

# CORPORATE GOVERNANCE STATEMENT

YEAR ENDED 31 DECEMBER 2022

The board of directors of the Company (the “Board” or “Directors”) recognises the importance of good corporate governance practices. The Company confirms that it has complied with the principles of the Code of Corporate Governance 2018 (the “2018 Code”) and where the Company’s practices vary from any provisions of the 2018 Code, this is stated with an explanation of the reason for the variation and an explanation on how the practices it had adopted are consistent with the intent of the relevant principle.

## BOARD MATTERS

### The Board’s Conduct of Affairs (Principle 1 of the 2018 Code)

#### Key features of this section:

- The Board gives a positive confirmation that the Company has complied with the principles of the 2018 Code.
- The Board has an Audit and Risk Management Committee comprising independent Directors.
- Detailed information on trainings for Directors is disclosed.
- During FY2022, all Directors attended and actively participated in Board and Board Committee meetings.

The Company is headed by an effective Board. The Board is collectively responsible and works with Management for the long-term success of the Company.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the best interests of the Company and hold Management accountable for performance.<sup>1</sup>

The Company has a Code of Conduct to set out the general principles and standards of behaviour that the Company expects from its employees in their dealings with fellow employees, customers, suppliers and business partners, which sets an appropriate tone-from-the-top and desired organisational culture and ensures proper accountability within the Company. The details of the Code of Conduct are available on the Company’s website.<sup>2</sup>

The Company has a Conflict of Interests and Interested Person Transaction Policy which, *inter alia*, aims to provide guidance to Directors to help them recognise and deal with conflict of interests. Under this policy, Directors should recuse themselves and refrain from participating in discussions regarding a transaction or proposed transaction in which the Director has an interest or is conflicted.<sup>3</sup> The details of the Conflict of Interests and Interested Person Transaction Policy are available on the Company’s website.

#### Board Orientation and Development

Directors understand the Company’s business as well as their directorship duties.<sup>4</sup>

The Company funds and arranges for the existing Directors to receive regular training, for Directors to develop and maintain their skills and knowledge. In this connection, various Directors attended seminars and courses organised by the Singapore Institute of Directors (“SID”) and other professional organisations, including but not limited to “LED – Environmental, Social and Governance Essentials (Core)” organised by the SID, as well as a seminar on “Audit Committee” organised jointly by the Accounting and Corporate Regulatory Authority (“ACRA”), the Singapore Exchange Securities Trading Limited (“SGX-ST”) and the SID. Updates on relevant legal, accounting and regulatory developments were provided to Directors in written hand-outs, or by way of briefings and presentations. The Company Secretary also circulates articles, reports and press releases issued by the SGX-ST and ACRA which are relevant to the Directors.<sup>5</sup>

Newly appointed Directors will receive appropriate training and orientation programmes to familiarise themselves with the operations of the Group and its major business processes.<sup>6</sup> On the appointment of a new Director, the Company will provide a formal letter to the Director, setting out the Director’s duties and obligations.<sup>7</sup> During the financial year ended 31 December 2022 (“FY2022”), Mr Chong Weng Hoe was appointed as an Independent Director with effect from 15 February 2022.

<sup>1</sup> Provision 1.1 of the 2018 Code

<sup>2</sup> Provision 1.1 of the 2018 Code

<sup>3</sup> Provision 1.1 of the 2018 Code

<sup>4</sup> Provision 1.2 of the 2018 Code

<sup>5</sup> Provision 1.2 of the 2018 Code

<sup>6</sup> Provision 1.2 of the 2018 Code

<sup>7</sup> Provision 1.2 of the 2018 Code

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## **Board Approval**

The Board decides on matters that require its approval. Written guidelines are established to specify which material transactions require the Board's approval, and such guidelines are clearly communicated to Management. These transactions include, *inter alia*, significant transactions (being the acquisition or disposal of assets or the provision of financial assistance (excluding the provision of financial assistance to the Company, or its subsidiary or associated company) amounting to 5% or more of the relative figures set out in Rule 1006 of the Listing Manual of the SGX-ST) that are not in the ordinary course of business, share issuances (including stock options or other equity awards), dividends and other corporate actions relating to capital and/or returns to shareholders.<sup>8</sup>

## **Board Committees**

The Board has established board committees, which are the Audit and Risk Management Committee, the Nominating Committee and the Remuneration Committee (collectively referred to as the "Board Committees"). Each Board Committee has its own written terms of references setting out its compositions, authorities and duties, including reporting back to the Board. The names of the Board Committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each Board Committee's activities are disclosed respectively in the sections headed "Board Membership", "Procedures for Developing Remuneration Policies" and "Audit Committee" below.<sup>9</sup>

## **Directors' Attendance at Board and Board Committee Meetings in FY2022**

Directors attend and actively participate in Board and Board Committee meetings. The Board held meetings on a regular basis during FY2022 to review, *inter alia*, the Company's and the Group's operations and financial results. The number of such Board and Board Committee meetings and each individual Director's attendances at such meetings are disclosed on page 28.<sup>10</sup>

Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company.<sup>11</sup> As disclosed on page 16, the Nominating Committee is satisfied that all Directors gave sufficient time and attention to the affairs of the Company and were able to and have adequately carried out their duties as a Director of the Company for FY2022.

## **Access to Information**

To enable the Directors to make informed decisions and discharge their duties and responsibilities, Management provides the Board with complete, adequate and timely information prior to meetings and on an on-going basis, including reports of the performance, financial position and prospects of the Group and those subsidiary companies or subsidiary corporations whose financial statements are consolidated with the Company's financial statements, and these are reviewed by the Board at each Board meeting.<sup>12</sup> Monthly management accounts and financial reports of the Company and its key subsidiaries are also provided to the Directors. The Board has separate and independent access to Management, the Company Secretary and external advisers (where necessary) at the Company's expense,<sup>13</sup> and is free to request for additional information as needed to make informed decisions.

The appointment and removal of the Company Secretary are subject to the approval of the Board as a whole.<sup>14</sup>

The role of the Company Secretary includes, *inter alia*, ensuring that board procedures are followed and that applicable rules and regulations are complied with.

During FY2022, the Company Secretary attended all meetings of the Board.

Overall, the Board's role is to:

- (a) provide entrepreneurial leadership, and set strategic objectives, which should include appropriate focus on value creation, innovation and sustainability;

<sup>8</sup> Provision 1.3 of the 2018 Code

<sup>9</sup> Provision 1.4 of the 2018 Code

<sup>10</sup> Provision 1.5 of the 2018 Code

<sup>11</sup> Provision 1.5 of the 2018 Code

<sup>12</sup> Provision 1.6 of the 2018 Code

<sup>13</sup> Provision 1.7 of the 2018 Code

<sup>14</sup> Provision 1.7 of the 2018 Code

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- (b) ensure that the necessary resources are in place for the Company to meet its strategic objectives;
- (c) establish and maintain a sound risk management framework to effectively monitor and manage risks, and to achieve an appropriate balance between risks and Company performance;
- (d) constructively challenge Management and review its performance;
- (e) instil an ethical corporate culture and ensure that the Company's values, standards, policies and practices are consistent with the culture; and
- (f) ensure transparency and accountability to key stakeholder groups.

### Board Composition and Guidance (Principle 2 of the 2018 Code)

#### Key features of this section:

- During FY2022, the non-executive independent Directors, led by the independent Chairman, met regularly without the presence of Management.
- None of the Directors or Vice President (Accounts and Finance) have had an employment relationship with the current external auditor in the past 2 years.

Under Provision 2.1 of the 2018 Code, an "independent" director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations<sup>15</sup>, its substantial shareholders<sup>16</sup> or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company.<sup>17</sup>

Rule 210(5)(d) of the Listing Manual of the SGX-ST also sets out circumstances under which a director will not be independent. Amongst other circumstances, a director will not be considered independent if he/she is employed or has been employed by the Company or any of its related corporations in the current or any of the past three financial years or if he/she has an immediate family member who is employed or has been employed by the Company or any of its related corporations in the current or any of the past three financial years and whose remuneration is or was determined by the Remuneration Committee.

The Chairman of the Board is Mr Chan Pengee, Adrian, who is a non-executive independent Director. During the majority of FY2022, the Board comprised six members and an alternate Director. Out of the six Directors, three were independent, based on the provisions relating to independence as set out in the 2018 Code<sup>18</sup> and the Listing Manual of the SGX-ST.

Provision 2.3 of the 2018 Code provides that non-executive directors make up a majority of the Board. Principle 2 of the 2018 Code provides that 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. During FY2022, non-executive Directors made up half of the Board, which constitutes a variation from Provision 2.3 of the 2018 Code. The Company is of the view that the intent of Principle 2 was met, as the non-executive independent Directors make up half the Board and the Chairman of the Board is an independent Director. The non-executive independent Directors constructively challenged and helped Management develop proposals on business strategies for the Company and the Group. The non-executive independent Directors also reviewed the performance of Management in achieving agreed goals and objectives for the Company and the Group, and monitored the reporting of performance. All of the Company's non-executive Directors are independent Directors. Their views and opinions also provide different perspectives to the Group's business. The Company is in compliance with Rule 210(5)(c) of the Listing Manual of the SGX-ST, which requires the Board to have at least two non-executive directors who are independent and free of any material business or financial connection with the Company.<sup>19</sup>

<sup>15</sup> The term "related corporation", in relation to the company, has the same meaning as currently defined in the Companies Act 1967, i.e. a corporation that is the company's holding company, subsidiary or fellow subsidiary.

<sup>16</sup> A "substantial shareholder" is a shareholder who has an interest or interests in one or more voting shares (excluding treasury shares) in the company and the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all voting shares (excluding treasury shares) in the company, in line with the definition set out in section 2 of the Securities and Futures Act 2001.

<sup>17</sup> Provision 2.1 of the 2018 Code

<sup>18</sup> Provision 2.2 of the 2018 Code

<sup>19</sup> Provision 2.3 of the 2018 Code

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The Company has a Board Diversity Policy to set out its approach to achieve diversity on the Board. In terms of the composition of the Board, the Company seeks to have a Board that comprises directors who as a group provide an appropriate balance and have diversity from a number of aspects, including gender, age, professional experience, skills and knowledge. Further details of the Board Diversity Policy are available on the Company's website.<sup>20</sup>

The Board is of the view that the size of the Board and the Board Committees is appropriate for the needs and demands of the Company's and the Group's operations. In terms of diversity, the Board comprises business leaders and professionals from different industries and financial backgrounds and the current Board comprises Directors who have diverse qualifications and backgrounds in areas such as law, banking, trusts, finance and business. The non-executive independent Directors have exposure to the business industry in which the Group operates. The Company aims to continue to strive towards achieving an appropriately diverse board, with the right mix of directors with a view to enhancing board effectiveness, including maintaining and increasing the levels of diversity across the different dimensions of gender, age, tenure, skills, knowledge, industry exposure, domain knowledge and international experience.<sup>21</sup>

The Board's composition enables Management to benefit from a diverse and objective external perspective on issues raised before the Board, and the Directors as a group provide the appropriate balance and mix of skills, knowledge, experience and other aspects of diversity.<sup>22</sup>

During FY2022, in terms of gender diversity, the Company had one female Director on the Board. Female Directors therefore represented approximately 17% of the total Board membership. In terms of Board independence, there were three non-executive independent Directors out of a total of six Directors (excluding the alternate Director), hence the independent Directors represented 50% of the total Board membership. In terms of age diversity, two Directors were between the ages of 50 to 59, representing approximately 33% of the total Board membership, three Directors were between the ages of 60 to 69, representing approximately 50% of the total Board membership, and one Director was between the ages of 70 to 79, representing approximately 17% of the total Board membership.

During FY2022, the non-executive independent Directors, led by the independent Chairman, met regularly without the presence of Management. The independent Chairman provided feedback to the Board as appropriate.<sup>23</sup>

None of the Directors or Vice President (Accounts and Finance) have had an employment relationship with the current external auditor in the past 2 years.

## Chairman and Chief Executive Officer (Principle 3 of the 2018 Code)

### Key feature of this section:

- The Joint Chief Executive Officers ("CEOs") are subject to retirement in accordance with the provisions of the Company's Constitution.

The Chairman and the Joint CEOs are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.<sup>24</sup> Mr Cheong Pin Chuan and Mr Cheong Sim Eng are the Joint CEOs of the Company. Mr Chan Pengee, Adrian is the independent Chairman of the Board. The Joint CEOs and the Chairman are not immediate family members.<sup>25</sup> As the Chairman is considered independent, no new Lead Independent Director was appointed after Mr Chow Yew Hon stepped down from the Board and ceased to be the Lead Independent Director of the Company on 31 March 2022.

The Board establishes and sets out in writing the division of responsibilities between the Chairman and the Joint CEOs.<sup>26</sup>

<sup>20</sup> Provision 2.4 of the 2018 Code

<sup>21</sup> Rule 710A(2) of the Listing Manual of the SGX-ST

<sup>22</sup> Provision 2.4 of the 2018 Code

<sup>23</sup> Provision 2.5 of the 2018 Code

<sup>24</sup> Provision 3.1 of the 2018 Code

<sup>25</sup> Rule 1207(10A) of the Listing Manual of the SGX-ST

<sup>26</sup> Provision 3.2 of the 2018 Code

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## Board Membership (Principle 4 of the 2018 Code)

### Key features of this section:

- A comprehensive description of the assessment of independence of Directors is disclosed.
- An external search is done when appointing new Directors. Considerations, including searches conducted by external search consultants, for selection and identification of suitable candidates for Board membership are disclosed.
- None of the current independent Directors has served on the Board for more than nine years since the date of their appointment.
- All Directors (including the Joint CEOs and executive Directors) are subject to retirement in accordance with the provisions of the Company's Constitution.
- During FY2022, there were no instances of appointments or resignations of the executive Directors or Vice President (Accounts and Finance).
- During FY2022, there was no appointment of alternate independent Directors.

### Nominating Committee

According to the written terms of reference of the nominating committee of the Company (the "Nominating Committee"), the Nominating Committee's duties and responsibilities include:<sup>27</sup>

- (a) making recommendations to the Board on relevant matters relating to:
  - (i) the review of succession plans for Directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;<sup>28</sup>
  - (ii) the process and criteria for evaluation of the performance of the Board, its Board Committees and Directors;
  - (iii) the review of training and professional development programmes for the Board and its Directors;
  - (iv) the appointment and re-appointment of Directors (including alternate directors, if any);
- (b) determining annually, and as and when circumstances require, if a Director is independent, having regard to the circumstances set forth in Provision 2.1 of the 2018 Code and the Listing Manual of the SGX-ST;
- (c) prior to 1 January 2022, conducting a rigorous review of the independence of any Director who has served on the Board for more than nine years from the date of his first appointment and the reasons for considering him as independent;
- (d) ensuring that new Directors are aware of their duties and obligations;
- (e) considering, and if appropriate, establishing guidelines on what a reasonable and maximum number of such directorships and principal commitments<sup>29</sup> for each Director (or type of Director) should be;
- (f) without limiting the effect of sub-paragraph (a)(ii) above, recommending for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each board committee separately, as well as the contribution by the Chairman and each individual Director to the Board, in order for the Board to undertake a formal annual assessment of the performance of the Board as a whole, each board committee and each individual Director;
- (g) deciding whether a Director is able to and has been adequately carrying out his or her duties as a Director of the Company, and where a Director holds a significant number of listed company directorships and principal commitments, assessing the ability of such a Director to diligently discharge his or her duties; and
- (h) undertaking such other duties or functions as may be delegated by the Board or required by regulatory authorities.

<sup>27</sup> Provision 4.1 of the 2018 Code

<sup>28</sup> The term "key management personnel" shall mean the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

<sup>29</sup> The term "principal commitments" includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

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The Nominating Committee comprises three Directors, all of whom are independent.<sup>30</sup> During FY2022, the members of the Nominating Committee were Mr Chan Pengee, Adrian (Chairman of the Nominating Committee), Mr Lim Jun Xiong Steven and Mr Chong Weng Hoe. Before Mr Chow Yew Hon stepped down from the Board and ceased to be the Lead Independent Director of the Company on 31 March 2022, he was also a member of the Nominating Committee.

## **Nomination and Selection of Directors**

All new appointments and selection of Directors are reviewed and proposed by the Nominating Committee. The Nominating Committee will first identify the knowledge, skills, experience and background of the candidate being considered for appointment to the Board. Suitable candidates for Board membership are then identified through, *inter alia*, recommendations from current Board members, searches conducted by external search consultants or the SID and other referrals. The Nominating Committee and the Board will interview short-listed candidates before discussing and approving the final appointment. For existing Directors who retire and stand for re-election, based on the evaluation of these Directors, the Nominating Committee will make recommendations for the re-nomination of such Directors.<sup>31</sup>

All Directors (including the Joint CEOs and executive Director) are subject to retirement in accordance with the provisions of the Company's Constitution whereby one-third of the Directors (or if their number is not three or a multiple of three, the number nearest to but not less than one-third) are required to retire from office by rotation and subject themselves to re-election by shareholders at every annual general meeting of the Company.<sup>32</sup> Mr Cheong Sim Eng and Mr Chan Pengee, Adrian will be retiring from office by rotation at the forthcoming annual general meeting under Regulation 104 of the Company's Constitution.

After assessing the contribution and performance of the retiring Directors, the Nominating Committee has recommended the re-election of Mr Cheong Sim Eng and Mr Chan Pengee, Adrian, who will be retiring by rotation at the forthcoming annual general meeting under Regulation 104 of the Company's Constitution. Mr Cheong Sim Eng and Mr Chan Pengee, Adrian have offered themselves for re-election and the Board has accepted the recommendations of the Nominating Committee. Information relating to these Directors is set out on pages 3, 29 and 30, in accordance with Rule 720(6) of the Listing Manual of the SGX-ST.<sup>33</sup>

## **Continuous Review of Directors' Independence**

The Nominating Committee determines annually, and as and when circumstances require, the independence of each independent Director, having regard to the circumstances set forth in Provision 2.1 of the 2018 Code and the Listing Manual of the SGX-ST. The Nominating Committee requires each independent Director to complete and execute a form declaring and affirming his independence and confirming that there exist no conditions or relationships that would impair his independence. This declaration of independence is tabled before the Nominating Committee and, if accepted, the Director's independence is then recommended by the Nominating Committee to the Board.<sup>34</sup>

Taking into account the views of the Nominating Committee, the Board is satisfied that Mr Lim Jun Xiong Steven, Mr Chan Pengee, Adrian and Mr Chong Weng Hoe are independent in light of the provisions of the 2018 Code and Rule 210(5)(d) of the Listing Manual of the SGX-ST.<sup>35</sup>

Pursuant to Rule 210(5)(d)(iv) of the Listing Manual of the SGX-ST, which takes effect for an issuer's annual general meeting for the financial year ending on or after 31 December 2023, a director will not be independent if he has been a director of the issuer for an aggregate period of more than nine years (whether before or after listing) and such director may continue to be considered independent until the conclusion of the next annual general meeting of the issuer. None of the current independent Directors has served on the Board for more than nine years since the date of their appointment. Nevertheless, Mr Lim Jun Xiong Steven and Mr Chan Pengee, Adrian would have been Directors of the Company for an aggregate period of more than nine years from 25 July 2023 and 31 December 2023 respectively. As Rule 210(5)(d)(iv) takes effect for an issuer's annual general meeting for the financial year ending on or after 31 December 2023, and as Rule 210(5)(d)(iv) provides that the director may continue to be considered independent until the conclusion of the next annual general meeting of the issuer after the period of nine years, Mr Lim Jun Xiong Steven and Mr Chan Pengee, Adrian may continue to be considered independent until the conclusion of the Company's annual general meeting to be held in 2024.

<sup>30</sup> Provision 4.2 of the 2018 Code

<sup>31</sup> Provision 4.3 of the 2018 Code

<sup>32</sup> Provision 4.3 of the 2018 Code

<sup>33</sup> Provision 4.3 of the 2018 Code

<sup>34</sup> Provision 4.4 of the 2018 Code

<sup>35</sup> Provision 4.4 of the 2018 Code

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## **Directors' Time Commitments**

The Nominating Committee ensures that new directors are aware of their duties and obligations.<sup>36</sup> Newly appointed Directors will receive appropriate training and orientation programmes to familiarise themselves with the operations of the Group and its major business processes.<sup>37</sup> On the appointment of a new Director, the Company will provide a formal letter to the Director, setting out the Director's duties and obligations.<sup>38</sup>

The Nominating Committee also decides if a Director is able to and has been adequately carrying out his or her duties as a director of the Company.<sup>39</sup> As part of the assessment of the performance of each individual Director, there is consideration of whether sufficient time and attention has been given by the Director to the affairs of the Company. The Nominating Committee is satisfied that all Directors were able to and have adequately carried out their duties as a Director of the Company for FY2022.

The listed company directorships and principal commitments of each Director are disclosed on page 3.<sup>40</sup>

The Nominating Committee has recommended and the Board has adopted a policy that a Director should not have in aggregate more than six listed company Board representations so as to be able to devote sufficient time and attention to the affairs of the Company. During FY2022, none of the Directors exceeded the limit on listed company Board representations.

Provision 1.4 of the 2018 Code recommends, *inter alia*, that a summary of the Nominating Committee's activities be disclosed in the annual report. During FY2022, the Nominating Committee reviewed and recommended the re-nomination of Directors who were due for re-election by rotation under the Company's Constitution at the forthcoming annual general meeting, reviewed and determined the independence of the independent Directors, and decided whether the Directors were able to and have been adequately carrying out his or her duties as a director of the Company.<sup>41</sup>

Key information on the Directors, such as whether they are executive, non-executive, or considered by the Nominating Committee to be independent, as well as details of their academic and professional qualifications and other particulars are set out on pages 3, 29 and 30.

Mr Cheong Tze Hong, Marc has been appointed with effect from 22 January 2021 as alternate Director to Mr Cheong Pin Chuan, who is an Executive Director and the Joint CEO. During FY2022, there were no alternate directors to the independent Directors.

## **Board Performance (Principle 5 of the 2018 Code)**

The Board makes a formal annual assessment of its effectiveness as a whole, and that of each of its Board Committees and individual Directors. The Nominating Committee recommends for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each Board Committee separately, as well as the contribution by the Chairman and each individual Director to the Board.<sup>42</sup> Each Director submits an assessment of the Board and the Board Committees, and a peer assessment of each of the other Directors on the Board to assess the contributions by the Chairman and each individual Director to the effectiveness of the Board. These detailed forms assess Directors in various different areas and competencies, including their attendance and contributions at meetings, preparedness for meetings and their interactive and interpersonal skills. The responses are collated by the external Company Secretary and a consolidated report is submitted to the Board. The responses are then discussed by the Board.<sup>43</sup>

## **REMUNERATION MATTERS**

### **Procedures for Developing Remuneration Policies (Principle 6 of the 2018 Code)**

#### **Remuneration Committee**

According to the written terms of reference of the remuneration committee of the Company (the "Remuneration Committee"), the Remuneration Committee's duties and responsibilities include:<sup>44</sup>

- (a) reviewing and making recommendations to the Board on:
  - (i) a framework of remuneration for the Board and key management personnel; and

<sup>36</sup> Provision 4.5 of the 2018 Code

<sup>37</sup> Provision 4.5 of the 2018 Code

<sup>38</sup> Provision 4.5 of the 2018 Code

<sup>39</sup> Provision 4.5 of the 2018 Code

<sup>40</sup> Provision 4.5 of the 2018 Code

<sup>41</sup> Provision 1.4 of the 2018 Code

<sup>42</sup> Provision 5.1 of the 2018 Code

<sup>43</sup> Provision 5.2 of the 2018 Code

<sup>44</sup> Provision 6.1 of the 2018 Code

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- (ii) the specific remuneration packages for each Director as well as for the key management personnel, and in doing so the Remuneration Committee considers all aspects of remuneration, including termination terms (including retirement terms), to ensure they are fair;
- (b) reviewing the Group's obligations in the event of termination (including retirement) of the employment of the Executive Directors of the Company and key management personnel of the Group;
- (c) where an external remuneration consultant is appointed, reviewing whether the remuneration consultant has any relationship with the Group that could affect his or her independence and objectivity; and
- (d) reviewing annually 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, and whose remuneration exceeds \$100,000 during the year.

The Remuneration Committee comprises three Directors, all of whom are non-executive independent Directors.<sup>45</sup> During FY2022, the members of the Remuneration Committee were Mr Chong Weng Hoe (Chairman of the Remuneration Committee), Mr Lim Jun Xiong Steven and Mr Chan Pengee, Adrian. Before Mr Chow Yew Hon stepped down from the Board and ceased to be the Lead Independent Director of the Company on 31 March 2022, he was also the Chairman of the Remuneration Committee.

The Remuneration Committee considers all aspects of remuneration, including termination terms (including retirement terms), to ensure they are fair.<sup>46</sup> No Director or member of the Remuneration Committee is involved in deciding his or her own remuneration.

HR Guru Pte Ltd ("HR Guru") is the current remuneration consultant of the Company. The Group does not have any relationship with HR Guru that could affect HR Guru's independence and objectivity.<sup>47</sup>

The Remuneration Committee, with the advice of HR Guru, reviews and recommends to the Board specific remuneration packages appropriate for each executive Director and the Directors' fees payable to the non-executive independent Directors, as well as the specific remuneration packages for the key management personnel. The Board will then review and, if it deems fit, approve these accordingly.

Provision 1.4 of the 2018 Code recommends, *inter alia*, that a summary of the Remuneration Committee's activities be disclosed in the annual report. During FY2022, the Remuneration Committee reviewed and recommended the remuneration of the executive Directors and key management personnel, recommended the non-executive independent Directors' fees for FY2022 and recommended the appointment of HR Guru as the Company's remuneration consultant.<sup>48</sup>

## Level and Mix of Remuneration (Principle 7 of the 2018 Code)

The remuneration of executive Directors (including the Joint CEOs) and key management personnel comprises a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the performance of the Group and each individual's performance.<sup>49</sup> A significant and appropriate proportion of executive Directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. The corporate and individual performance-related elements of remuneration are designed to align the interests of executive Directors and key management personnel with those of shareholders and other stakeholders and to promote the long-term success of the Company.<sup>50</sup>

In reviewing the remuneration of non-executive independent Directors, the Remuneration Committee and HR Guru have taken into consideration the knowledge and expertise of each individual non-executive independent Director, the responsibilities vested upon them and the effort and time commitment required from the non-executive independent Directors given the complexities of the business and the business structure.<sup>51</sup> This is to ensure that the remuneration of non-executive independent Directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities.

<sup>45</sup> Provision 6.2 of the 2018 Code

<sup>46</sup> Provision 6.3 of the 2018 Code

<sup>47</sup> Provision 6.4 of the 2018 Code

<sup>48</sup> Provision 1.4 of the 2018 Code

<sup>49</sup> Provision 7.1 of the 2018 Code

<sup>50</sup> Provision 7.1 of the 2018 Code

<sup>51</sup> Provision 7.2 of the 2018 Code

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The remuneration packages are appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long term.<sup>52</sup>

## Disclosure on Remuneration (Principle 8 of the 2018 Code)

### Key feature of this section:

- The Company does not have any employee share option scheme and does not issue share options to independent Directors.

The Group's remuneration policy is to provide remuneration packages which are appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long term.<sup>53</sup>

The Group adopts a remuneration policy<sup>54</sup> for executive Directors (including the Joint CEOs) and key management personnel comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the performance of the Group and every individual's performance, which is based on the criteria of the respective key performance indicators allocated to the individual. The key performance indicators include the Group's profitability and other financial and operational indicators as determined by the Board. Staff appraisals are conducted once a year. The executive Directors do not receive Directors' fees. The executive Directors and key management personnel had met their respective key performance indicators in respect of FY2022.

The Group adopts a remuneration policy for non-executive independent Directors, which takes into consideration the knowledge and expertise of each individual non-executive independent Director, the responsibilities vested upon them and the effort and time commitment required from the non-executive independent Directors given the complexities of the business and the business structure.<sup>55</sup>

The names, amounts and breakdown of remuneration of each non-executive independent Director are disclosed below.<sup>56</sup>

Name of Non-executive Independent Director	Salary \$	Fees \$	Bonus \$	Other Benefits <sup>57</sup> \$
Mr Chan Pengee, Adrian	–	142,500	–	–
Mr Lim Jun Xiong Steven	–	102,500	–	–
Mr Chong Weng Hoe <sup>(1)</sup>	–	81,140	–	–
Mr Chow Yew Hon <sup>(2)</sup>	–	27,500	–	–

<sup>(1)</sup> Mr Chong Weng Hoe was appointed with effect from 15 February 2022 as Director and 31 March 2022 as Chairman of the Remuneration Committee and a member of the Nominating Committee and Audit and Risk Management Committee.

<sup>(2)</sup> Mr Chow Yew Hon stepped down from the Board and ceased to be the Lead Independent Director of the Company on 31 March 2022. He also relinquished his positions as the Chairman of the Remuneration Committee and a member of the Nominating Committee and Audit and Risk Management Committee.

The structure of the fees paid or payable to non-executive independent Directors of the Company for FY2022 is as follows:

Type of Appointment	Fee Per Annum (\$)
<b>Board Chairman</b>	43,000
<b>Board of Directors</b>	
Basic retainer	48,000
<b>Lead Independent Director (up to 31 March 2022)</b>	10,000
<b>Audit and Risk Management Committee</b>	
Chairman	30,000
Member	15,000
<b>Nominating Committee</b>	
Chairman	24,000
Member	12,000
<b>Remuneration Committee</b>	
Chairman	25,000
Member	12,500

<sup>52</sup> Provision 7.3 of the 2018 Code

<sup>53</sup> Provision 8.1 of the 2018 Code

<sup>54</sup> Provision 8.1 of the 2018 Code

<sup>55</sup> Provision 8.1 of the 2018 Code

<sup>56</sup> Provision 8.1(a) of the 2018 Code

<sup>57</sup> There are no termination, retirement and post-employment benefits granted to non-executive independent Directors.

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Provision 8.1 of the 2018 Code provides, *inter alia*, that the amounts of remuneration of each individual director and the CEO are disclosed in the annual report. Principle 8 of the 2018 Code states that the company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation. For FY2022, the Company wishes to disclose the remuneration of the executive Director and the Joint CEOs in bands of \$250,000, which constitutes a variation from Provision 8.1 of the 2018 Code. The Company is of the view that the intent of Principle 8 was met, as the remuneration policies and the procedure for setting remuneration applicable to the executive Director and the Joint CEOs are described above, and the level and mix of remuneration is disclosed in the table below.<sup>58</sup> Moreover, the Remuneration Committee and the Board are of the opinion that the remuneration packages of the executive Director and Joint CEOs are of a confidential and sensitive nature, the disclosure of which would place the Group in a competitively disadvantageous position, and hence have chosen to make disclosures in relation thereto in bands of \$250,000.

Remuneration Band Name of Executive Director	Salary %	Fees %	Bonus %	Other Benefits <sup>59</sup> %	Total %
<b>\$3,000,000 to \$3,249,999</b>					
Ms Cheong Hooi Kheng <sup>(1)</sup>	45	–	51	4	100
<b>\$3,250,000 to \$4,249,999</b>					
–	–	–	–	–	–
<b>\$4,250,000 to \$4,499,999</b>					
Mr Cheong Sim Eng <sup>(1)</sup>	50	–	44	6	100
<b>\$4,500,000 to \$4,749,999</b>					
Mr Cheong Pin Chuan <sup>(1)</sup>	31	–	47	22	100

<sup>(1)</sup> The remuneration reflected in this table includes the remuneration given by those subsidiary companies or subsidiary corporations whose financial statements are consolidated with the Company's financial statements, aggregated together with the remuneration given by the Company.

The names, amounts (in bands no wider than \$250,000) and the breakdown of the remuneration of the top eight key management personnel who are not Directors or the CEO for FY2022 are set out below.<sup>60</sup>

Remuneration Band Name and Designation of Executive	Salary %	Fees %	Bonus %	Other Benefits <sup>61</sup> %	Total %
<b>Below \$250,000</b>					
Mr Ng Sai Kian: Vice President (Property Management)	73	–	23	4	100
<b>\$250,000 to \$499,999</b>					
Ms Koh Chay Tiang: Vice President (Accounts and Finance)/ Company Secretary	75	–	25	–	100
Mr Jimmy Yeo: Vice President (Marketing)	70	–	22	8	100
<b>\$500,000 to \$749,999</b>					
Mr Cheong Tze Hian, Howard: Director – Project Development of Hong Fok Land International Limited ("HFLIL") <sup>62</sup>	45	–	4	51	100
Mr Cheong Tze Hong, Marc: Director – Finance Division of HFLIL <sup>62</sup>	47	–	4	49	100
Mr Tsui Yeung Kun: Director – Business Development of HFLIL <sup>62</sup>	71	–	7	22	100
<b>\$750,000 to \$999,999</b>					
Mr Lok Nam Moon: Vice President (Projects)	36	–	7	57 <sup>63</sup>	100
<b>\$1,000,000 to \$1,249,999</b>					
Ms Cheong Puay Kheng: Vice President (Administration and Personnel) up to 31 March 2023 and re-designated to Senior Vice President (Corporate Services) with effect from 1 April 2023 and Senior Manager of HFLIL <sup>62</sup>	81	–	16	3	100

<sup>58</sup> Provision 8.1(a) of the 2018 Code

<sup>59</sup> There are no termination, retirement and post-employment benefits granted to Directors or the CEO.

<sup>60</sup> Provision 8.1(b) of the 2018 Code

<sup>61</sup> There are no termination, retirement and post-employment benefits granted to the key management personnel, except for the retirement benefits of approximately \$425,000 paid to Mr Lok Nam Moon, who stepped down from his position as Vice President (Projects) on 31 December 2022.

<sup>62</sup> The accounts of the HFLIL Group have been consolidated into the accounts of the Group for FY2022 for accounting purposes.

<sup>63</sup> This includes retirement benefits of approximately \$425,000.

## CORPORATE GOVERNANCE STATEMENT

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The aggregate amount of the total remuneration paid to the above eight key management personnel was approximately \$4,662,000.<sup>64</sup>

Certain employees, namely, (a) Ms Cheong Puay Kheng, (b) Mr Cheong Tze Hong, Marc, (c) Mr Cheong Tze Hian, Howard, were employees of the Group and subsidiary companies or subsidiary corporations whose financial statements are consolidated with the Company's financial statements, whose remuneration exceeded \$100,000 each during the financial year who are immediate family members of certain persons who are Directors, the Joint CEOs and certain substantial shareholders of the Company. These persons are Ms Cheong Hooi Kheng (a Director of the Company for FY2022), Mr Cheong Pin Chuan and Mr Cheong Sim Eng (Directors, Joint CEOs and substantial shareholders of the Company for FY2022) and Mr Cheong Kim Pong (a substantial shareholder of the Company for FY2022). Ms Cheong Puay Kheng is a sibling of Ms Cheong Hooi Kheng, Mr Cheong Pin Chuan, Mr Cheong Sim Eng and Mr Cheong Kim Pong. Mr Cheong Tze Hong, Marc and Mr Cheong Tze Hian, Howard, are the sons of Mr Cheong Pin Chuan and the nephews of Ms Cheong Hooi Kheng, Mr Cheong Sim Eng and Mr Cheong Kim Pong. In addition, for FY2022, Mr Cheong Pin Chuan, Ms Cheong Hooi Kheng and Mr Cheong Sim Eng, who are siblings, were employees of the Group.<sup>65</sup>

Provision 8.2 of the 2018 Code provides, *inter alia*, 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 \$100,000 during the year, in bands no wider than \$100,000, in its annual report. Principle 8 of the 2018 Code states that the company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation. For FY2022, the Company wishes to disclose the remuneration of the employees who were substantial shareholders of the Company, or were immediate family members of a Director, the Joint CEOs or a substantial shareholder of the Company, and whose remuneration exceeded \$100,000 during the year, in bands of \$250,000, as opposed to bands of \$100,000, which constitutes a variation from Provision 8.2 of the 2018 Code. The Company is of the view that the intent of Principle 8 of the 2018 Code was met, as the remuneration policies and the procedure for setting remuneration applicable to the key management personnel of the Company are described above, and the level and mix of remuneration is disclosed in the table above. Moreover, the employees are in senior positions and considered as key management personnel, hence the disclosure made in bands of \$250,000 would be meaningful to investors as to the level of remuneration paid to these employees. In addition, the Company believes that the disclosure of the detailed remuneration packages of employees, including those who are substantial shareholders of the Company, or are immediate family members of a Director, the Joint CEOs or a substantial shareholder of the Company would be prejudicial to the Company's interests and hamper its ability to retain and nurture the Group's talent pool and hence have chosen to make disclosures in relation thereto in bands of \$250,000 (instead of in incremental bands of \$100,000).

Information of the key executive officers is set out on page 4.

All forms of remuneration and other payments and benefits (if any), paid by the Group and those subsidiary companies or subsidiary corporations whose financial statements are consolidated with the Company's financial statements to Directors and key management personnel of the Company are disclosed in the tables above.<sup>66</sup> The Company does not have any employee share option scheme.<sup>67</sup>

### ACCOUNTABILITY AND AUDIT

#### Risk Management and Internal Controls (Principle 9 of the 2018 Code)

##### Key feature of this section:

- The Company has an Enterprise Risk Management framework.

The Board determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation. The duties and responsibilities of the audit and risk management committee of the Company (the "Audit and Risk Management Committee") include specifically addressing these issues.<sup>68</sup> The Group has an Enterprise Risk Management ("ERM") framework to enable the Group to apply a systematic approach to effectively identify, assess, manage, monitor and review the Group's risks, including strategic, financial, operational, compliance and information technology controls. To promote risk awareness among employees at all levels, the Group has put in place an ERM policy that elaborates on the ERM framework, process and governance.

<sup>64</sup> Provision 8.1(b) of the 2018 Code

<sup>65</sup> Provision 8.2 of the 2018 Code

<sup>66</sup> Provision 8.3 of the 2018 Code

<sup>67</sup> Provision 8.3 of the 2018 Code

<sup>68</sup> Provision 9.1 of the 2018 Code

## CORPORATE GOVERNANCE STATEMENT

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The Board requires and has received assurance from:

- (a) the Joint CEOs and the Vice President (Accounts and Finance) that the financial records have been properly maintained and the financial statements give a true and fair view of the operations and finances of the Group and those subsidiary companies or subsidiary corporations whose financial statements are consolidated with the Company's financial statements; and
- (b) the Joint CEOs and the Vice President (Accounts and Finance) regarding the adequacy and effectiveness of the risk management and internal controls systems of the Group and those subsidiary companies or subsidiary corporations whose financial statements are consolidated with the Company's financial statements.<sup>69</sup>

### Audit Committee (Principle 10 of the 2018 Code)

#### Key features of this section:

- In respect of the earnings of the Group as set out in the financial result announcement for FY2022, there was no earning restatement made by the Company in the audited consolidated financial statements set out in this annual report.
- The non-audit fees do not exceed the audit fees paid to the auditors.

According to the written terms of reference of the Audit and Risk Management Committee, the Audit and Risk Management Committee's duties and responsibilities include:<sup>70</sup>

- (a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- (b) reviewing at least annually the adequacy and effectiveness of the Company's internal controls and risk management systems;
- (c) reviewing the assurance from the Chief Executive Officer and the Chief Financial Officer on the financial records and financial statements;
- (d) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;
- (e) reviewing the adequacy, effectiveness, independence, scope and results of the Company's external audit;
- (f) reviewing the adequacy, effectiveness, independence, scope and results of the Company's internal audit function;
- (g) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;
- (h) deciding on the appointment, termination and remuneration of the head of the internal audit function, as the primary reporting line of the internal audit function is to the Audit and Risk Management Committee;
- (i) meeting with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually;
- (j) reviewing and recommending the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation;
- (k) reviewing any matters relating to suspected fraud or irregularity, or suspected infringement of any Singapore laws or regulations or rules of the SGX-ST or any other regulatory authority in Singapore, which has or is likely to have a material impact on the Company's or Group's operating results and/or financial position, and the findings of any internal investigations, and Management's response thereto, discussing such matters with the external auditor and, at an appropriate time, reporting the matter to the Board;
- (l) carrying out the functions set out in Section 201B of the Companies Act 1967;

<sup>69</sup> Provision 9.2 of the 2018 Code

<sup>70</sup> Provision 10.1 of the 2018 Code

## CORPORATE GOVERNANCE STATEMENT

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- (m) with reference to the Practice Guidance, having explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management, full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions; and
- (n) reporting to the Board the significant issues and judgements that the Audit and Risk Management Committee considered in relation to the financial statements, and how these issues were addressed.

The Company has in place a Whistle-blowing Policy which sets out the procedures for a whistle-blower to make a report to the Company on misconduct or wrongdoing relating to the Company and its officers.<sup>71</sup> Under the Whistle-blowing Policy, it is provided, *inter alia*, that (a) the Company has designated the Audit and Risk Management Committee to act as an independent function to investigate whistle-blowing reports made in good faith;<sup>72</sup> (b) the Company will ensure that the identity of the whistle-blower will be kept confidential, unless it is required, *inter alia*, by law to do otherwise;<sup>73</sup> (c) the Company is committed to ensure that employees will be protected against detrimental or unfair treatment or reprisal for whistle-blowing in good faith;<sup>74</sup> and (d) the Audit and Risk Management Committee is responsible for the oversight and monitoring of the procedures for a whistle-blower to make complaints and for the investigation of complaints, including the execution and review of the Whistle-blowing Policy.<sup>75</sup>

The Whistle-blowing Policy has a well-defined process which begins with a complaint being submitted via email to the Chairman of the Audit and Risk Management Committee, who will then perform a preliminary review of the complaint received. If he determines that the complaint is valid and within the scope of the Whistle-blowing Policy, he will report it to the Audit and Risk Management Committee accordingly, which will review the facts of the complaint and follow-up with the appropriate course of action. Anonymous complaints are not disregarded and will also be investigated. There have been no incidents reported or complaints submitted pertaining to whistle-blowing for FY2022. The details of the Whistle-blowing Policy are available on the Company's website.

The Audit and Risk Management Committee comprises three Directors, all of whom are non-executive independent Directors. During FY2022, the members of the Audit and Risk Management Committee were Mr Lim Jun Xiong Steven (Chairman of the Audit and Risk Management Committee), Mr Chan Pengee, Adrian and Mr Chong Weng Hoe. Before Mr Chow Yew Hon stepped down from the Board and ceased to be the Lead Independent Director of the Company on 31 March 2022, he was also a member of the Audit and Risk Management Committee.

At least two of the members of the Audit and Risk Management Committee (including the Chairman) have recent and relevant accounting or related financial management expertise or experience.<sup>76</sup>

The Audit and Risk Management Committee does not comprise former partners or directors of the Company's existing auditing firm or auditing corporation.<sup>77</sup>

To enable the Audit and Risk Management Committee to discharge its functions more effectively, for FY2022, the Company had appointed RSM Risk Advisory Pte Ltd, an accounting firm which is not the external auditors, to carry out its internal audit function. The internal audit was carried out in accordance with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors, which is a standard set by nationally or internationally recognised professional bodies. The internal audit process includes, *inter alia*, the identification of key risk areas and a consideration of the controls managing such risks.

The primary reporting line of the internal audit function is to the Audit and Risk Management Committee, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the Company's documents, records, properties and personnel, including the Audit and Risk Management Committee, and has appropriate standing within the Company.<sup>78</sup>

The Company's external auditors are KPMG LLP (an accounting firm registered with the ACRA).

<sup>71</sup> Rule 1207(18A) of the Listing Manual of the SGX-ST

<sup>72</sup> Rule 1207(18B)(a) of the Listing Manual of the SGX-ST

<sup>73</sup> Rule 1207(18B)(b) of the Listing Manual of the SGX-ST

<sup>74</sup> Rule 1207(18B)(c) of the Listing Manual of the SGX-ST

<sup>75</sup> Rule 1207(18B)(d) of the Listing Manual of the SGX-ST

<sup>76</sup> Provision 10.2 of the 2018 Code

<sup>77</sup> Provision 10.3 of the 2018 Code

<sup>78</sup> Provision 10.4 of the 2018 Code

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During FY2022, the Audit and Risk Management Committee met with the external auditors, and with the internal auditors, in each case without the presence of Management.<sup>79</sup>

The Audit and Risk Management Committee was satisfied that the Company's external auditors and the audit engagement partner assigned to the audit had adequate resources and experience to meet its audit obligations. In this connection, the Company has complied with Rule 712 of the Listing Manual of the SGX-ST.<sup>80</sup>

The audit and non-audit fees paid/payable to auditors are stated in Note 24 (Profit/(Loss) Before Tax) to the Financial Statements.<sup>81</sup> The non-audit fees do not exceed 50% of the audit fees paid to the auditors.

The Audit and Risk Management Committee undertook a review of all the non-audit services provided by the Company's external auditors to the Company and the Group, and was satisfied that the nature and extent of such services would not impair the independence of the external auditors.<sup>82</sup> Hence, the Audit and Risk Management Committee has recommended to the Board that the auditors, KPMG LLP, be nominated for re-appointment as the Company's external auditors at the forthcoming annual general meeting of the Company.

The Board and the Audit and Risk Management Committee reviewed the appointment of different auditors for its subsidiaries and significant associates, and were satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Group. Accordingly, the Company has complied with Rule 716 of the Listing Manual of the SGX-ST.<sup>83</sup>

The Board oversees Management in the design, implementation and monitoring of the risk management and internal controls systems, but recognises that no cost effective internal controls and risk management systems will preclude all errors and irregularities, as the systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Directors regularly review the effectiveness and adequacy of all internal controls, including financial, operational, compliance and information technology controls, and risk management systems.

Based on the work carried out by the internal auditors, the external auditors and the existing management controls in place, the Board was satisfied that there were adequate and effective internal controls (including financial, operational, compliance and information technology controls) and risk management systems. The Audit and Risk Management Committee concurs with the Board's comment. The Board, together with the Audit and Risk Management Committee and Management, will continue to enhance and improve the existing internal controls framework to identify and mitigate these risks.<sup>84</sup> There were no material weaknesses identified by the Board or the Audit and Risk Management Committee.

The Audit and Risk Management Committee was satisfied that the internal audit function is independent, effective and adequately resourced.<sup>85</sup>

Provision 1.4 of the 2018 Code recommends, *inter alia*, that a summary of the Audit and Risk Management Committee's activities be disclosed in the annual report. The Audit and Risk Management Committee performs the functions specified in Section 201B of the Companies Act 1967, the Listing Manual of the SGX-ST and the 2018 Code. The Audit and Risk Management Committee met four times during FY2022. The Audit and Risk Management Committee reviewed and approved the internal audit plan for execution. The Audit and Risk Management Committee also met with Management, the Vice President (Accounts and Finance) and external auditors to discuss and keep abreast of any changes to the accounting standards and issues which could have a direct impact on the Company's or the Group's financial statements.<sup>86</sup>

In FY2022, the Group with the assistance of its internal auditors carried out an exercise to review the Group's risk register which identified the key risks facing the Group and the internal controls and risk management systems in place to manage or mitigate those risks. Internal and external auditors conducted audits that involve testing the effectiveness of the material internal controls systems in the Group. Any material non-compliance or lapses in internal controls together with corrective

<sup>79</sup> Provision 10.5 of the 2018 Code

<sup>80</sup> Rule 712 of the Listing Manual of the SGX-ST

<sup>81</sup> Rule 1207(6)(a) of the Listing Manual of the SGX-ST

<sup>82</sup> Rule 1207(6)(b) of the Listing Manual of the SGX-ST

<sup>83</sup> Rule 1207(6)(c) of the Listing Manual of the SGX-ST

<sup>84</sup> Rule 1207(10) of the Listing Manual of the SGX-ST

<sup>85</sup> Rule 1207(10C) of the Listing Manual of the SGX-ST

<sup>86</sup> Provision 1.4 of the 2018 Code

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measures recommended by internal and external auditors were reported to the Audit and Risk Management Committee. The Audit and Risk Management Committee also reviewed the effectiveness of the measures taken by Management in response to the recommendations made by the internal and external auditors. The systems of internal controls and risk management are continually being refined by Management, the Audit and Risk Management Committee and the Board.

The Company has an Anti-corruption and Anti-money Laundering Policy to demonstrate its commitment to conducting its business with integrity, and in compliance with all applicable laws and regulations relating to the prevention of corruption, bribery, money laundering and terrorism financing. The details of the Anti-corruption and Anti-money Laundering Policy are available on the Company's website.

### SHAREHOLDER RIGHTS AND ENGAGEMENT

#### Shareholder Rights and Conduct of General Meetings (Principle 11 of the 2018 Code)

**Key feature of this section:**

- All Directors of the Company attended the latest annual general meeting.

The Company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders.<sup>87</sup>

Generally, at general meetings of the Company, shareholders have the opportunity to vote in person or by proxy, would be informed of the voting procedures, and would be given an opportunity to air their views and ask questions regarding the Company and the Group. However, the annual general meeting of the Company held in respect of the financial year ended 31 December 2021 ("FY2021") was held on 27 April 2022 by way of electronic means and shareholders were not able to attend the annual general meeting in person, due to the COVID-19 restrictions and advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore that were in effect at the relevant time. To enable shareholders to participate in and vote effectively at the annual general meeting held by way of electronic means, the Company had set out detailed information on the alternative arrangements relating to attendance at the annual general meeting, submission of questions in advance of the annual general meeting, and voting procedures for the annual general meeting in the Company's announcement dated 5 April 2022 on the SGXNet. As set out in the Regulator's Column dated 23 May 2022, general meetings which are conducted virtually on or after 1 October 2022 and annual general meetings for financial years ended 30 June 2022 onwards, will need to provide both (i) real-time electronic voting and (ii) real-time electronic communication. As the forthcoming annual general meeting of the Company to be held in respect of FY2022 will be held by way of electronic means, shareholders will not be able to attend the annual general meeting in person, but will be able to participate in the annual general meeting by accessing a live webcast or live audio feed. Shareholders who wish to vote on any or all of the resolutions of the annual general meeting may vote "live" via electronic means at the annual general meeting or by appointing proxy(ies) or the Chairman of the annual general meeting to vote on their behalf at the annual general meeting. Shareholders may (i) submit questions related to the resolutions to be tabled at the forthcoming annual general meeting in advance of the lodgement of the proxy forms for the annual general meeting; or (ii) submit text-based questions during the annual general meeting.

The Company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the Company explains the reasons and material implications in the notice of meeting.<sup>88</sup> All resolutions at the annual general meeting are put to the vote by way of poll and the detailed results of the voting for each of the resolutions are announced on the SGX-ST.

<sup>87</sup> Provision 11.1 of the 2018 Code

<sup>88</sup> Provision 11.2 of the 2018 Code

# CORPORATE GOVERNANCE STATEMENT

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All Directors and Management attend the general meetings of shareholders to address any questions that the shareholders may have. The external auditors of the Company are also present at annual general meetings to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.<sup>89</sup> During FY2022, all Directors attended the annual general meeting of the Company, which was held by way of electronic means and was the only general meeting held during the financial year.

Provision 11.4 of the 2018 Code provides that the company's constitution (or other constitutive documents) allow for absentia voting at general meetings of shareholders. Principle 11 of the 2018 Code provides, *inter alia*, that the company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. Voting in absentia by mail, facsimile or email, is currently not permitted by the Company's Constitution, which constitutes a variation from Provision 11.4 of the 2018 Code. The Company is of the view that the intent of Principle 11 was met, as the existing arrangement whereby shareholders have the opportunity to vote by proxy is adequate in enabling shareholders to exercise their rights and have the opportunity to vote. Moreover, to allow voting in absentia by mail, facsimile or email would require careful consideration of various factors, including the integrity of information and authentication of the identity of shareholders.<sup>90</sup> The Company will take into account any measures and legislations that may be introduced by the relevant authorities as a result of the current environment in formulating the framework and procedures to effect additional methods of voting.

The Company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management.<sup>91</sup>

The Company has a Dividend Policy, pursuant to which the dividend policy is to distribute dividends based on the Company's performance, taking into consideration the resources needed for the Company's continuing operations and possible future plans. The declaration and payment of any dividends will be recommended by the Directors and the final dividend (if any) will be subject to the approval of the shareholders. The Company seeks to maximise shareholder value and encourage shareholder loyalty by providing consistent and sustainable ordinary dividend payments to its shareholders on an annual basis. The details of the Dividend Policy are available on the Company's website.<sup>92</sup>

## Engagement with Shareholders (Principle 12 of the 2018 Code)

### Key feature of this section:

- During FY2022, the Company did not have any investor relations issues.

The Company believes in regular, effective and fair communication with the shareholders. The Company's website is at [www.hongfok.com.sg](http://www.hongfok.com.sg). The Company's latest annual reports, financial results, corporate announcements and share trading information are available on the Company's website. The Company also provides an email alert service so that shareholders and investors may be automatically alerted by email once the Company releases any announcements or filings on the SGX-ST. The Company ensures that timely and adequate disclosure of information on matters of material impact on the Company and the Group are made to the shareholders. Any such information, should they arise, are communicated to the shareholders through the Company's annual reports and announcements to the SGX-ST.

The Company also facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company. The Company provides avenues for communication between the Board and all shareholders.<sup>93</sup> To allow the Board to solicit and understand the views of shareholders, shareholders are encouraged to attend the annual general meetings and extraordinary general meetings of the Company to ensure a high level of accountability and to stay apprised of the Group's strategy and goals.

<sup>89</sup> Provision 11.3 of the 2018 Code

<sup>90</sup> Provision 11.4 of the 2018 Code

<sup>91</sup> Provision 11.5 of the 2018 Code

<sup>92</sup> Provision 11.6 of the 2018 Code

<sup>93</sup> Provision 12.1 of the 2018 Code

# CORPORATE GOVERNANCE STATEMENT

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Generally, at general meetings of the Company, the shareholders are given an opportunity to air their views and ask questions regarding the Company and the Group. However, due to the COVID-19 restrictions and advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore that were in effect at the relevant time, the annual general meeting of the Company held in respect of FY2021 was held on 27 April 2022 by way of electronic means and shareholders were not able to attend the annual general meeting in person. Shareholders who wished to raise any matters at the annual general meeting were allowed to submit such matters or any questions related to the annual general meeting in advance to the Company. As set out in the Regulator's Column dated 23 May 2022, general meetings which are conducted virtually on or after 1 October 2022 and annual general meetings for financial years ended 30 June 2022 onwards, will need to provide both (i) real-time electronic voting and (ii) real-time electronic communication. As the forthcoming annual general meeting of the Company to be held in respect of FY2022 will be held by way of electronic means, shareholders will not be able to attend the annual general meeting in person, but will be able to participate in the annual general meeting by accessing a live webcast or live audio feed. Shareholders who wish to vote on any or all of the resolutions of the annual general meeting may vote "live" via electronic means at the annual general meeting or by appointing proxy(ies) or the Chairman of the annual general meeting to vote on their behalf at the annual general meeting. Shareholders may (i) submit questions related to the resolutions to be tabled at the forthcoming annual general meeting in advance of the lodgement of the proxy forms for the annual general meeting; or (ii) submit text-based questions during the annual general meeting.

The Company has an Investor Relations Policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.<sup>94</sup> The Investor Relations Policy sets out a mechanism, being the email address of [ir@hongfok.com.sg](mailto:ir@hongfok.com.sg), through which shareholders may contact the Company with questions and through which the Company may respond to such questions.<sup>95</sup> The details of the Investor Relations Policy are available on the Company's website.

## MANAGING STAKEHOLDERS RELATIONSHIPS

### Engagement with Stakeholders (Principle 13 of the 2018 Code)

#### Key features of this section:

- The Company adopts a Best Practices Guide which provides as a policy to prevent non-executive independent Directors from selling securities (including stock) of the Company prior to leaving the Company.
- The Company publishes a Sustainability Report annually.
- Information of each Director, including their academic and professional qualifications, date of first appointment and last re-election, is disclosed.
- During FY2022, there were no profit warning announcements made by the Company.

The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.<sup>96</sup>

Details of the Company's strategy and key areas of focus in relation to the management of stakeholder relationships during FY2022 are set out on pages 41 and 42, in the Company's Sustainability Report.<sup>97</sup>

The Company maintains a current corporate website to communicate and engage with stakeholders. The Company's website is at [www.hongfok.com.sg](http://www.hongfok.com.sg).<sup>98</sup>

<sup>94</sup> Provision 12.2 of the 2018 Code

<sup>95</sup> Provision 12.3 of the 2018 Code

<sup>96</sup> Provision 13.1 of the 2018 Code

<sup>97</sup> Provision 13.2 of the 2018 Code

<sup>98</sup> Provision 13.3 of the 2018 Code

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### INTERESTED PERSON TRANSACTIONS

During FY2022, the following interested person transaction (“IPT”) (excluding transactions less than \$100,000) was entered into by the Group:

Name of Interested Person	Nature of Relationship	Aggregate Value of all Interested Person Transactions During the Financial Year Under Review (Excluding Transactions Less Than \$100,000 and Transactions Conducted Under Shareholders’ Mandate Pursuant to Rule 920 of the Listing Manual of the SGX-ST)	Aggregate Value of all Interested Person Transactions Conducted Under a Shareholders’ Mandate Pursuant to Rule 920 of the Listing Manual of the SGX-ST (Excluding Transactions Less Than \$100,000)
Hong Fok Land International Limited	Hong Fok Land International Limited is deemed to be a controlling shareholder of the Company.	Approximately S\$34,363,000 (HK\$197,600,000)	N.A. The Company does not have a shareholders’ mandate for IPTs pursuant to Rule 920 of the Listing Manual of the SGX-ST.

The Company has a Conflict of Interests and Interested Person Transaction Policy which, *inter alia*, aims to set out the Company’s internal procedures and guidelines to identify, report and where necessary, seek appropriate approval of IPTs in order to comply with the Listing Manual of the SGX-ST. This policy requires the personnel involved in the proposed IPTs to endeavour to ensure that the IPTs are conducted fairly, on an arm’s length basis, on normal commercial terms, and are not prejudicial to the interests of the Company and its minority shareholders. The details of the Conflict of Interests and Interested Person Transaction Policy are available on the Company’s website.

### MATERIAL CONTRACTS

Save for the IPTs disclosed in Note 31 (Related Parties) to the Financial Statements, there were no other material contracts of the Company or its subsidiaries involving the interests of the Joint CEOs, each Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

### SECURITIES TRANSACTIONS

The Company has adopted the Hong Fok Corporation Limited Best Practices Guide (Dealings in Company’s Securities) (the “Guide”). The Guide sets out, *inter alia*, the restrictions on insider trading under the Securities and Futures Act 2001, the implications of insider trading as well as guidelines on dealings in securities. In addition, the Guide further elaborates that an officer of the Company should not deal in the securities of the Company on short-term considerations and the Company and its officers should not deal in the securities of the Company during the period commencing two weeks before the announcement of the Company’s financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company’s full year financial statements (if the Company announces its quarterly financial statements, whether required by the SGX-ST or otherwise), or one month before the announcement of the Company’s half year and full year financial statements (if the Company does not announce its quarterly financial statements), and ending on the date of announcement of the relevant results.

The Guide also provides as a policy that non-executive independent Directors should not sell securities (including stock) of the Company prior to leaving the Company if they hold any such securities (including stock) of the Company.

The details of the Guide are available on the Company’s website.

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### CORPORATE SOCIAL RESPONSIBILITY

In the introduction to the 2018 Code, it is stated that companies that embrace the tenets of good governance, including accountability, transparency and sustainability, are more likely to engender investor confidence and achieve long-term sustainable business performance.

Details of the Group's sustainability practices, including the corporate social responsibility initiatives during FY2022, are set out in the Company's Sustainability Report.

### DIRECTORS' ATTENDANCE AT BOARD, AUDIT AND RISK MANAGEMENT COMMITTEE, NOMINATING COMMITTEE AND REMUNERATION COMMITTEE MEETINGS FOR FY2022

	Board		Audit and Risk Management Committee	
	No. of Meetings <sup>(1)</sup>	Attendance	No. of Meetings <sup>(1)</sup>	Attendance
<b>Executive Directors</b>				
Mr Cheong Pin Chuan <sup>(2)</sup>	2	2	N.A.	N.A.
Mr Cheong Sim Eng	2	2	N.A.	N.A.
Ms Cheong Hooi Kheng	2	2	N.A.	N.A.
<b>Non-executive Independent Directors</b>				
Mr Chan Pengee, Adrian	2	2	4	4
Mr Chong Weng Hoe <sup>(3)</sup>	2	2	4	2
Mr Chow Yew Hon <sup>(4)</sup>	2	1	4	2
Mr Lim Jun Xiong Steven	2	2	4	4

	Nominating Committee		Remuneration Committee	
	No. of Meetings <sup>(1)</sup>	Attendance	No. of Meetings <sup>(1)</sup>	Attendance
<b>Non-executive Independent Directors</b>				
Mr Chan Pengee, Adrian	1	1	1	1
Mr Chong Weng Hoe <sup>(3)</sup>	N.A.	N.A.	N.A.	N.A.
Mr Chow Yew Hon <sup>(4)</sup>	1	1	1	1
Mr Lim Jun Xiong Steven	1	1	1	1

<sup>(1)</sup> This refers to the number of meetings held during FY2022. In addition to these meetings, operational matters that require the Board or Audit and Risk Management Committee, Nominating Committee or Remuneration Committee's attention are also dealt with via circular resolutions.

<sup>(2)</sup> Mr Cheong Pin Chuan, who is working in Hong Kong, generally participates in meetings via teleconference.

<sup>(3)</sup> Mr Chong Weng Hoe was appointed as an Independent Director with effect from 15 February 2022. He was subsequently appointed as Chairman of the Remuneration Committee and a member of the Nominating Committee and Audit and Risk Management Committee with effect from 31 March 2022.

<sup>(4)</sup> Mr Chow Yew Hon stepped down from the Board and ceased to be the Lead Independent Director of the Company on 31 March 2022. He also relinquished his positions as the Chairman of the Remuneration Committee and a member of the Nominating Committee and Audit and Risk Management Committee.

N.A.: Not applicable

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### CURRENT INFORMATION OF THE DIRECTORS

Name of Director	Age	Academic and Professional Qualifications	Board Committees Served on as Chairman or Member	Directorship: Date First Appointed	Directorship: Date Last Re-elected
Mr Cheong Pin Chuan	73	Graduate of the Footscray Institute of Technology in Australia Member of the Australian Society of Certified Practising Accountants and the Hong Kong Institute of Certified Public Accountants	–	26 July 1971	27 April 2022
Mr Cheong Sim Eng	62	Bachelor of Arts	–	14 May 1990	5 June 2020
Ms Cheong Hooi Kheng	70	Bachelor of Science Master of Business Administration	–	1 March 1989	27 April 2022
Mr Chan Pengee, Adrian	58	Bachelor of Laws Member of the Singapore Academy of Law	Chairman of Nominating Committee and member of Audit and Risk Management Committee and Remuneration Committee	1 January 2015	29 April 2021
Mr Lim Jun Xiong Steven	67	Bachelor of Commerce Fellow member of the CPA Australia and the Institute of Singapore Chartered Accountants Member of the Society of Trust and Estate Practitioners	Chairman of Audit and Risk Management Committee and member of Nominating Committee and Remuneration Committee	25 July 2014	29 April 2021
Mr Chong Weng Hoe	58	Bachelor of Engineering (Electrical and Electronics) National University of Singapore Master of Business Administration (Accountancy) Nanyang Technological University	Chairman of Remuneration Committee and member of Audit and Risk Management Committee and Nominating Committee	15 February 2022	27 April 2022
Mr Cheong Tze Hong, Marc (Alternate Director to Mr Cheong Pin Chuan)	50	Bachelor of Science degree in Accounting from the University of Southern California in the United States of America Master of Business Administration degree from the University of Chicago Graduate School of Business	–	22 January 2021	Not Applicable

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## ADDITIONAL INFORMATION RELATING TO DIRECTORS WHO ARE PROPOSED TO BE RE-ELECTED TO THE BOARD

Name of Director	Country of Principal Residence	Any Relationship (including Immediate Family Relationships) with any Existing Director, Existing Executive Officer, the Issuer and/or Substantial Shareholder of the Listed Issuer or of any of its Principal Subsidiaries	Conflict of Interest (including any Competing Business)	Undertaking (in the Format set out in Appendix 7.7) under Rule 720(1)
Mr Cheong Sim Eng	Singapore	<p>Brother of Mr Cheong Pin Chuan, who is a Director and Substantial Shareholder of the Company.</p> <p>Brother of Mr Cheong Kim Pong, who is a Substantial Shareholder of the Company.</p> <p>Brother of Ms Cheong Hooi Kheng, who is a Director of the Company.</p> <p>Brother of Ms Cheong Puay Kheng, who is a key executive officer of the Company and HFLIL, which is also a Substantial Shareholder of the Company.</p> <p>Uncle of Mr Cheong Tze Hong, Marc, who is an Alternate Director to Mr Cheong Pin Chuan and a key executive officer of HFLIL, which is also a Substantial Shareholder of the Company.</p> <p>Uncle of Mr Cheong Tze Hian, Howard, who is a key executive officer of HFLIL, which is also a Substantial Shareholder of the Company.</p> <p>Director of HFLIL, which is also a Substantial Shareholder of the Company, and immediate family member of directors of HFLIL.</p>	No	Submitted to the Company
Mr Chan Pengee, Adrian	Singapore	Nil	No	Submitted to the Company

Information relating to the Directors who are proposed to be re-elected to the Board is also set out on pages 3, 29 and 30.

The Board's comments on the re-appointment of Mr Cheong Sim Eng and Mr Chan Pengee, Adrian (including rationale, selection criteria, and the search and nomination process, as applicable) are set out on page 15. The shareholding interest of Mr Cheong Sim Eng in the Company and its subsidiaries is set out on page 70. Mr Chan Pengee, Adrian does not have any shareholding interest in the Company nor its subsidiaries.

Mr Cheong Sim Eng and Mr Chan Pengee, Adrian have individually confirmed that on each of the questions as set out in paragraphs (a) to (k) of Appendix 7.4.1 of the Listing Manual of the SGX-ST, the answer is "no".