

KHONG GUAN LIMITED

(Company Regn. No. 196000096G)

RESPONSE TO SGX-ST QUERIES ON THE ANNUAL REPORT 2017

The Board of Directors of Khong Guan Limited (the "Company") in response to the queries raised by Singapore Exchange Securities Trading Limited ("SGX-ST") on 26 December 2017 wish to provide the information as follows:

SGX Query 1:

Please explain the reasons for the material discrepancy of FY2017 total comprehensive income between the preliminary final results and the Consolidated Statement of Comprehensive Income in the Annual Report.

The Company's Response:

The preliminary final results and the consolidated statement of comprehensive income in the audited report varied mainly because of the recognition of share of results of associates, net of tax from \$1,797,000 to \$1,839,000. This was caused by late audit adjustment of an associate and the difference was \$42,000.

SGX Query 2:

Please make disclosures as recommended in the Code of Corporate Governance 2012 (the "Code") or otherwise explain the reasons for the deviations from the following Code guideline:-

- (i) Guideline 11.3 of the Code states that the Board should comment on the **adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems**, in the company's Annual Report. The Board's commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems.

The Company's Response:

Kindly note that on Page 19 of our Annual Report, it was stated in Principle 13 that "The Board with the concurrence of the AC is of the opinion that the Company's internal control system for financial, operational and compliance risks, and its risk management systems are adequate and effect in meeting the current needs of the Group's business operations."

SQX Query 3:

The Board should also comment in the company's Annual Report on whether it has received assurance from the CEO and the CFO:

- (a) that the financial records have been **properly maintained** and the financial statements give a **true and fair view of the company's operations and finances**; and
- (b) regarding the **effectiveness of the company's risk management and internal control systems**.

The Company's Response :

The Company has disclosed under Principle 10 in page 16 of the Annual Report that the Company has received assurance from the Chairman and the Managing Director on the integrity of the financial statements. Mr Chew Soo Lin, who is the Chairman of the Company as well as finance director oversees the CFO position.

The Board has received assurance from Mr Chew Soo Eng, Managing Director and Mr Chew Soo Lin, Chairman for the financial year 2017:

- (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and
- (b) that the Company's risk management and internal control systems are in place and effective.

By Order of the Board
Koe Eng Chuan
Company Secretary
28 December 2017