BENG KUANG MARINE LIMITED
Registration No. 199400196M

RESPONSE TO SGX QUERIES ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 2019 ("ANNUAL REPORT 2019")

The Board of Directors of Beng Kuang Marine Limited (the "**Company**") wishes to inform shareholders that the Company has received the following queries from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") regarding the Annual Report 2019 and sets out its response as follows:-

Query 1:

Listing Rule 1207(10C) requires the Audit Committee's comments on whether the internal audit function is independent, effective and adequately resourced. We note that the Company has outsourced the internal audit function. In this regard, please identify the firm and provide information on the relevant experience of accounting firm and the engagement team.

Company's response to Query 1:

The internal audit function is currently outsourced to Wensen Consulting Asia (S) Pte Ltd. ("**Wensen**"). Based on information provided by Wensen, (a) it specialises in the provision of internal audit outsourcing and risk management services to public listed companies in Singapore, Malaysia and Hong Kong; (b) the engagement team is led by its Director, Mr. Edward Yap who has more than 20 years of experience in auditing field and is currently a fellow member of the Association of Certified Chartered Accountants, a practising member of the Institute of Singapore Chartered Accountants and a member of the Malaysia Institute of Accountants; (c) the engagement team comprises of a Senior Manager, a Lead Consultant and other supporting consultants who possesses relevant experience and qualification in the field of accounting; and (d) the Senior Manager who is assisting the Director in managing the internal audit outsourcing has more than 13 years of experience in the field of internal auditing.

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 had not complied with Provision 2.4 of the Code as the Company does not have a board diversity policy and you have not disclosed the progress made towards implementing a 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 the reason for the deviation and 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.

Company's response to Query 2:

The Board currently has 5 Directors of which 3 Directors, being the majority, 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 since 2017 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 18 of the 2019 Annual Report, 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, law, 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 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.

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 had not complied with Provisions 8.1 of the Code with regards to the disclosure of remuneration. Please clarify how the practices the Company 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.

Company's response to Query 3:

The Company has stated, in page 24 of the 2019 Annual Report, that remuneration of each individual Director to the nearest thousand is not disclosed as disclosure may be prejudicial to its business interests given the highly competitive marine business environment the Group operates in. Nonetheless, disclosure of director remuneration, categorised by names and remuneration mix, has been set out in page 25 of the 2019 Annual Report in bands of S$250,000. The Company also stated, in page 25 of the Annual Report, 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 names and remuneration mix, has been set out in page 25 of the 2019 Annual Report in bands of S$250,000. As no director and key executive officer was remunerated in excess of S$250,000, there was no need 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 22 to page 24 of the 2019 Annual Report). 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.

Query 4:

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 Provisions 8.2 of the Code with regards to the disclosure of remuneration (and in

particular, whether the disclosures pertaining to employees who are substantial shareholders or immediate family members of substantial shareholders), and there were no explanations were provided for in your FY2019 annual report on how it is consistent with the intent of Principle 8 of the Code. Please clarify how the practices the Company 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.

Company's response to Query 4:

The Company has stated the details of employees who are substantial shareholders or immediate family members of a director, the CEO or a substantial shareholder of the company in page 26 of the 2019 Annual Report, namely Mr Chua Beng Yong, Mr Chua Beng Hock and Mr Chua Min Kong. Disclosure of the remuneration mix and remuneration band for Mr Chua Beng Yong and Mr Chua Beng Hock (being executive officers) have been set out, in page 25 of the Annual Report, accompanied by the explanation 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. That such disclosure in bands of S$100,000 in relation to Mr Chua Beng Yong and Mr Chua Beng Hock not being in the best interests of the Company is stated in page 26 of the Annual Report. Disclosure of Mr Chua Min Kong's remuneration in bands of S$100,000 was made, notwithstanding that there was no need to set out additional S$100,000 band ranges due to it being less that S$100,000.

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 22 to page 24 of the 2019 Annual Report). 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.

BY ORDER OF THE BOARD

Chua Meng Hua
Managing Director and Chief Executive Officer
8 May 2020