

RESPONSE TO SGX QUERIES::

Issuer & Securities

Issuer/ Manager

HONG LEONG ASIA LTD.

Securities

HONG LEONG ASIA LTD. - SG1F76860344 - H22

Stapled Security

No

Announcement Details

Announcement Title

Response to SGX Queries

Date & Time of Broadcast

12-Jun-2020 20:03:45

Status

New

Supplementary Title

On Annual Reports

Announcement Reference

SG200612OTHRVCTU

Submitted By (Co./ Ind. Name)

Ng Siew Ping, Jaslin

Designation

Company Secretary

Description (Please provide a detailed description of the change in the box below)

Please refer to the attached announcement on the response to SGX-ST's queries regarding the Company's Annual Report issued on 27 May 2020.

Attachments

[Announcement%20SGXqueries-AR%202019%202020-06-12%20cln%20v3.pdf](#)

Total size =152K MB

HONG LEONG ASIA LTD. (Co. Reg. No. 196300306G)

RESPONSE TO SGX-ST'S QUERIES REGARDING THE COMPANY'S ANNUAL REPORT ISSUED ON 27 MAY 2020

In response to the queries raised by Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 10 June 2020, the Board of Directors of Hong Leong Asia Ltd. (the “**Company**”) wishes to clarify as follows:

SGX-ST's Query (a)

In FY2018, the Company had pursuant to a renounceable non-underwritten rights issue raised net proceeds of \$201.1 million. We note that the Company had announced on 13 March 2020 that \$42.9 million of the net proceeds had been utilized in accordance with the intended uses as stated in the Offer Information Statement dated 3 October 2018.

We refer you to the announcement made by the Company on 13 March 2020. Please provide a breakdown for the utilization of the proceeds on “General corporate purposes or making strategic investments and/or acquisitions”.

Company's Response

The Company had in its announcement on 13 March 2020 explained that from the amount of approximately S\$42.9 million of the net proceeds utilised, an amount of S\$13.3 million was utilised under the category “General corporate purposes or making strategic investments and/or acquisitions”. This amount of S\$13.3 million was applied entirely to the acquisition of assets relating to the Group's quarry operations, as set out in Note (3) of the 13 March 2020 announcement.

Other than as disclosed above, we confirm that there was no other usage for the above amount of S\$13.3 million utilised under the category “General corporate purposes or making strategic investments and/or acquisitions”.

SGX-ST's Query (b)

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 the Company had not complied with Provisions 8.1 of the Code with regards to the disclosure of remuneration. 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

Please refer to pages 31 and 32 of the Company's Annual Report for the financial year ended 31 December ("FY") 2019 ("AR 2019") where both the Board fee structure and a breakdown of the aggregate Directors' Fees received by each Director including the Executive Chairman and the Chief Executive Officer ("CEO"), who is also a Director, for FY 2019 were disclosed. The Executive Chairman and the CEO are also identified as the Company's key management personnel ("KMP").

In relation to the remuneration of the top five KMP (who are not Directors or the CEO), the Company had disclosed on page 32 of the AR 2019 that the Board does not believe it to be in the interest of the Company to disclose the FY 2019 remuneration of its former Chief Financial Officer, Ms Leong Sook Han, who was identified as the Company's only KMP who is not a Director, having regard to the highly competitive human resource environment. To clarify, in a competitive environment which seeks experience and talent, the loss of senior management talent through poaching would make it difficult for the Company to nurture sustainable talents and ensure a smooth continuity of leadership to achieve the Company's strategic objectives.

Based on the Remuneration Framework set out on pages 30 and 31 of AR 2019, the compensation packages for the KMP comprise a fixed component (in the form of a base salary, annual wage supplement, and where applicable, allowances determined by the Company's Human Resource policies), a variable component (comprising short-term incentives in the form of mid-year and year-end variable bonuses, and special bonus, and long-term incentives in the form of the grant of share options subject to a vesting schedule) and benefits-in-kind, where applicable. The determination of the quantum of the variable components takes into account amongst other factors, the KMP's performance, the Group's performance, the business unit's performance and industry practices. The Company exercises broad discretion and independent judgment in ensuring that the amount and mix of compensation are aligned with the interests of its shareholders and promote the long-term success of the Company.

The mix of fix and variable rewards is considered appropriate for the Group and for each individual role. The overall level of remuneration is not considered to be at a level which is likely to promote behaviour contrary to the Group's risk profile. The compensation structure is directly linked to corporate and individual performance, both in terms of financial and non-financial metrics and the creation of shareholder value. KMPs, who have a greater ability to influence the Group's outcomes, would have a greater proportion of their remuneration comprising the variable component that is directly linked to corporate and individual performance.

The Company currently has in place a long-term incentive scheme, which is the Share Option Scheme ("SOS"). Share options are generally granted only upon the achievement of certain performance targets and/or to reward and motivate employees. The SOS was put in place to increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate key good employees to achieve superior performance and to motivate them to continue to strive to increase the Group's long-term shareholder value. It

also aims to strengthen the Group's competitiveness in attracting and retaining talented key management employees.

As further clarified above, the Company is of the view that its practices are consistent with the intent of Principle 8 of the Code as a whole.

By Order of the Board
HONG LEONG ASIA LTD.

Ng Siew Ping, Jaslin
Yeo Swee Gim, Joanne
Company Secretaries

12 June 2020
Singapore