEO") on 25 October 2019.

(2) The Executive Directors, namely Mr Kuah Geok Lin, Mr Kuah Geok Khim and Mr Quah Yoke Hwee are siblings. They resigned on 25 October 2019.

(3) Resigned on 30 September 2019.

(4) Appointed on 01 September 2019.

(5) Appointed on 01 November 2019.

(6) Salary includes basic salary and employer's CPF

All the Directors remuneration is pro-rated to their period of service.

Save for the aforementioned, there is no other employee of the Company who is a substantial shareholder of the Company, whose remuneration exceeded S\$100,000 during FY2019.

The remuneration of the Executive Director and CEO was disclosed in the Annual Report on page 17. It comprises a fixed basic salary component and variable component. Fixed basic salary comprised of 68% in cash and 32% in the form of shares and shall be payable on an annual basis subject to the approval to be obtained from the shareholders at the Annual General Meeting or at an Extraordinary General Meeting, whichever is earlier. Variable component is an incentive bonus ("Incentive Bonus") given at the end of every financial year of the Company based on the audited consolidated profit before tax (before the Incentive Bonus) of our Group. The ED and CEO is also entitled to other benefits including dental, car allowance and medical benefits, personal accident, hospitalization and surgical insurance and travelling and entertainment expenses incurred for the purposes of the Group's business.

The Independent Directors ("IDs") are entitled to directors' fees that are approved by shareholders at the annual general meeting prior to payment. The IDs receive directors' fees in accordance with their level of contribution, taking into account factors such as effort and time spent and responsibilities of the directors. The Company had disclosed in the Annual Report on page 17 on the fee structure of the IDs. The RC had recommended to the Board an amount of S\$135,000 as Directors' fees to be paid to the Independent Directors for the financial year ending 31 December 2020. The Board had concurred with the RC's recommendation. These recommendations will be tabled for shareholders' approval at the Company's forthcoming AGM. Each of the RC members had abstained from deliberating and voting on his own remuneration.

The Company had disclosed in the Annual Report on page 17 that the Company's policy is to set a level of remuneration that is appropriate to attract, retain and motivate the Executive Directors ("EDs") and Key Management Personnel ("KMP"). The remuneration of the EDs

and KMP comprises of salary, discretionary bonuses and other allowances. Salaries are reviewed annually by the RC and adjustments are made to reflect individual performance, contribution, changes in responsibilities (if any) and by reference to market demand. Discretionary bonuses are determined based on individual performance; the Group's performance for each financial year against key performance indicators on revenue and profit targets; and other factors such as market conditions. The amount of discretionary bonuses are reviewed and approved by the RC.

ON BEHALF OF THE BOARD

Liew Yoke Pheng, Joseph
Chairman and Chief Executive Officer

06 May 2020