NGSC LIMITED
Company Registration No.196400100R

RESPONSES TO SGX QUERIES ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020 ("ANNUAL REPORT 2020")

The Board of Directors of NGSC Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to inform shareholders that the Company has on 26 June 2020 ("**Date of Query**") received the following queries from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") regarding the Annual Report 2020 and sets out its response as follows:

SGX Query 1:

We refer to page 21 of the Company's annual report ("Annual Report") for the financial year ended 31 March 2020 ("FY2020"), which provides that: "Mr Chew Chin Wee chairs this Committee. The AC met at least four times in the financial year under review."

(a) Please provide the names of the AC members who have "met at least four times in the financial year under review."

(b) In respect of the Company's disclosures at pages 21 to 23 of the Annual Report, please provide the names of the AC members being referred to as the "AC".

Company's response:

(a) 6 June 2019 AC Meeting – Mr Ng Hsian Pin and Mr Edward Fu Shu Sheen

14 August 2019 AC Meeting – Mr Ng Hsian Pin and Mr Edward Fu Shu Sheen

13 November 2019 AC Meeting – Mr Ng Hsian Pin, Mr Edward Fu Shu Sheen and Mr Chew Chin Wee*

13 February 2020 AC Meeting – Mr Ng Hsian Pin, Mr Edward Fu Shu Sheen and Mr Chew Chin Wee

*Mr Chew Chin Wee was appointed on 15 October 2019.

(b) The following was stated in page 21 of the Annual Report:

The AC as at the date of this report comprises three Independent Directors. They are:-

Mr. Chew Chin Wee	(Chairman, Independent Director)
Mr. Ong Tiang Lock	(Member, Lead Independent Director)
Mr. Miao Ming Feng	(Member, Independent Director)

SGX Query 2:

We refer to the audited "Consolidated Statement of Profit or Loss and Other Comprehensive Income" and "Statement of Financial Position" at pages 45 to 48 of the Annual Report, as well as the Company's announcement dated 15 June 2020 on the discrepancies between its unaudited and audited financial statements for FY2020. Please provide an explanation for the material differences in the amounts of the following items as compared to the unaudited financial results announcement of the Company for FY2020:

(a) Other income of S$21,550,000 as compared to S$3,335,000;

(b) Profit before tax of S$19,715,000 as compared to S$1,502,000;

(c) Total comprehensive income of S$20,208,000 as compared to S$1,995,000;

(d) Non-current assets of S$22,976,000 as compared to S$4,523,000; and

(e) Accumulated losses of S$(108,463,000) as compared to S$(126,676,000).

Company's response:

(a) The material difference is due to an audit adjustment arising from the impairment test performed on the Investment in Joint Venture. A reversal of investment loss on investment in joint venture of S$18,215,000 was recognised in the current financial year to its recoverable amount of S$22,736,450. The Company has already made an announcement on clarification of material misstatement between its unaudited and audited financial statements for FY2020 on 15 June 2020.

(b) The material differences are due to audit adjustments arising from (i) reversal of investment loss on investment in joint venture of S$18,215,000 and (ii) adoption of SFRS(I) 16 on 1 April 2019 resulting in an increase in expenses of S$2,000. The Company has already made an announcement on clarification of material misstatement between its unaudited and audited financial statements for FY2020 on 15 June 2020.

(c) The material differences are due to audit adjustments arising from (i) reversal of investment loss on investment in joint venture of S$18,215,000 and (ii) adoption of SFRS(I) 16 on 1 April 2019 resulting in an increase in expenses of S$2,000. The Company has already made an announcement on clarification of material misstatement between its unaudited and audited financial statements for FY2020 on 15 June 2020.

(d) The material differences are due to audit adjustments arising from (i) reversal of investment loss on investment in joint venture of S$18,215,000 and (ii) adoption of SFRS(I) 16 on 1 April 2019 resulting in an increase in Property, Plant and Equipment amounting to S$238,000. This resulted in the (i) increase in the carrying value of the Investment in Joint Venture and (ii) increase in the carrying value of the Property, Plant and Equipment. The Company has already made an announcement on clarification of material misstatement between its unaudited and audited financial statements for FY2020 on 15 June 2020.

(e) The material differences are due to audit adjustments arising from (i) reversal of investment loss on investment in joint venture of S$18,215,000 and (ii) adoption of SFRS(I) 16 on 1 April 2019 resulting in an increase in expenses of S$2,000. The Company has already made an announcement on clarification of material misstatement between its unaudited and audited financial statements for FY2020 on 15 June 2020.

SGX Query 3:

With reference to the audited "Consolidated Statement of Cash Flows" at pages 49 and 50 of the Annual Report, please provide an explanation for the material difference in the amounts of the following items, as compared to the unaudited financial results announcement of the Company for FY2020:

(a) The operating cash flows before changes in working capital of S$(5,696,000) as compared to S$(3,541,000);

(b) The net cash used in operating activities of approximately S$(658,000) as compared to the amount of S$(4,521,000);

(c) The net cash generated from investing activities of approximately S$281,000 as compared to the amount of S$3,323,000; and

(d) The net cash generated from financing activities of S$(821,000) as compared to a zero amount.

Company's response:

(a) The difference is due to the reversal of impairment loss in joint venture of S$ 18,215,000, interest arising from the lease liability of S$4,000 and increase in depreciation of property, plant equipment from S$ 2,000 to S$ 89,000 due to the adoption of SFRS(I) 16. The reversal of impairment and the adoption of the SFRS(I) 16 has been announced by the Company on 15 June 2020 on clarification of material misstatement between its unaudited and audited financial statements for FY2020.

(b) The difference is due to the reclassification audit adjustments of other receivables, deposits and prepayment and other payables and accruals by auditor for consistent presentation as compared to the presentation in FY2019.

(c) The difference is due to the proceeds arising from the disposal of subsidiaries, net of cash disposed of had not been presented in the investing activity.

(d) The difference is due to the reclassification audit adjustments of other payables and accruals arising from the disposal of subsidiaries including the audit adjustment for the repayment of the principal portion of lease liabilities arising from the adoption of SFRS(I) 16.

SGX Query 4:

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:

(a) Provision 2.2 of the Code states that:

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

With reference to page 11 of the Annual Report, we note that the Company has provided that:

"As at the date of this report, the Board had three Independent Directors. The Board is aware of the requirement that Independent directors shall make up a majority of the Board where the Chairman is not independent. As currently, there is no Chairman of the Board appointed, there is no deviation from this provision. Nevertheless, the NC and the Board will keep this matter under regular review, and will make such changes as are necessary to further enhance the standard of corporate governance."

Please explain how the Company has complied with Provision 2.2 of the Code on the basis that "there is no Chairman of the Board appointed".

If the Company has not complied with Provision 2.2 of the Code, please explain its reason(s) for varying from Provision 2.2 of the Code. Please also explain and explicitly state whether the practices it has 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:

The composition of the Board as on the Date of Query are as follows:

Mr. Michael Kuan-Chi Sun	(Executive Director)
Mdm Sri Tjintawati Hartanto	(Non-Executive Non-Independent Director)
Mdm Wang Xiao Zheng	(Non-Executive Non-Independent Director)
Mr. Ong Tiang Lock	(Lead Independent Director)
Mr. Chew Chin Wee	(Independent Director)
Mr. Miao Ming Feng	(Independent Director)

As on the Date of Query, Independent Directors constitute half of the Board and Non-Executive Directors constitute majority of the Board. The Company is currently contemplating to appoint an Independent Director as Chairman of the Board and when appointed, does not require independent directors to be majority of the Board and will be in compliance of Provision 2.2 of the Code.

SGX Query 5:

Provision 2.4 of the Code states that:

"The Board and Board Committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report."

With reference to page 11 of the Annual Report, the Company has provided that:

"While the Board and NC have not implemented a fixed diversity policy, the composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has appropriate mix of expertise and experience to enable management to benefit from a diverse perspective in reviewing the issues that are brought before the Board."

Please explain whether and if so, how the Company has complied with Provision 2.4 of the Code.

If the Company has not complied with Provision 2.4 of the Code, please explain its reason(s) for varying from Provision 2.4 of the Code. Please also explain and explicitly state whether the practices it has adopted are consistent with the intent of Principle 2 of the Code.

Company's response:

The composition of the Board as on the Date of Query are as follows:

Mr. Michael Kuan-Chi Sun	(Executive Director)
Mdm Sri Tjintawati Hartanto	(Non-Executive Non-Independent Director)
Mdm Wang Xiao Zheng	(Non-Executive Non-Independent Director)
Mr. Ong Tiang Lock	(Lead Independent Director)
Mr. Chew Chin Wee	(Independent Director)
Mr. Miao Ming Feng	(Independent Director)

The Board as on the Date of Query has 6 Directors of which 3 Directors (50%) are independent directors. Whilst the Company has not implemented a fixed diversity policy, the Company is cognisant of the need for board diversity to provide the appropriate mix balance and mix of skills, knowledge and experience to facilitate effective decision making and constructive debate, and has refreshed the Board with new independent directors with an eye on and to increase board diversity, taking into account constantly evolving business and industry conditions.

In this regard, the Company has stated, in page 11 of the Annual Report 2020, that the nominating committee is of the view that no individual or small group of individuals dominates the Board's decision making processes and that the composition of the Board is reviewed on an annual basis by the nominating committee to ensure that the Board has appropriate mix of expertise and experience to enable management to benefit from a diverse perspective in reviewing the issues that are brought before the Board. Further, the current independent directors have varied qualifications and expertise in the areas of finance, accounting, business management and industry knowledge, with varying age profiles.

In light of the diversified background, experience and professional qualifications of the independent directors and taking into consideration the nature and scale of the Group's business as well as the constantly evolving nature of business and industry conditions, the Board and the nominating committee are of the view that the current Board composition is sufficiently diverse to facilitate effective decision making and constructive debate and avoid groupthink and the Company's practices are consistent with the intent of Principle 2 of the Code.

SGX Query 6:

"The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:

(a) each individual director and the CEO; and

(b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel."

(1) We note the Company's disclosure on remuneration at pages 18 and 19 of the Annual Report. Where the Company's practices deviate from the provisions of the Code, please explain and explicitly state whether the practices it 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.

(2) The Company has disclosed that "The remuneration of each individual Director to the nearest thousand is not disclosed as the Board believes that the disclosure may be prejudicial to its business interests given the highly competitive marine business environment the Group operates in" (emphasis added).

Please clarify whether the Group operates in the marine business.

Company's response:

(1) The Company has stated, in page 18 of the Annual Report 2020, that remuneration of each individual Director to the nearest thousand is not disclosed as disclosures may be prejudicial to its business interests given the highly competitive business environment the Group operates in. Nonetheless, disclosure of directors remuneration, categorised by names and remuneration mix, has been set out in page 18 of the Annual Report 2020 in bands of S$250,000.

The Company also stated, in page 19 of the Annual Report 2020, that it is not in the best interest of the Company to disclose the total remuneration of each director and key executive in dollar terms, given the sensitivity of remuneration matters and the competitiveness of the industry for key talent. Nonetheless, disclosure of key executive remuneration, categorised by name and remuneration mix, has been set out in page 19 of the Annual Report 2020 in bands of S$250,000. As no individual director and key executive officer was remunerated in excess of S$250,000, there is no requirement to set out an additional band range of S$250,001 to S$500,000.

Notwithstanding the above, the Company has further set out information regarding its remuneration policies, procedures for setting remuneration and relationships between remuneration, performance and value creation under provisions 5.2, 6 and 7 in its report on corporate governance (from page 16 to page 18 of the Annual Report 2020). Accordingly, the Company is of the view that its practices are consistent with the intent of provision 8 of the Code, taking into account the strategic objectives of the Company pursuant to Principle 7 of the Code.

(2) The Group does not operate in marine business. Please refer to the corrigendum announcement released on 28 June 2020, where the word "marine" has been deleted.

SGX Query 7:

Provision 10.4 of the Code states that:

"The primary reporting line of the internal audit function is to the AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the Company's documents, records, properties and personnel, including the AC, and has appropriate standing within the company."

At pg 23 of the Company's Annual Report, it has provided that:

"The Board has deliberated and agreed that given the size of the current business and operations of the Group, it does not warrant the Group to have an in-house internal audit function or to appoint internal auditors. The Company will consider the establishment of an internal audit function or appointment of internal auditors when there is an increased level of operating activities. The AC will conduct periodic reviews on the Company's level of operating activities to assess whether such establishment of an internal audit function or appointment of internal auditors is required."

Please explain whether the Company has complied with Provision 10.4 of the Code, and if no, please explain and explicitly state whether the practices it has adopted are consistent with the intent of Principle 10 of the Code.

Company's response:

Given the size of current business and operations of the Group, appointing internal auditors will not be in the best interest of the Company and its shareholders.

The Company will consider to appoint internal auditors when there is an increased level of operating activities. As part of the annual statutory audit, the independent external auditors of the Company also report to the AC on any material weaknesses in the Group's internal controls and will provide recommendations on other significant matters such as risk management. The AC will also conduct periodic reviews on the Company's level of operating activities to assess whether such establishment of an internal audit function or appointment of an internal auditor is required.

By Order of the Board

Michael Kuan-Chi Sun
Executive Director
30 June 2020