LIAN BENG GROUP LTD
Registration No. 199802527Z

REPLY TO SGX QUERIES

In response to queries raised by the SGX in its email dated 15 July 2015, the Board of Directors of Lian Beng Group Ltd. (the "Company" and together with its subsidiaries, the "Group") would like to provide the following disclosures:-

SGX's Queries:-

1. We refer to the announcement made by the Company on 14 July 2015. The Company disclosed that "an independent professional party .., has confirmed that the computation of the performance bonus of the directors for FY2014 was in line with the provisions of their service agreement." Please disclose the identity and the suitability of the professional party opining on the terms of the service agreement;

2. Please quantify the difference in amount of performance bonus payable to the executive directors for FY2013 and FY2014 calculated based on the "before minority interest" basis and on an "after the deduction of minority interest" basis;

3. Please provide the basis for the management's view that the performance bonus should be calculated based on the company's profits "before minority interest" and disclose the remuneration committee's view whether this basis is fair and reasonable; and

4. It was disclosed that the "Company's external auditor has also reviewed the adequacy of the provision for performance bonus of the executive directors as part of the audit of the financial statements for the year ended 31 May 2014 and has issued an unqualified report thereon." Please confirm that the auditors had agreed that under the service agreement, the basis for calculating performance bonus should be using the "before minority interest".

The Company's responses to the queries above are as follows:-

Response to Query 1:

The identity of the professional party opining on the computation of the performance bonus of the executive directors for FY2014 to be in line with the terms of the service agreement is RSM Ethos Pte Ltd. It is suitable to opine on the computation of the performance bonus as it is an independent professional firm who has been performing the internal audit function and conducting internal audit work on the Company for the past few years and reports to the Audit Committee in respect of its findings on its internal audit matters.

Response to Query 2:

The difference in amount of performance bonus payable to the executive directors for FY2013 and FY2014 calculated based on the "before minority interest" basis and on an "after the deduction of minority interest" basis is as follows:

Aggregate Performance bonus payable to all the executive directors	**FY2013 ($'000)**	**FY2014 ($'000)**
Before minority interest basis	3,857	8,455
After minority interest basis	3,793	6,430
Difference	64	2,025

Response to Query 3:

The management's view that the performance bonus of the executive directors should be calculated based on the Company's profits "before minority interest" is as follows:

(i) As stipulated in the service agreements, the performance bonus for executive directors is computed on the net profits of the Group before tax and before extraordinary items as reflected in the audited accounts of the Group.

(ii) The executive directors have understood that the computation of their performance bonus was calculated based on the Company's profits "before minority interest" in line with the service agreements since 1999, regardless of whether partially owned subsidiaries were profitable or loss-making. This is because this has been the manner of calculation over the past 16 financial years without any change or adjustment.

(iii) The management has contributed the same efforts in managing partially owned subsidiaries as if they were 100% owned by the Company, in order to achieve the best results possible for the Group.

(iv) The "before minority interest" basis was consistently applied since 1999 and reflected in the audited accounts of the Company for the past 16 financial years, without qualification by the auditors at the relevant time.

Having regard to the above, and taking into account the confirmation provided by RSM Ethos Pte Ltd. and the unqualified independent auditors' report in respect of FY2014, the current Remuneration Committee is of the view that management's basis is fair and reasonable in accordance with the terms of the service agreements.

Response to Query 4:

The Company's external auditor has reviewed the management's computation of the performance bonus of the executive directors on a "before minority interest" basis as part of the audit of the financial statements and noted that management has applied the formula based on the net profit before taxation and extraordinary items as presented in the accounts of the Group, which is in line with the terms of the service agreements.

By Order of the Board

Ong Pang Aik
Chairman and Managing Director
16 July 2015