

KHONG GUAN LIMITED

(Company Registration No. 196000096G)
(Incorporated in the Republic of Singapore)

RESPONSE TO SGX QUERIES ON ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2020

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 19 November 2020 and wishes to provide the information as follows:

SGX Queries:

- (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 Provision 2.4 of the Code as you have not disclosed your board diversity policy and progress made towards implementing the board diversity policy, including objectives, and there were no explanations were provided for in your FY2019 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 and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

The Company's Response:

Principle 2 of the Code states "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 interests of the company."

The Board's objective in its composition is to achieve a good mix of directors with diverse and appropriate professional background and experience to facilitate a robust decision making process, leading to decision which best interests of the Company.

In that end, since February 2018, the Board has been rejuvenating the composition of the Board through the appointment of three new independent directors, replacing independent directors who had served more than 9 years. These new independent directors brought with them diverse educational, professional and experience background to the Board. The Board also recognizes that these independent directors have over time develop significant insights of the Group's business and operations, and have been able to provide stability and significant and valuable contributions objectively to the Board.

The appointment of independent directors and their experiences have been disclosed under the section "Profile of Directors and Key Executives". For ease of reference, we summarised these appointments of independent directors on KGL's Board:

	Name of independent director	Date of appointment	Age	No of years	Skillset and Experiences
1	Tay Kwang Lip Willie	15.01.2014	70	6 1/2	Chartered Accountant, former MD of Public Accounting firm in Singapore with over 40 years' experience in public accounting field.
2	Yeo Jih-Shian	01.02.2018	51	2 1/2	Lawyer with over 20 years' experience in legal practices in Singapore and Asia Pacific.
3	Tan Tiong Huat Alex	01.04.2019	52	1 1/3	He possesses a MBA degree and Bachelor of Science (Physics) and is corporate finance specialist for the past 20 years
4	Hew Moh Yung	25.02.2020	64	1/2	He is a graduate of NUS with over 30 years experience managing global FMCG companies in South East Asia countries, Taiwan, HK and Greater China in Senior capacities.

The Board believes that the existing size of the Board is appropriate in relation to its operations.

The Board consists of majority independent directors as 4 out the 7 board members are independent directors.

From the summary above, while the Board does not have a written policy for independence and diversity of thought and background, it nonetheless pursued and has made progress in meeting the essence of the requirements of Provision 2.4 of Code of Corporate Governance 2018 and Principle 2 of the Corporate Governance guide 2012 when it nominated and elected the three new independent directors to the Board over the past three years. Furthermore, the three new independent directors appointed are of diverse age group (between early 50s to the 60s) and appropriate balance and mix of skills, knowledge and experience (such as legal, corporate finance and industrial) to guide and assist the Board in its endeavours.

The following statements as disclosed in the Corporate Governance Report of the annual reports of the Company for 2020 and 2019:

“The current Board, with Independent Non-Executive Directors making up more than one half of the Board, provides for a strong and independent element on the Board capable of exercising objective judgement on corporate affairs of the Group. To further strengthen good corporate governance, as the Chairman is not independent, a Lead Independent Director is appointed. No individual or small group of individuals dominates the Board’s decision-making. The Board’s structure, size and composition is reviewed annually by the Nominating Committee.”

Although the Company does not have a written policy with regard to diversity of the composition of the Board, it nonetheless embraces diversity and will consider the benefits of all aspects of diversity, including skills, experience, background, gender, age, ethnicity, and other relevant factors in identifying Director nominees.”

The Board wishes to highlight that it has made progress in meeting the requirements of Principle 2 of the Code, including Provision 2.4, through the rejuvenation of the Board by appointing new independent directors and achieved a certain level of diversity.

The statement highlighted above which we had included in the Company's annual reports has basically captured the Company's spirit in complying with the essence of this provision and its actions of rejuvenating its independent directors for the past 3 years as shown in the summary of independent director appointments above since 2018. The actions taken in the appointment of directors is evident that the Company has kept with the essence of the Code.

By Order of the Board
Koe Eng Chuan
Company Secretary
20 November 2020