



RESPONSE TO SGX-ST QUERIES IN RELATION TO THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

The Board of Directors (the “Board”) of Sin Ghee Huat Corporation Ltd (the “Company”) and its subsidiaries (together the “Group”) refers to our annual report for the financial year ended 30 June 2020 (the “2020 Annual Report”), and would like to provide the following additional information in respond to the queries raised by SGX-ST on 27 October 2020.

SGX-ST Query 1

Listing Rule 1207(10C) states that the annual report must contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including audit committee's comment on whether the internal audit function is independent, effective and adequately resourced. Please clarify whether and how Listing Rule 1207(10C) has been complied with.

In page 27 of our 2020 Annual Report, it was stated, *inter alia*, that internal audit function was outsourced to Baker Tilly Consultancy (Singapore) Pte Ltd (“Baker Tilly”), an external professional firm and the Audit Committee (“AC”) assesses periodically the adequacy of internal control function in terms of resources needed.

Baker Tilly is the Singapore member firm of the international accounting network, ranked as one of the Top-10 network of professional services firms in Singapore and globally.

Currently, Baker Tilly services a portfolio of internal audit clients which includes companies listed on the SGX-ST. The industries of its internal audit clients are diverse and include distribution, manufacturing, services, food & beverage, trading, retail and property development.

The engagement team is staffed by qualified professionals who possess relevant professional designations such as Chartered Accountant of Singapore and Certified Internal Auditor. All Baker Tilly personnel, including the engagement team, must adhere to strict regulatory, professional and internal independence requirements relating to investments or business relationships with clients. All partners and staff must annually declare their adherence to independence rules and there have been no instances of non-compliance reported.

Accordingly, the AC confirms that the internal audit function is independent, effective and adequately resourced.

SGX-ST Query 2

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.” (emphasis added)**

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 8.1 of the Code with regard to the disclosure of the amounts of remuneration of each individual director and the CEO.

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.

The Company wishes to refer to page 22 of the 2020 Annual Report which stated that *“in view of the confidentiality and sensitivity on remuneration matters, such disclosure would not be in the best commercial interest of the Company.”*

The Company believes that such disclosure may result in prejudice to its business interests given the highly competitive environment the Company operates in. The Company has instead disclosed on pages 21 and 22 of the 2020 Annual Report the breakdown showing the level and mix of the remuneration of each individual Director and the key management personnel into types of compensation in percentage terms and in bands of S\$250,000. The Company has also given disclosure on its remuneration policies and procedure for setting remuneration on pages 20 and 21 of the 2020 Annual Report.

The Board therefore believes that, taken as a whole, the disclosures provided are meaningful and sufficiently transparent in giving an understanding of the remuneration of its Directors and employees, the Company’s remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation. Based on the above, the Board is of the view that its practices are consistent with the intent of Principle 8 of the Code.

By Order of the Board

Kua Ghim Siong
Chief Executive Officer
Sin Ghee Huat Corporation Ltd.

29 October 2020