



HIAP HOE LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 199400676Z)

SGX QUERIES REGARDING THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Board of Directors (the “**Board**”) of Hiap Hoe Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce the following in response to queries raised by Singapore Exchange Securities Trading Limited with respect to the Company’s annual report for the financial year ended 31 December 2019 (“**AR2019**”).

SGX Query 1

Listing Rule 1207(10C) requires the Audit Committee’s comments on whether the internal audit function is independent, effective and adequately resourced. Please provide information on the relevant experience of accounting firm and the engagement team.

Company’s response

*The Company currently outsources its internal audit function to One e-Risk Services Pte Ltd. (“**One e-Risk**”). One e-Risk is headed by Mr Chen Yeow Sin, who is a Fellow practising member of The Institute of Singapore Chartered Accountants and non-practising Fellow member of The Institute of Chartered Accountants in England and Wales. Prior to heading One e-Risk internal audit, he was the South-East Asia internal audit manager for three years for a US energy and resource company. The South-East Asia subsidiaries employed over 4,000 staff. He was responsible for the financial, operational, joint ventures, compliance and conflicts of interest audit of the Southeast Asia business units.*

*One e-Risk is a member of The Institute of Internal Auditors (“**IIA**”) and meets the standards set by internationally recognised professional bodies such as the Standards for the Professional Practice of Internal Auditing set by IIA. It is a full-resourced service provider of internal audit, corporate governance and risk management services supported by the team manager who has 20 years of auditing and accounting experience. The team manager is a Certified Internal Auditor, Certified Risk Management Assurance and Chartered IIA Practitioner. One e-Risk’s industry experience includes, building & construction property development & management, leisure and hospitality, manufacturing & engineering, oil & gas, trading, distribution and retailing, logistics management, mining & forestry, etc.*

One e-Risk is currently serving clients primarily listed on SGX-ST and a few privately held entities, ranging from multi-national companies to local small medium enterprises in a wide range of industries.

SGX Query 2

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the “**Code**”), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 2.4 of the Code as you have not disclosed

your board diversity policy and progress made towards implementing the board diversity policy, including objectives, and there were no explanations were provided for in your FY2019 annual report on how it is consistent with the intent of Principle 2 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

Company's response

Whilst the Company has not adopted a board diversity policy, the Board and the Nominating Committee ("NC") recognises the importance of having an effective and diverse Board, taking into consideration the benefits of all aspects of diversity, including diversity of skills, experience, background, gender, age, ethnicity and other relevant factors.

In reviewing the appointments of new Directors (including any future appointments of new Directors), the Board together with the NC ensures that it sets the relevant objectives to promote and achieve diversity on the Board. In discharging its duties, the Board and the NC shall give due regard to the benefits of all aspects of diversity and strive to ensure that the Board is appropriately balanced to support the long-term success of the Company. The main objective is to continue to maintain the appropriate balance of perspectives, skills and experience on the Board to support the long-term success of the Company. The Board and the NC will also as far as possible, take into consideration female representation.

In view of the aforementioned, the Company believes that whilst it has not adopted a formal board diversity policy, the Board and NC will continue to take into consideration the need for diversity on the Board in the appointment of new Directors and this is consistent with the intent of Principle 2 of the Code.

SGX Query 3

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provisions 8.1 of the Code with regards to the disclosure of remuneration. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Company's response

As stated in the Annual Report, the Company has explained its deviation from Provision 8.1 of the Code on page 24 of the Annual Report as follows:

"To avoid poaching of the Company's staff and in the interest of privacy and confidentiality, the Company is not disclosing the precise remuneration and in aggregate the total remuneration of the Directors and top key management personnel of the Group in the annual report. However, the Company shall disclose the remunerations in bands of S\$250,000 and provide a detailed breakdown in percentage terms of the same."

In view of the aforementioned reasons, the Company believes that its current disclosure is consistent with the intent of Principle 8 of the Code as shareholders are still given information on the level and mix of remuneration in percentage terms and that the interests of

shareholders will not be prejudiced as a result of such non-disclosure of the total remuneration in dollar terms for the Directors as well as for Key Management Personnel.

SGX Query 4

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provisions 8.2 of the Code with regards to the disclosure of remuneration (and in particular, whether the disclosures pertaining to employees who are substantial shareholders or immediate family members of substantial shareholders), and there were no explanations were provided for in your FY2019 annual report on how it is consistent with the intent of Principle 8 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Company's response

Save for the remuneration of Ms Sin Wong Chan, the amount and breakdown of the remuneration of the immediate family members of substantial shareholders or Director or CEO of the Company has been disclosed in percentage terms under the remuneration table for the top five (5) executives on page 25 of the Annual Report.

*In respect of the Company's decision not to disclose the amounts and breakdown of the remuneration of employees who are immediate family members of a substantial shareholder, Director or CEO of the Company ("**Related Employees**") in dollar terms, this decision was taken after careful deliberation and taking into consideration the confidential nature and sensitivity of remuneration matters, the relative size of the Group as well as the competitive business environment in which the Group operates in. The Company also took into consideration the disadvantages which would be caused to the Group's business interest would far outweigh the benefits of such disclosure and as well as the sensitivity of remuneration matters and the need to maintain the confidentiality of the remuneration package of the Related Employees,*

The Company has adopted a disclosure of the remuneration band which each Related Employee falls within and which would still enable shareholders to understand the Company's remuneration structure for Related Employees.

In view of the aforementioned reasons, the Company believes that its current disclosure is consistent with the intent of Principle 8 of the Code and that the interests of shareholders will not be prejudiced as a result of such non-disclosure of the total remuneration in dollar terms for the Related Employees.

SGX Query 5

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 2.3 of the Code non-executive directors do not make up a majority of your Board and there were no explanations for the deviation provided for in your FY2019 annual report. Please provide an explanation for the deviation.

Company's response

As stated in the Annual Report, the Company has explained its deviation from Provision 2.3 of the Code on page 19 of the Annual Report as follows:

“Accordingly, whilst Non-Executive Directors do not make up majority of the Board, they make up 50% of the Board and the Board believes that there is a sufficiently strong independent element on the Board to maintain appropriate checks and balances and avoid undue influence of the Management on the Board’s decision making process.”

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

By Order of the Board

Ong Beng Hong
Joint Company Secretary

4 May 2020