



HONG LAI HUAT GROUP LIMITED

(Incorporated in the Republic of Singapore)

Reg. No. 199905292D

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RESPONSE TO THE SGX-ST'S QUERIES IN RESPECT OF THE ANNOUNCEMENT DATED 15 APRIL 2024

The board of directors (the “**Board**”) of Hong Lai Huat Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to inform shareholders that it had received queries from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (the “**Queries**”) in relation to Company’s announcement dated 15 April 2024 in respect of the Company’s Annual Report for the financial year ended 31 December 2023 (“**FY2023**”). The Board wishes to respond to the Queries as follows:

Query 1

Please confirm who is the Group Financial Controller that had provided the assurance on the financial records and whether this refers to Chew Eng Lai pursuant to the Company’s announcement on 14 August 2018 who was appointed as the Financial Controller. If so, please explain why his profile and area of responsibilities are not disclosed in the FY2023 Annual Report and to disclose accordingly.

Company’s Response

Mr. Chew Eng Lai is the Group Financial Controller and is responsible for the Group’s accounting, tax and compliance with financial reporting and regulatory requirements.

Prior to joining the Group in 2017, Mr Chew Eng Lai had 17 years of experience covering audit, financial reporting and operation accounting. His audit experience came from one of the Big Four accounting firms and his accounting experience came from a local listed company. He is a member of Institute of Singapore Chartered Accountants.

Consistent with the past years’ annual reports, the Company had not published the profile and area of responsibilities of its financial controller as it is not aware of any indications under Code of Corporate Governance 2018 or SGX listing rules to do so.

Query 2

We note that the Company had disclosed on Page 29 of the FY2023 Annual Report that there are no interested person transactions between the Company or its subsidiaries and any of its interested persons during the financial year under review yet reported under Note 33 on Page 82 of the FY2023 Annual Report that there are collections of sales receipts on behalf of Joint Venture amounting to \$685,000, which exceeds 3% of the Company’s FY2022 Net Tangible Assets of \$134,742,000. Please clarify whether the RPT are also IPT pursuant to Chapter 9 of the Listing Manual and explain how the Company had complied with the relevant Listing Rules.



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Company's Response

The Group has a 50% ownership interest and joint control over the Joint Venture ("JV") hence the JV is not an "interested person" under Rule 904(4)(a) of the Listing Manual.

The collections of sales receipts from Singapore buyers of the JV's Royal Platinum residential and commercial units in Cambodia on behalf of JV are transactions not within the scope of Rule 904(6) of the Listing Manual.

The transaction is classified as Related Party Transaction, governed by an accounting standard, the Singapore Financial Reporting Standards 24 (SFRS(I) 1-24 Related Party Disclosures), and not an "interested person transaction" under Chapter 9 of the Listing Manual.

Query 3

The Company had disclosed under Note 33 on Page 82 of the FY2023 Annual Report that there are staff costs of \$388,000 paid to individuals who are close family of directors, occupying managerial positions of the Company and its subsidiaries. Please disclose who are these directors and explain why these individuals were not disclosed under the table on Page 24 of the FY2023 Annual Report in relation to remuneration of employees who are immediate family members of directors, the CEO or a substantial shareholder of the Company and whose remuneration exceeds \$100,000 during the year.

Company's Response

Except for the disclosure of Mr. Ong Jia Ming and Ong Jia Jing, the remuneration of individuals who are immediate family members of directors, the CEO or a substantial shareholder of the Company and whose remuneration not exceeding \$100,000 during the year are not disclosed under the table on Page 24 of the FY2023 Annual Report.

Query 4

We note from Page 27 of the FY2023 Annual Report that the Company has outsourced its internal audit function to external audit professionals, Crowe Governance Sdn Bhd and the Audit Committee ("AC") reviews the independence, adequacy of the internal audit function, its effectiveness and its resources. Pursuant to Listing Rule 1207(10C), please provide the Audit Committee's comments on whether the internal audit function is independent, effective and adequately resourced, as well as the bases for the assessment.

Company's Response

As explained on page 27 of our FY2023 Annual Report, the company has outsourced its internal audit function to external audit professional, Crowe Governance Sdn Bhd.

The internal audit function is independent, effective, adequately resourced and carried out in accordance with International Professional Practices Framework issued by The Institute of Internal Auditors Malaysia. Crowe Governance Sdn Bhd is a corporate member of the



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Institute of Internal Auditors Malaysia and a member firm of Crowe Global, a top 10 global accounting network with member firms in 130 countries. It has significant experience in providing risk consulting services, including internal audit.

The internal audit engagement partner is a chartered member of Malaysian Institute of Internal Auditors and has 27 years of experience in performing internal audits for listed companies in Malaysia and Singapore. The primary reporting line of the internal audit function is to the Audit Committee.

Query 5

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. We note that Dr. Wang Kai Yuen, Board Chairman and Independent Director (“ID”), as well as Chairman of the Audit Committee (“AC”) for the Company, including the Lead ID, will be stepping down as a Director at the conclusion of the FY2023 AGM pursuant to Listing Rule 210(5)(d)(iv).

(i) Please disclose if the Company has identified the candidate to be appointed as the Board Chairman after the retirement of Dr. Wang Kai Yuen. To also disclose whether the new Board Chairman will be independent and if not, please explain how the Company will comply with the Provision 2.2 that requires ID to make up a majority of the Board where the Chairman is not independent and Provision 3.3 that requires the Board to have a lead independent director when the Chairman is not independent.

(ii) Please disclose how the Company will comply with Provision 10.2 that requires the Audit Committee (“AC”) to comprise of at least three directors, all of whom are non-executive and the majority of whom, including the AC Chairman, are independent, after the retirement of Dr. Wang Kai Yuen.

Company's Response

The Nominating Committee is in the process of identifying suitable candidates to be appointed as Board Chairman and Audit Committee Chairman. The Company will comply with the Provision 2.2, Provision 3.3 and Provision 10.2.

The Company will make the appropriate announcement in due course.

By Order of the Board

Dato' Dr. Ong Bee Huat
Executive Deputy Chairman and Group Chief Executive Officer
25 April 2024