

KHONG GUAN LIMITED

(Formerly known as Khong Guan Flour Milling Limited)
(Company Regn No. 196000096G)

RESPONSE TO SGX-ST'S QUERIES ON THE ANNUAL REPORT 2016

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 30 November 2016 wish to provide the information as follows:

SGX Query 1:

Guideline 9.4 of the Code of Corporate Governance 2012 (the "Code") states, *inter alia*, that for transparency, the annual remuneration report should disclose the details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year. This will be done on a named basis with **clear indication** of the **employee's relationship** with the relevant director or the CEO. Please make disclosure as recommended in the Code or otherwise provide an explanation for the deviation.

The Company's Response:

The remuneration of an employee who is the son of Mr Chew Soo Eng and whose remuneration ranged between \$100,001 to \$150,000 for the financial year 2016 had been disclosed on page 14 of the annual report.

SGX Query 2:

Please make disclosures as recommended in the Code or otherwise explain the reasons for the deviations from the following Code guideline:-

- a. Guideline 11.3 of the Code states, *inter alia*, that 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 15 of the annual report that the Company has received assurance from 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 Company's risk management and internal control systems are in place and effective.

The Board has received assurance from Mr Chew Soo Eng, Managing Director and Mr Chew Soo Lin, Finance Director for the financial year 2016:

- (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
1 December 2016