



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 2020

The Board of Directors (“**Board**”) of Sheng Siong Group Ltd. (“**Company**”) refers to its announcement released on 6 April 2021 in relation to the Annual Report for the financial year ended 31 December 2020 (“**FY2020 Annual Report**”). The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 23 April 2021 (“**SGX Query**”) as follows:

SGX Query 1:

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. Practice Guidance 2 requires an issuer to state the Company’s board diversity policy and progress made towards implementing the board diversity policy, including objectives. Please state if the Company has a formal board diversity policy and please confirm if the Company’s practices are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Company’s Response to SGX Query 1:

Practice Guidance 2 of the Code requires an issuer to state the Company’s board diversity policy and progress made towards implementing the board diversity policy, including objectives.

The Company does not have a board diversity policy. However, as disclosed on page 31 of the FY2020 Annual Report, the Board of the Company comprises ten (10) Directors, five (5) of whom are non-executive and of whom four (4) are independent. 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 Nominating Committee (“**NC**”) on an annual basis to ensure that the Board has the appropriate balance, 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 page 17 to 23 of the FY2020 Annual Report.

The current Board composition represents a well-balanced mix of skills, experience, expertise and knowledge of the Group to facilitate effective decision-making. Two (2) of the 10 Board members are female and although the Board has not set up a policy on gender diversity, the Board recognized the need and will take gender diversity into consideration when assessing any candidates.

SGX Query 2:

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 is not in compliance with Provision 2.1 (b) of the Code as there was no disclosure of the rigorous review by the board explaining why the directors that have served for 9 (Nine) years should be considered independent, and there were no explanations were provided for in your FY2020 annual report on how it is consistent with the intent of Principle 2 of the Code. 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 in its composition to enable it to make decisions in the best interest of the Company.

Company’s Response to SGX Query 2:

As disclosed on page 31 of the FY2020 Annual Report, the independence of each Director is reviewed by the NC on an annual basis based on the provisions set out in the Code. Based on the Board evaluation and review conducted by the NC, the Board is of the view that Mr. Goh Yeow Tin, Mr. Jong Voon Hoo, Ms. Tan Poh Hong and Mr. Francis Lee Fook Wah are independent. In addition, as disclosed on page 44 of the FY2020 Annual Report, the evaluation of individual Directors is conducted informally by the NC. Some factors taken into consideration by the NC include attendance records, contributions during Board meetings, as well as individual performance of principal functions and fiduciary duties. The performance of each Director is taken into account in re-election.

The NC also takes into consideration the circumstances provided in Rule 210(5)(d) of the SGX-ST Listing Manual for determining the independence of the Independent Directors. Currently, there are three (3) Independent Directors, namely, Mr. Goh Yeow Tin, Mr. Jong Voon Hoo and Mr. Francis Lee Fook Wah, who would have served the Board beyond 9 years since their appointment to the Board. The Company is looking at re-constituting the Board before the end of 2021.

As disclosed on page 33 of the FY2020 Annual Report, for the financial year under review, the NC is of the view that the Independent Directors of the Company are independent (as defined in the Code and SGX-ST Listing Manual) and are able to exercise judgment on the corporate affairs of the Group independent of the Management. The NC has received annual confirmation of independence from the Independent Directors of the Company, each confirming that he/she does not have any relationship which may affect his/her independence as provided under the Code and the Listing Manual of the SGX-ST.

SGX Query 3:

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 will is not in compliance with Provision 2.4 of the Code as given that your chairman is not independent and Independent and non-executive directors do not make up a majority of the Board. As there were no explanations provided for in your FY2020 annual report on how it is consistent with the intent of Principle 2 of the Code. 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 in its composition to enable it to make decisions in the best interest of the Company.

Company's Response to SGX Query 3:

As disclosed on page 31 and 32 of the FY2020 Annual Report, 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 Non-executive and Independent 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. Goh Yeow Tin as Lead Independent Director, who avails himself to shareholders when they have concerns which contact through the normal channels fail to resolve or for which such contact is inappropriate or inadequate.

The Independent Directors and/or Non-executive Director 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 Director 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 disclosed on page 29 of the FY2020 Annual Report, 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.

By Order of the Board

Lim Hock Chee
Chief Executive Officer

26 April 2021