

TIH LIMITED
("Company" or "TIH")
Incorporated in the Republic of Singapore
Unique Entity Number: 199400941K

RESPONSE TO QUERIES RAISED BY SGX-ST ON ANNUAL REPORT 2019

In response to queries raised by the Singapore Exchange Securities Trading Limited ("SGX-ST") on the Annual Report for the financial year ended 31 December 2019, the Board of Directors of the Company wish to announce the following : -

SGX-ST's query

1. Listing Rule 1207(10) requires the Board to comment in the Company's Annual Report on the adequacy and effectiveness of the internal controls (including financial, operational, compliance and **information technology controls**) and risk management systems. We note on page 79 of the Annual Report that "the Board is satisfied that the system of internal controls is adequate in addressing the financial, operational and compliance risks of the Group". However, there is no commentary on the adequacy and effectiveness of the internal controls in addressing **information technology risks**.
 - (i) Please explain the reason for the deviation from Listing Rule 1207(10).

Company's Response

The Company has on page 80 of the Annual Report disclosed that "The Board with the concurrence of the Audit Committee, is of the opinion that the Company's internal control addressing financial, operational, compliance and **information technology controls** and the risk management systems were adequate and effective as at 31 December 2019".

As also disclosed on page 78 of the Annual Report, to further strengthen the information technology controls, the Company has engaged a third-party IT vendor to conduct regular health checks on the Company's IT systems and infrastructure.

SGX-ST's query

2. Listing Rule 1207(10C) requires the Audit Committee's comment on whether the internal audit function is independent, effective and adequately resourced. We note that the Company's Annual Report did not contain such disclosure.
 - (i) Please explain how is the Company in compliance with Listing Rule 719(3) which requires an issuer to establish and maintain on an ongoing basis, an effective internal audit function that is adequately resourced and independent of the activities it audits.

Company's Response

The Company has outsourced its internal audit function to an independent firm, BDO LLP, which is an established international auditing firm. The Audit Committee ("AC") has reviewed with the internal auditors their risk-based internal audit plan and their evaluation of the system of internal controls, their audit findings and the management's responses to address the findings; the adequacy and the effectiveness of material internal controls, including financial, operational and compliance controls and overall risk management of the

Company and the Group for FY2019. The outsourced internal audit team is headed by a partner who has more than 20 years of experience in audit and advisory services, and is a Chartered Accountant of the Institute of Singapore Chartered Accountants (“ISCA”) and Certified Internal Auditor of the Institute of Internal Auditors (“IIA”). The AC is satisfied that the outsourced internal audit function is adequately staffed by suitably qualified and experienced professionals and adheres to the International Professional Practices Framework established by the IIA.

SGX-ST’s query

3. The Company stated on page 63 of the Annual Report that it does not have any employees as the management of the Company is contracted out to its Investment Manager, TIHIM. However it also disclosed on Page 58 that Staff costs, excluding contributions to defined contribution plans amounted to \$1.82 million for FY2019.
 - (i) Please reconcile the two statements on Pages 58 and 63, and provide a breakdown of the Staff costs for FY2019.
 - (ii) Please disclose the names, amounts and breakdown of 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.

Company’s Response

- (i) On page 62 of the Annual Report, the Company disclosed that as the Company is a fund, the management of the Company has been seconded to TIHIM, its wholly owned subsidiary. The Staff Cost disclosed on Page 58 is a consolidated figure for the Group which includes that for TIH and its wholly owned subsidiary, TIHIM. The breakdown of the staff costs of the Group for FY2019 is set out below:

| Staff costs | S\$’000 |
|-----------------------------|----------------|
| Salaries | 1,539 |
| Bonuses | 264 |
| Staff insurance and medical | 21 |
| Skill Development Fund | 2 |
| Annual leave | (11) |
| Total | 1,815 |

- (ii) As disclosed on page 75 of the Annual Report, the Board is of the view that disclosure of remuneration information of the senior management personnel of TIHIM is not in the best interests of TIH due to the sensitivity and confidential nature of such information in a competitive talent market. TIH has decided that to ensure retention of the key management team of TIHIM, this information is not disclosed. The Board is of the opinion that such disclosure may affect the retention or recruitment of competent personnel in a highly competitive business environment the Company operates in as well as the competitive pressures in the talent market due to limited talent pool. The Company needs to maintain stability and business continuity and any attrition in the key management personnel team would not benefit the Company. Accordingly, due to confidentiality and sensitivity issues attached to remuneration matters, especially in the case where the TIHIM has only 14 employees, of which 3 (including CEO) are key management personnel in FY2019, it would not be in the best interests of the Company to disclose the names, amounts and breakdown of the key management personnel (who are not directors or the CEO) in remuneration bands of

S\$250,000 as well as the total remuneration paid to these key management personnel as recommended by the Code.

SGX-ST's query

4. The Company paid Strategic Support Services fee of S\$703,000 and S\$694,000 in 2019 and 2018 respectively to ASMHL which is a deemed controlling shareholder of the Company to provide support services such as deal-sourcing to the Company based on a fixed-fee structure.
- (i) Please elaborate what specific services are provided under the Strategic Support Services Agreement.
 - (ii) Please disclose the aggregate value of deals which were sourced by ASMHL for the year and how the value of service fees paid to ASMHL was calculated and determined.

Company's Response

- (i) The services provided under the Strategic Support Services Agreement include but not limited to the following:
 - To provide on-site due diligence services in target countries
 - To provide on-the-ground local research activities in target countries, which include conducting meetings with and obtaining introduction to, local business partners and advisors in target countries
- (ii) The aggregate value of deals which were sourced by ASMHL and its associates ("ASMHL group") for the year 2019 are as follows:
 - Total new investments co-invested with ASMHL group was S\$0.4 million. This includes a new investment in India which serves as a new platform for TIH to venture into the quickly expanding Indian market.
 - Total recurring fee income generated during the year through sourcing and strategic partnership with ASMHL group was S\$2.9 million.
 - TIH also derived total dividend income of S\$4.3 million mainly through realised returns from investments jointly invested with ASMHL group.
 - There are also a few on-going projects including fundraising with ASMHL group which will bring in stable stream of income and investment returns for the Company in near future.

The value of service fees paid to ASMHL group is based on a fixed fee of US\$515,000 (equivalent to S\$703,000 for 2019 and S\$694,000 for 2018) per annum.

The fee was negotiated between ASMHL group and the Company based on the scope of services provided. While the scope was drafted to cover mainly on the transaction sourcing, execution and research, there is additional scope provided by ASMHL group which includes providing the support on new fund establishment, monitoring of on-going projects and identifying investors/capital raising for the new business initiatives. The Chairman of Audit Committee had commissioned an independent consultant to conduct benchmarking study for the strategic support services on a regular basis. The Audit Committee reviewed the scope of services provided by ASMHL group annually and assessed that the fees paid commensurate with the level of services provided.

SGX-ST's query

5. The internalisation of the investment management function was completed in 2014. As at 31 December 2014, the net asset value of the group was \$99.1 million or \$0.41 per share. For the financial year ended 31 December 2019, the group reported a total comprehensive income and net profit attributable to

shareholders of \$14.4 million. Accordingly, net asset value increased to \$126.6 million or \$0.52 per share. The increase from \$99.1 million to \$126.6 million over a 5-year period is approximately 5% (compound annual growth rate). Over the same period, the company has distributed \$0.02 per share or a total of \$4.8 million as dividends. Has the board, especially the independent directors, evaluated and benchmarked the performance of the investment manager since the internalisation?

Company's Response

Since the internalisation in 2014, the investment manager, in consultation with the Board, has focused its efforts on building up the Company's investment portfolio and expanding sources of recurring income streams.

The Investment Manager is constantly evaluating its existing portfolio to enhance its value, and prudently leveraged the Company's cash holdings in new strategic investments to grow its portfolio. The Board is satisfied that the current portfolio, which includes legacy investments, is well-positioned to offer growth potential. The Board plans to continue to support the investment manager's efforts to identify potential investment opportunities to grow the portfolio and enhance its value to further deliver value for all stakeholders in the mid-to-long term.

The Board does not set specific benchmarks to evaluate the performance of the investment manager. The Board regularly engages in active discussion with the investment manager and reviews the Company's performance on a quarterly basis. In view of the challenging macro environment and limited cash holdings, the Board so far finds the performance of the investment manager satisfactory.

BY ORDER OF THE BOARD

TIH Investment Management Pte. Ltd.

for and on behalf of TIH Limited

Allen Wang

CEO

30 April 2020