

SOUTHERN ARCHIPELAGO LTD.

(Formerly known as Blumont Group Ltd.)
Company Registration No.: 199302554G
(Incorporated in the Republic of Singapore)

RESPONSE TO SGX REGCO'S QUERIES PERTAINING TO THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (THE "AR FY2022")

The Board of Directors ("**Board**") of Southern Archipelago Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce the following in response to queries raised by the Singapore Exchange Regulation ("**SGX Regco**") on 9 May 2023 in relation to the Company's AR FY2022.

SGX Regco Query (a)

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "**Code**"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with the following Provisions:-

- (i) **Provision 2.4 of the Code where inter alia, the board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report. Please clarify how the practices the Company 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.**
- (ii) **Provision 9.2 which provides that the Board requires and discloses in the company's annual report that it has received assurance from:-**
 - (a) **The Chief Executive Officer and the Chief Financial Officer 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) **The CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.**

It was disclosed that assurance was received from the Executive Director and CFO. In this regard, please disclose the identity of the Executive Director who provided the assurance.

Company Response to SGX Regco Query (a)

- (i) **As disclosed in page 26 of the Company's AR FY2022, the Board consists of six (6) Directors, two (2) of whom are Executive Directors, one (1) of whom is a Non-Executive Director and three (3) of whom are Independent Non-Executive Directors. The Company is therefore in compliance with Listing Rule 210(5)(c), as there are three (3) Independent Non-Executive Directors, which make up at least one-third of the Company's Board.**

The Board however, notes that the number of Independent Non-Executive Directors do not make up a majority of the Board pursuant to Provision 2.2 of the Code, as three (3) of the six (6) Directors are Independent Non-Executive Directors. The Board wishes to highlight that it is of the view that the appointment of the Lead Independent Director, being Mr. Ng Keok Chai, ensures sufficient balance of power and authority on the Board. In addition, as disclosed in page 26 of the Company's AR FY2022, the Board noted that the Directors, including the Independent Non-Executive Directors, have varied qualifications and expertise in finance, accounting, business management, industry knowledge and strategic planning, enabling the Directors to support the attainment of the Company's strategic objectives and sustainable development. Matters requiring Board approval are decided based on

collective decisions without any individual or small group of individuals exercising any considerable concentration of power or influence or dominating the Board's decision making.

The respective profiles of the Directors are reflected on pages 2 to 3 of the Company's AR FY2022. The Company continues to recognise and practice diversity on the Board, and views diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In reviewing the Board composition and appointments, the Nominating Committee takes into consideration diversity of skills, experience, background, gender, age, ethnicity and other relevant factors although merit remains the key driver. The Company has embraced all aspects of diversity in the current Board composition, including having the right blend of skills and industry knowledge diversity. As there is currently no female Director appointed to the Board, the Board does not rule out the possibility of appointing a female Director if a suitable candidate is nominated for the Board's consideration.

Given the above, the Board and the Nominating Committee are satisfied that the Board has 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, consistent with the intent of Principle 2 of the Code.

- (ii) As disclosed in page 28 of the Company's AR FY2022, the Company does not officially have a Chief Executive Officer and Mr. Alan Chin Yu, an Executive Director of the Company, oversees the Group's overall operation without taking on the formal designation of CEO.

For FY2022, the Board received the necessary assurance required under Provision 9.2 of the Code from the Executive Director and CFO, Mr. Alan Chin Yu and Mr. John Lee Yow Meng.

SGX Regco Query (b)

Listing Rule 710A states that an issuer must describe in its annual report its board diversity policy, including the following:-

- (a) The issuer's targets to achieve diversity on its board;**
- (b) The issuer's accompanying plans and timelines for achieving the targets;**
- (c) The issuer's progress towards achieving the targets within the timelines; and**
- (d) A description of how the combination of skills, talents, experience and diversity of its directors serves the needs and plans of the issuer.**

Please disclose whether and how Listing Rule 710A has been complied with.

Company Response to SGX Regco Query (b)

As disclosed in page 27 of the Company's AR FY2022, the Company recognises and practices diversity on the Board and views diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In reviewing the Board composition and appointments, the Nominating Committee takes into consideration diversity of skills, experience, background, gender, age, ethnicity and other relevant factors although merit remains the key driver.

As disclosed in page 26 of the Company's AR FY2022, the Company is aware that gender diversity is required to provide an appropriate balance of diversity and the Board does not rule out the possibility of appointing a female Director if a suitable candidate is nominated for the Board's consideration.

The Nominating Committee reviews its Board composition from time to time and at least on an annual basis. With regards to how the combination of skills, experience, and diversity of the Directors serves the needs of the Company, this is addressed in pages 26 to 27 of the Company's AR FY2022.

SGX Regco Query (c)

Listing Rule 713(1) provides inter alia that an issuer must disclose in its annual report the date of appointment and the name of the audit partner in charge of auditing the issuer and its group of companies. Please disclose whether and how Listing Rule 713(1) has been complied with.

Company Response to SGX Regco Query (c)

The name of the audit partner in charge of auditing the issuer and its group of companies is Titus Kuan Tjian, disclosed in page 1 of the Company's AR FY2022.

There has been no change of the audit partner in charge since his first appointment on 31 December 2021.

SGX Regco Query (d)

Listing Rule 907 provides inter alia that an issuer must disclose the aggregate value of interested person transactions entered into during the financial year under review in its annual report. It was disclosed in the Company's AR FY2022 that apart from those announced via SGXNet and as outlined in the AR FY2022 under "Trade and Other Payables" and "Related Party Transactions", there is no other interested person transaction for FY2022. However, there was no aggregate value of interested person transactions in the table as stipulated in Listing Rule 907. Please provide a confirmation as to whether the aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920); and during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) is NIL.

Company Response to SGX Regco Query (d)

The Board wishes to clarify and confirm that the aggregate value of all interested person transactions during the financial year is less than S\$100,000.

SGX Regco Query (e)

Rule 704(6) provides that in addition to Rule 703, if an issuer has previously announced its preliminary full-year results, an issuer must immediately announce any material adjustments to its preliminary full-year results made subsequently by auditors. In this regard, we noted that in the Company's interim consolidated statement of cash flows for the financial year ended 31 December 2022, its operating cash flows before working capital changes was S\$1.6mil, however, in the Company's AR FY2022, its operating cash flows before working capital changes was S\$0.8mil. In this regard, please disclose whether and how the Company has complied with Listing Rule 704(6). In addition, please provide reasons and quantification for the adjustments made to the Company's operating cash flows before working capital changes.

Company Response to SGX Regco Query (e)

The difference in the amount for the operating cash flows before working capital changes as disclosed in the AR FY2022 with the said amount as disclosed in the preliminary full-year results for the financial year ended 31 December 2022 announcement ("**FY2022 Preliminary Results Announcement**") came about as a result of the reclassification as detailed in the following table:

The Group	Per AR FY2022 S\$'000	Per FY2022 Preliminary Results Announcement S\$'000	Variance S\$'000	Reason(s) for variance
Operating cash flows before working capital changes	849	1,641	(792)	Reclassification from <i>Adjustments for: Unrealised foreign exchange loss to Changes in working capital: Receivables</i> within the cash flow to better reflect
Changes in working capital	(604)	(1,396)	792	

				the movement of cash for each category. However, there will be no impact to the net operating cash flows.
Net cash flows (used in)/generated from operating activities	(30)	(30)	-	N.A.

Rule 704(6) requires an issuer that has previously announced its preliminary full-year results to announce any material adjustments to its preliminary full-year results made subsequently by auditors. The Board wishes to clarify that no announcement was made relating to the difference in cashflow as there was no impact to the net operating cash flows and was thus deemed not material.

BY ORDER OF THE BOARD

Siaw Lu Howe
 Non-Executive Chairman

12 May 2023