
**RESPONSE TO SGX QUERY ON ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

The Board of Directors (the “**Board**”) of Top Global Limited (“**Company**”) and together with its subsidiaries, the “**Group**”) refer to the query raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 30 April 2020, and wish to provide the following information in response to the Company’s Annual Report for the financial year ended 31 December 2019 (the “**Annual Report**”):-

SGX Query 1

Provision 2.3 of the 2018 Code of Corporate Governance (the “**Code**”) states that, “Non-executive directors make up a majority of the Board.”

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide 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 2.3 of the Code as non-executive directors do not make up a majority of your Board. Please explain the reason for variation and 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 interests of the Company.

Response from Company

Non-executive directors of the Company currently make up 50% of the Board and not the majority as stated in Provision 2.3 of the Code.

The Board is in transition and had just been reconstituted with Dr Lam Lee G being redesignated as the Independent Non-Executive Chairman. As disclosed on page 19 of the Annual Report: “*The Independent Non-Executive Chairman is responsible for the workings of the Board, ensuring the integrity and effectiveness of its governance process.*” and “*The Board is satisfied that there is sufficient transparency and accountability in view of the distinction of responsibilities. The Board is also of the view that there is a sufficiently strong independent element on the Board which enables the exercise of judgement with regards to the corporate affairs of the Group.*”

The intent of the principle as stated in the Practice Guidance 7 February 2020 (“**PG**”) is as follows: “*A key duty of the Board is to set objectives and goals for Management, monitor the results, and assess and remunerate Management on its performance. Executive directors who are part of Management may face conflicts of interest in these areas. To avoid undue influence of Management over the Board and ensure that appropriate checks and balances are in place, non-executive directors should comprise at least a majority of the Board.*”

As disclosed on page 26 of the Annual Report: *“The Remuneration Committee (“RC”), made up of non-executive directors, reviews and recommends the specific remuneration package to the Board and when determining remuneration matters and assessing performance, **no director will be involved in deciding his own remuneration and performance.**”* This means that the non-executive directors would be majority in the matters setting such targets and performance assessment.

As such, during this transition period, the Company believes that the existing Board composition is consistent with the intent of Principle 2 of the Code as the Non-Executive Directors, who are also Independent Directors, chair the Board and Board Committees, are independent and are able to provide the appropriate level of independence and background and to make decisions in the best interests of the Company.

In view of the aforementioned reasons, the Company believes that its practices are consistent with the intent of the relevant principle in the Code as required by Listing Rule 710.

SGX Query 2

Provision 8.1 of the Code states that “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.” (emphasis added)

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide 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 8.1 of the Code with regard to the disclosure of the amounts of remuneration of each individual director and the CEO, and in aggregate the total remuneration paid to these key management personnel. 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.

Response from Company

The Company has decided to disclose the remuneration of each of the directors and key management personnel in bands of S\$250,000 (instead of on a quantum basis) as stated in Provision 8.1 of the Code.

The Company has disclosed the level and mix of remuneration of each director and key management personnel as disclosed on page 27 of the Annual Report in bands of S\$250,000 together with a detailed breakdown in percentage terms of the same.

As disclosed on pages 28 of the Annual Report: *“The Company has decided not to fully disclose the remuneration paid to each Director and the aggregate remuneration paid to the top 3 key management personnel having regard to the highly competitive human resource environment and the confidential nature of staff remuneration matters, so as to ensure the Company’s competitive advantage in the retention of its key management team.”*

In view of the aforementioned reasons, the Company believes that its current disclosure is consistent with the intent of Principle 8 of the Code as shareholders are still given information on the level and mix of remuneration in percentage terms and that the interests of shareholders will not be prejudiced as a result of such non-disclosure of the total remuneration in dollar terms for the Directors as well as for Key Management Personnel.

SGX Query 3

Provision 8.2 of the Code states that “The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000, in its annual report.

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide 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 8.2 of the Code with regard to the disclosure of names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a substantial shareholder of the company, and whose remuneration exceeded S\$100,000 during the year. 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.

Response from Company

The remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, have been disclosed on page 27 of the Annual Report in disclosed in bands of S\$250,000 and in percentage terms under the remuneration table instead of width of S\$100,000 as stated in Provision 8.2 of the Code as they are directors of the Company.

Any other employees whose remuneration exceeds S\$100,000 during the year and who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company but not a director has been disclosed on page 28 of the Annual Report in bands no wider than S\$100,000 and Provision 8.2 of the Code is complied with.

In view of the above, the Company believes that its current disclosure is consistent with the intent of Principle 8 of the Code as shareholders are still given information on the level and mix of remuneration in percentage terms for and that the interests of shareholders will not be prejudiced as a result of the difference in width of the bands.

SGX Query 4

Listing Rule 1207(10C) states that the annual report must contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including audit committee's comment on whether the internal audit function is independent, effective and adequately resourced.

Please disclose whether and how Listing Rule 1207(10C) has been complied with.

Response from Company

As disclosed in page 32 of the Annual Report: *“The appointed internal auditor reports directly to the AC and is responsible for (i) assessing the reliability, adequacy and effectiveness of the system of internal controls are in place to protect the fund and assets of the Group to ensure control procedures are complied with, (ii) assessing the operations of the business processes under review are conducted efficiently and effectively and (iii) identifying and recommending improvement to internal control procedures, where required.*

The internal auditor plans its internal audit schedules in consultation with, but independent of, the Management. The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit. The AC will review the activities of the internal auditor, including overseeing and monitoring of the implementation of improvements required on internal control weaknesses identified.

The AC is of the opinion that the internal audit firm and internal audit unit are adequately qualified (given, inter alia, its adherence to standards set by internationally recognised professional bodies) and adequately resourced with qualified personnel to discharge its responsibilities effectively, and has appropriate standing within the Company, given, inter alia, its involvement in certain AC meetings and its unfettered access to all the Group’s documents, records, properties and personnel, including direct access to the AC. The AC has reviewed the internal audit reports and based on the controls in place and is satisfied that the internal audit functions have been adequately carried out.”

The Company would like to clarify that based on the above, the AC is of the opinion that the internal audit function is independent, effective and adequately resourced.

Listing Rule 1207(10C) has been complied with.

BY ORDER OF THE BOARD

Hano Maeloa
Chief Executive Officer and Executive Director
5 May 2020