



**LIAN BENG GROUP LTD**

Registration No. 199802527Z

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## **REPLY TO SGX QUERY**

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In response to query raised by the SGX in its email dated 13 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 Query:-**

We refer to the announcements made by the Company on 10 July 2015 on the cessation of independent directors, Mr Sitoh Yih Pin and Dr Wan Soon Bee. The reason for the cessations was disclosed as "differences in opinion from the management over certain company affairs." Please elaborate with further information on these differences in opinion which resulted in the cessations of the 2 former independent directors.

### **The Company's responses are as follows:-**

The Company has signed the service agreements with the executive directors of the Company since 1999 when the Company was listed. 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.

The Company has in the past years computed the performance bonus of executive directors based on Group Profit Before Taxation, which was before minority interest, as extracted from the audited consolidated financial statements of the Company. Recently, the two former independent directors have raised issues in that they felt that the performance bonus provision for the Company's financial year ended 31 May 2014 ("FY2014") should have been computed based on Group Profit Before Taxation, after minority interest. Consequently, they have also requested for re-computation of the executive directors' performance bonus starting from 1999 when the Company was listed based on "after minority interest" basis, with adjustment to be made to the remuneration of the executive directors accordingly.

As the "before minority interest" basis was consistently applied and in line with the service agreements since 1999, the executive directors are of the opinion that the performance bonus was based on a "before minority interest" basis, thus giving rise to the differences in opinion. The Company has consulted an independent professional party on this matter, and it has confirmed that the computation of the performance bonus of the directors for FY2014 was in line with the provisions of their service agreement. Moreover, 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.

The differences in opinion is pertaining to this matter only.

By Order of the Board

Ong Pang Aik  
Chairman and Managing Director  
14 July 2015