



SHENG SIONG GROUP LTD.
(Company Registration Number: 201023989Z)
(Incorporated in the Republic of Singapore)
(the "Company")

**RESPONSE TO SGX QUERIES ON THE COMPANY'S ANNUAL REPORT FOR THE
FINANCIAL YEAR ENDED 31 DECEMBER 2022**

The Board of Directors ("**Board**") of Sheng Siong Group Ltd. ("**Company**") refers to its announcement released on 6 April 2023 in relation to the Annual Report for the financial year ended 31 December 2022 ("**FY2022 Annual Report**"). The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 8 June 2023 ("**SGX Query**") as follows:

SGX Query 1:

Listing Rule 710 requires issuers to explicitly state, when varying from any provisions prescribed in the Code of Corporate Governance 2018 (the "**Code**"), to explain the reason for variation, and explain how the practices it has adopted are consistent with the intent of the relevant principle. In this regard:

Provision 2.2 of the Code states that:

"Independent directors make up a majority of the Board where the Chairman is not independent."

Provision 2.3 of the Code states that:

"Non-executive directors make up a majority of the Board."

With reference to page 32 of the annual report for FY2022, we note that the Company has not complied with Provision 2.2 of the Code as independent directors do not make up a majority of the Board where your Chairman is not independent. It also has not complied with Provision 2.3 of the Code.

As such, please explicitly state the provision(s) it has deviated from and the reason(s) for the deviation. Please also explain and explicitly state how the practices it had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

Company's Response to SGX Query 1:

Provisions 2.2 and 2.3 of the Code provide that independent directors make up a majority of the Board where the Chairman is not independent and non-executive directors make up a majority of the Board, respectively.

As disclosed on page 32 of the FY2022 Annual Report, the Board currently comprises ten (10) Directors, five (5) of whom are non-executive and independent. The Executive Chairman, Mr. Lim Hock Eng, is not considered independent, and the Independent Directors and the Non-Executive Directors each do not make up a majority of the Board. The reasons for deviation from Provisions 2.2 and 2.3 of the Code have been disclosed on page 32 of the FY2022 Annual Report as follows:

“While the Chairman is part of the management team and a sibling of the CEO, the Board is of the opinion that based on the Group’s current size and operations, it is not necessary to have Independent Directors and Non-Executive Directors make up a majority of the Board at present. As the Independent Directors and Non-Executive Directors make up half of the Board, the Board is able to exercise objective judgement through constructive dialogue and no individual or group of individuals dominate the Board’s decision-making process. The Group has appointed Mr. Chee Teck Kwong Patrick as Lead Independent Director, who avails himself to shareholders when they have concerns which contact through the normal channels fails to resolve or for which such contact is inappropriate or inadequate. The Independent Directors and/or Non-Executive Directors play an important role in ensuring that the strategies and/ or plans proposed by Management are constructively challenged, fully discussed and examined, and take into account the long-term interests of not only the shareholders, but also that of other stakeholders such as the employees, customers and suppliers of the Group. Our Independent Directors and/or Non-Executive Directors participate actively in discussions, reviewing and assessing Management’s performance. They, led by the Lead Independent Director also meet regularly without the presence of Management to discuss the affairs of the Group and will provide feedback to the Executive Chairman after such meetings, as appropriate. As disclosed earlier, where a potential conflict of interest arises, the Director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.”

The Company has on pages 32 and 34 of the FY2022 Annual Report also disclosed that in view of the fact that the Executive Chairman, Mr. Lim Hock Eng, is not independent, the Board has put in place a Lead Independent Director, Mr. Chee Tech Kwong Patrick, to co-ordinate and to lead the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the main liaison on Board issues between the Independent Directors and the Executive Chairman. He is available to shareholders should they have concerns which contact through the normal channels of communication with the Chairman or the Management has failed to resolve or for which such contact is inappropriate or inadequate.

As a Group, the Directors bring with them a broad range of relevant industry knowledge, expertise and experience in areas such as accounting, finance, business, legal, food safety, real estate and management. The size and composition of the Board are reviewed by the NC on an annual basis to ensure that the Board has the appropriate balance, a mix of expertise and experience and collectively possesses the necessary skill sets and core competencies for effective decision-making. The experience and skill of the Directors are further described on pages 18 to 22. For FY2022, the NC had reviewed and is of the opinion that the current size of 10 Directors for the Board composition is appropriate, considering the nature and scope of the Group’s operations. The current Board composition represents a well-balanced mix of skills, experience, expertise and knowledge of the Group to facilitate effective decision-making.

The Company has on page 29 of the FY2022 Annual Report also disclosed that the Company has adopted a “Conflict of Interests Policy” to protect the Group’s integrity and decision-making process to give its stakeholders confidence in the Group’s business ethics, integrity, intentions and actions. Where conflicts of interest arise, the Board will ensure that the Listing Rules of the Singapore Exchange Securities Trading Limited (“SGX-ST”) governing Interested Person Transactions and the Accounting Standard on the disclosure of related person transactions are adhered to. Where a potential conflict of interest arises, the Director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board. In addition, the Directors would abstain from voting and decision involving the issues of conflict.

The Board is of the view that the Board has an appropriate level of independence and that the size of the Board is appropriate. The Board comprises Directors who as a group have an appropriate balance and mix of skills, knowledge, experience, and diversity of background and thought, so as to foster robust and constructive debate.

SGX Query 2:

We refer to Note 15 of the financial statements at page 101 of the annual report. Please disclose the breakdown of the Group's (i) other payables of S\$7,410,000, (ii) deposits received of S\$1,441,000, and (iii) accrued expenses of S\$55,261,000 as at 31 December 2022. For other payables, please disclose the aging and nature of these other payables and whether the counterparties are related parties.

Company's Response to SGX Query 2:

(i) Other payables

	FY2022 S\$'000	FY2021 S\$'000
Non-trade creditors	5,013	3,217
Amounts due to related parties	-	94
Amounts collected on behalf of Singapore Pools	446	140
Deferred revenue	1,078	979
Security deposits from suppliers	659	622
Others	214	198
	<u>7,410</u>	<u>5,250</u>

Non-trade creditors are mainly those liabilities arising from repair and maintenance expenses, renovation costs, advertising and promotion expenses, and utility expenses. This balance, together with amounts due to related parties, and amounts collected on behalf of Singapore Pools are payable within the next twelve months.

(ii) Deposits received

	FY2022 S\$'000	FY2021 S\$'000
Tenants deposits	691	491
Customer deposits	750	658
	<u>1,441</u>	<u>1,149</u>

Included in the tenants' deposit of S\$691,000 (31.12.21: S\$491,000) are security deposits of S\$198,000 (31.12.21: S\$113,000) from related parties.

(iii) Accrued expenses

	FY2022 S\$'000	FY2021 S\$'000
Accrued expenses	881	809
Accrued salaries/CPF	10,065	8,661
Accrued bonuses	44,315	61,225
	<u>55,261</u>	<u>70,695</u>

By Order of the Board

Lim Hock Chee
Chief Executive Officer

12 June 2023