



NAM CHEONG LIMITED  
(Incorporated in Bermuda)  
(Company Registration Number 25458)

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**RESPONSE TO SGX-ST QUERIES IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (“FY2019”)**

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The Board of Directors (the “**Board**”) of Nam Cheong Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) refers to the queries from Singapore Exchange Securities Trading Limited (SGX-ST) on 5 June 2020 in relation to the Company’s Annual Report for FY2019 as follows:

**Question 1**

Listing Rule 1207(10c) provides that the annual report must contain the audit committee’s comment on whether the internal audit function is independent, effective and adequately resourced.

We note that the Company has complied with Listing Rule 1207(10c). In addition, please provide information on the relevant experience of Axcelasia Columbus and the engagement team engaged for the Company’s internal audit function.

**Reply:**

The Group’s internal audit function is outsourced to a professional services firm, Axcelasia Columbus Sdn Bhd, now known as Tricor Axcelasia Sdn Bhd (“Tricor Axcelasia”). Tricor Axcelasia is an integrated professional services group providing tax advisory, business consulting, enterprise management system applications and business process outsourcing services to public listed companies, private companies, multinational corporations and government linked entities.

Mr Derek Lee Siew Weng is a Senior Executive Director with Tricor Axcelasia who has diverse professional experience in internal audits, risk management and corporate governance advisory. He is a Chartered Member of the Institute of Internal Auditors Malaysia, a Certified Internal Auditors (USA) and has a Certification in Risk Management Assurance (USA). Mr Derek has led and completed advisory assignments at more than 100 organisations that operating in various industries such as financial institution, manufacturing, oil & gas, automotive, offshore supply industry, power & energy, property development, construction, leisure & hospitality, services, etc.

The staff involved in the internal audit reviews of the Group possess professional qualification and/or university degrees. Most of them are members of the Institute of Internal Auditors Malaysia. The internal audit staff on the engagement team are free from any relationships or conflicts of interest with the Group, which could impair their objectivity and independence.

**Question 2**

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the “**Code**”), the provision from which it has varied, an explanation for the variation and an explanation on how the practices it had adopted are consistent with the intent of the relevant principle.

- i) Please disclose how the Company has deviated from Provision 2.4, and in particular, the required disclosure on **board diversity policy and progress made towards implementing the board diversity policy, including objectives.**
- ii) We note that the Company had not complied with Provision 8.1 of the Code with regards to the upper limits for the high remuneration bands of its key management personnel, and there were no explanations were provided for in your FY2019 annual report on how it is **consistent with the intent of Principle 8** of the Code.

We note that the Company had not complied with Provision 8.2 of the Code with regards to the disclosure of names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company and whose remuneration exceeded S\$100,000 during the year.

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.**

### **Reply 2 (i)**

The Company had disclosed the following in Pages 27 and 28 of the Annual Report:

- Directors of the Company are all of high calibre members with wealth of experiences in the Company's business segment. They bring a wide range of invaluable experiences, skills, knowledge, extensive business network and expertise in specialised fields, including but not limited to admiralty matters, shipbuilding and vessel chartering, strategic planning, audit management, taxation, mergers and acquisitions, corporate finance and restructuring, accounting, financing, marketing and business development and legal. The size, composition, range of experience and the varied expertise of current Board members allow discussions on policy, strategy and performance to be critical, informed and effective.
- The Board and Nominating Committee (NC) are of the view that the current composition of the Board encompasses an appropriate balance and diversity of skills, experience, knowledge and competencies such as accounting, finance, legal, information, business or management experience, industry knowledge and strategic planning experience.
- The Board is of the view that the current size of the Board is appropriate for nature of the Group's business and scope of its operation.
- The Board has a healthy proportion of independent directors, where independent directors comprising half the Board. It ensures that there is effective representation to its shareholders and issues of strategy, performance and resources are fully disclosed and examined to take into account the long-term interests of the shareholders, employees, customers, suppliers and the industries in which the Group conducts its business. To facilitate a more effective check on the Management, the Independent Directors also meet on a need-be basis without the presence of the Management.

In view of the foregoing, while the Company has not adopted a formal board diversity policy, the Board and NC are of the view that its current composition of the Board has the appropriate level of independence and diversity of skills, experience, knowledge and competencies such as accounting, finance, legal, information, business or management experience, industry knowledge and strategic planning experience to enable it to make decisions in the best interests of the Company, consistent with the intent of Principle 2 of the Code.

## **Reply 2 (ii)**

The Company had disclosed in Page 36 of the Annual Report that save for the Executive Chairman, Tan Sri Datuk Tiong Su Kouk (who is also a substantial shareholder of the Company), Mr Tiong Chiong Soon (Joseph) and Mr Leong Juin Zer, Jonathan, there is no other employees of the Company who are the immediate family of any Director or the CEO of the Company, whose remuneration exceed S\$100,000 for FY2019. Mr Tiong Chiong Soon (Joseph) is the son of Tan Sri Datuk Tiong Su Kouk, the Executive Chairman, the brother of Mr Tiong Chiong Hiiung, the Executive Vice Chairman cum Finance Director, and the brother-in-law of Mr Leong Seng Keat, the CEO. Mr Leong Juin Zer, Jonathan is the grandson of Tan Sri Datuk Tiong Su Kouk, the Executive Chairman, the nephew of Mr Tiong Chiong Hiiung, the Executive Vice Chairman cum Finance Director, and the son of Mr Leong Seng Keat, the CEO.

In Pages 35 and 36 of the Annual Report, it was also disclosed that the Remuneration Committee (RC) ensures the remuneration paid to the CEO, Directors, and key management personnel are clearly linked to the achievement of their individual performance targets. The performance targets, as determined by the RC, are meant to motivate a high degree of business performance, while the remuneration remains at a practical level. The individual performance target is aligned to the overall strategic, financial, and operational goals of the Group, ensuring that the Group and its people grow together. The performance target, while differs individually, is based on the same criteria. Actual performance is measured against pre-agreed performance targets, which includes financial and non-financial performance indicators and all other actions and performances that support the Group's long-term financial soundness, risk management framework, internal controls to safeguard the shareholders' interests and the Group's assets.

BY ORDER OF THE BOARD  
NAM CHEONG LIMITED

Tan Sri Datuk Tiong Su Kouk  
Executive Chairman

9 June 2020