



**CITICODE LTD.**

(Incorporated in the Republic of Singapore)  
(Company Registration Number 200404283C)

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**RESPONSE TO SGX QUERIES IN RELATION TO THE ANNUAL REPORT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

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The Board of Directors (the “**Board**”) of Citicod Ltd. (the “**Company**”) refers to the queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 8 June 2020 relating to the Company’s announcement released on 14 April 2020 regarding the Company’s Annual Report for the financial year ended 31 December 2019 (the “**FY2019 AR**”).

The Company wishes to provide its response to the query raised by SGX-ST:

**SGX-ST’S QUERY 1**

*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 Provision 8.1 of the Code with regards to the disclosure of remuneration, and there were no explanations on how that is consistent with the intent of Principle 8 of the Code. 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**

In respect of disclosures on remuneration, the Company has disclosed the following details on Page 43 of the FY2019 AR:

- (a) the remuneration of each individual director and the chief executive officer (“**CEO**”) in bands of S\$30,000 (instead of the exact amount of remuneration as stated in Provision 8.1 of the Code);
- (b) the remuneration of key management personnel in bands of S\$110,000 (which is narrower than S\$250,000 as stated in Provision 8.1 of the Code); and
- (c) the breakdown of the remuneration of each individual director, the CEO and key management personnel into 4 components comprising (i) salary, (ii) bonus, (iii) fees, and (iv) allowances and other benefits in kind.

The Company has also provided an explanation for its variation from Provision 8.1 of the Code on page 42 of the FY2019 AR. The extract of the relevant portion of the Company's Corporate Governance Report for FY2019 is as follows:

*"The Company continues to manage its trading business, implement business diversification plans, and is evaluating key acquisition strategies and other strategic collaboration opportunities as part of its corporate transformation plans (the "Strategic Plans"). Given so, the Company is and will remain as an investment management and holding company under the Strategic Plans, which the Company sees human capital a key factor in giving it a competitive advantage. Therefore, disclosure of details in excess of the below details may be detrimental to its business interests having regard to the highly competitive human resource environment. The Company strongly believes that it is of strategic importance now to assemble and build a strong and stable management team, which may include (i) reorganisation of certain job functions for improving work efficiencies and (ii) potentially recruiting new corporate positions in line with the Strategic Plans. As such, remuneration matters are commercially sensitive."*

In respect of the disclosures 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 has already disclosed the details in **Provisions 7.1, 7.3 and 8.3** (Page 40, 41, 43 and 44 of the FY2019 AR) under the relevant headings of "**Remuneration policy**", "**Form of remuneration and other payments and benefits**", "**Relationship between remuneration, performance and value creation**". In addition, the Company has further disclosed in Provision 8.3 (Pages 45 to 47 of the FY2019 AR) its "**Performance Shares Scheme**" and "**Employee Share Option Scheme**" which the Company has adopted as long-term incentive schemes.

The Company has also provided additional information in the foot note to the "Level and Mix of Remuneration" table on Page 43 of the FY2019 AR, stating that as part of the financial support to the Company, the Executive Chairman and CEO, being a substantial Shareholder of the Company, has voluntarily offered to defer his pay during the financial year under review aside from providing a total interest-free loans and advances to the Company.

In view of the aforementioned reasons, the Board is of the view that the current disclosure of remuneration of each individual director and the CEO is not prejudicial to the interests of shareholders and believes that the disclosure in the Company's Corporate Governance Report for FY2019 is consistent with the intent of Principle 8 of the Code as the level of remuneration has been disclosed in bands and the mix of remuneration has been disclosed in percentage terms with explanatory notes to deviation. In addition, the relevant disclosure is consistent with the intent of Principle 7 of the Code as well.

#### **SGX-ST'S QUERY 2**

*Listing Rule 1207(10C) requires the Audit Committee's ("AC") comments on whether the internal audit function is independent, effective and adequately resourced. Please also provide information on whether the head of the internal audit function team has the relevant experience and qualifications. Where the internal audit function is outsourced, please provide information on the relevant experience of accounting firm and the engagement team.*

#### **COMPANY'S RESPONSE**

The Company has already disclosed on Page 54 of the FY2019 AR that:

*"In respect of the financial year under review, the AC is satisfied of the independence of the internal auditors and that the internal audit function is independent, effective, adequately resourced and has the appropriate standing within the Group".*

As disclosed on page 48 of the FY2019 AR, the Company has outsourced its internal audit function to Yang Lee & Associates. Yang Lee & Associates, the outsourced internal auditor, is a professional service firm that specialises in the provision of Internal Audit, Enterprise Risk Management and Sustainability Reporting advisory services. The firm was set up in the year 2005 and currently maintains an outsourced internal audit portfolio of more than 25 SGX-ST listed companies in distribution, manufacturing, services, food & beverage, retail and property development industries.

The engagement team for the internal audit function comprises two directors, a manager and supported by an associate. Each of the two directors has more than 20 years of relevant experience whilst the manager has approximately 10 years of relevant experience.

BY ORDER OF THE BOARD

Teh Wing Kwan  
Executive Chairman and  
Chief Executive Officer  
9 June 2020