

CORPORATE GOVERNANCE REPORT

The Board of Directors (“**Board**”) and the management (“**Management**”) of Hock Lian Seng Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) are committed to achieve good standard of corporate governance and business conduct in order to protect the interest of shareholders. The Board and Management are mindful of the tenets of good governance that includes accountability, transparency and sustainability. The Company believes that embracing such efforts are more likely to engender investor confidence and achieving long-term sustainable business performance.

This report sets out the Company’s corporate governance practices and activities in respect of the financial year ended 31 December 2023 (“**FY2023**”) in relation to each of the principles of the Singapore Code of Corporate Governance 2018 (the “**Code**”) and where applicable, the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). The Company seeks to comply with the best practices as outlined in the Code where applicable, feasible and practical to the Group any deviations from the Code are explained in this report.

Board Matters

The Board’s Conduct of Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The Board’s primary role is to protect and enhance long-term shareholder value by establishing a framework of prudent and effective controls in managing risks. To fulfill this role, the Board is responsible for the overall corporate governance of the Group including setting its strategic direction, establishing goals for the Management and monitoring the achievement of these goals. As part of its responsibility in discharging its duty, the Board also performs the following roles:

- (a) reviewing the performance of Management by establishing Management’s goals and monitoring the achievement of those goals and ensure transparency and accountability;
- (b) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- (c) approving major funding proposals, investment and divestment proposals of the Group;
- (d) establish a framework of prudent and effective controls which enable risks to be assessed and managed, including safeguarding of shareholders’ interests and the Company’s assets;
- (e) identify the key stakeholder groups and recognise that their perceptions affect the Company’s reputation;
- (f) setting the Company’s values and standards (code of conduct and ethical standards) to uphold good corporate governance; and
- (g) ensuring that obligations to shareholders and other stakeholders are understood and met in order to achieve sustainability.

All Directors discharge their duties and responsibilities objectively at all times as fiduciaries in the interest of the Company. The Board puts in place a code of conduct and ethics, set desired organisational culture and ensure proper accountability within the Group. The Board has clear policies and procedures for dealing with conflict of interest. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.

CORPORATE GOVERNANCE REPORT

Training and Development of Directors

All Directors have many years of corporate experience and are familiar with their duties and responsibilities as Directors. Upon appointment, each Director will receive a letter of appointment explaining his duties and obligations as a member of the Board. In addition, orientation briefings are arranged for newly appointed Directors to familiarise them on the business activities of the Group and its strategic directions, as well as their duties and responsibilities as Directors.

Mr Chua Sher Kiong was appointed as Executive Director on 4 August 2023 and he has been briefed on his role and obligations as a director under listing rules as well as the relevant laws and regulation of a director of a public listed company in Singapore. He is the Senior Manager for Resource Coordination and has joined the Group since 2015.

Mr David Tan Chao Hsiung ("**Mr Tan**") was appointed as Independent Director on 2 January 2024. Mr Tan is currently independent director for 3 other public listed companies on SGX-ST and he had been briefed on his role and obligations as a director under listing rules as well as the relevant laws and regulation of a director of a public listed company in Singapore. He had also been briefed to familiarise with the business and operations of the Group. David has over 20 years of senior management experience in the banking and finance industry and has held positions in both local and foreign financial institutions.

The Directors are provided with extensive background information about the Group's history, mission, values and business operations. The Board is also kept abreast regularly on new laws, regulations and commercial developments by the Management and its appointed professionals. The Chairman will make the necessary arrangements for the briefings, informal discussions or explanations required on key aspects to gain insight for better understanding of the Group's business and operations.

In addition, the Directors of the Company are encouraged to attend appropriate or relevant courses, conferences and seminars conducted by professional organisations. The Company may fund the appropriate training and development programmes for the Directors. Changes to regulations and accounting standards are monitored closely by the Management. The Board has received updates on changes in listing rules, regulatory requirements, corporate governance guidelines and best practices on regular basis.

In line with the requirement of the Task Force on Climate-related Financial Disclosures, all the Directors has attended the required training on the sustainability.

Matters Requiring Board Approval

The Board's approval is required for decisions involving areas such as strategic plans, key operational initiatives, material acquisition and disposal of assets, capital-related matters including financial re-structure, market fund-raising, share issuances, interim and final dividends and any investment or expenditures exceeding set material limit.

While matters relating in particular to the Company's objectives, strategies and policies require Board's direction and approval, the Management is responsible for the day to day operation and administration of the Company in accordance with the objectives, strategies and policies set by the Board.

Board Processes

To assist the Board in the discharge of its responsibilities, the Board has established four Committees namely, the Audit and Risk Management Committee ("**ARMC**"), the Remuneration Committee ("**RC**"), the Nominating Committee ("**NC**") and the Board Safety Committee ("**BSC**"). These Committees function within clearly written terms of reference and operating procedures, compositions, authorities and duties, including reporting back to the Board, which are reviewed on a regular basis.

CORPORATE GOVERNANCE REPORT

The schedule of all Board and Board Committee meetings for a calendar year is usually given to all Directors well in advance. Besides the scheduled quarterly Board meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances. Board meetings will be convened when they are deemed necessary, to review the Group's operations, conduct strategic review of the business affairs and address other specific significant matters that arise. The Company's Constitution provides for meetings of the Directors to be held by means of telephone conference or other methods of simultaneous communication by electronic or telegraphic means. The Board also approves transactions through circular resolutions which are circulated to the Board together with all relevant information to the proposed transaction.

The agenda for meetings is prepared in consultation with the Non-Executive Chairman and the CEO. The agenda and documents are circulated in advance of the scheduled meetings.

The Board and Board Committee meetings held during the financial year (1 January 2023 to 31 December 2023) and the attendance of Directors at the meetings are set out as follows:

	Board	Audit and Risk Management Committee	Nominating Committee	Remuneration Committee	Board Safety Committee
Number of Meetings Held	4	4	1	1	1
			Attendances		
Ong Seh Hong	4	4	1	1	1
Chua Leong Hai	4	–	1	–	–
Chua Siok Peng	4	–	–	–	–
Kee Guan Chua	4	–	–	–	–
Hoon Tai Meng	4	4	1	1	1
Lim Bok Ngam	4	4	1	1	1
Chua Sher Kiong*	1	–	–	–	–
David Tan Chao Hsiung#	–	–	–	–	–

* Mr Chua Sher Kiong was appointed on 4 August 2023.

Mr David Tan Chao Hsiung was appointed on 2 January 2024.

Directors' time commitment

Despite some of the Directors having multiple Board representations, the NC had reviewed the Directorship of the Directors and is satisfied that these Directors are able to ensure that sufficient time and attention are given to the affairs of the Company and have adequately carried out their duties as Directors of the Company after taking into consideration the number of listed company Board representations and other principal appointments of these Directors.

Currently, the NC and Board do not limit the maximum number of listed Board representations which any Director may hold as long as each of the Board members is able to commit his or her time and attention to the affairs of the Company. The NC and Board believe that each individual director is best placed to determine and ensure that he or she is able to devote sufficient time and attention to discharge his or her duties and responsibilities as a Director of the Company, having regard to his or her other commitments.

Access to Information

The Directors are provided with Board papers and related materials, background or explanatory information in advance of each Board Meeting to enable them to be properly informed of matters to be discussed and/or approved, as well as ongoing reports relating to operational and financial performance of the Group. Directors are also informed of any significant developments or events relating to the Group. In addition, the Directors are entitled to request from Management such additional information as needed to make informed decisions. Management ensures that any additional information requested for is provided to the Directors in a timely manner.

CORPORATE GOVERNANCE REPORT

The Company Secretary and Other Professional Advisers

Board members have separate and independent access to the Company Secretary at all times. The Company Secretary and her representatives will attend all meetings of the Board and Board Committees and assists in ensuring that relevant procedures are followed and reviewed such that the Board and Board Committees operate effectively. The decision to appoint or remove the Company Secretary is made by the Board as a whole.

Should Directors, whether as a group or individually, need independent professional advice to enable them to discharge their duties, the Company, subject to the approval of the Board, will appoint a professional advisor to render advice at the cost of the Company.

Board Composition and Guidance

Principle 2: 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.

As at the date of this report, the Board currently comprises 8 Directors of whom 4 are independent Directors. The Board assesses the independence of each Director in accordance with the guidance provided in the Code. The criteria for independence are based on the definition given in Provision 2.1 of the Code. There is a fairly strong independent element on the Board, with independent Directors constituting half of the Board. The Board and the NC are satisfied that the Board has substantial independent elements to ensure that objective judgment is exercised on corporate affairs. The NC will continue to assess the Board composition from time to time and make appropriate recommendations to the Board. No individual or group of individuals dominates the Board's decision making. In addition, the roles of a Chairman and the Chief Executive Officer ("**CEO**") are assumed by different persons and the Chairman is an Independent Director.

The NC reviews annually whether a Director or potential candidate for the Board is considered an independent director having regard to the Code's definition of an "independent director" and guidance as to the relationships, the existence of which would deem a Director not to be independent (Principle 2). Under the Code, an independent director is one who is independent in conduct, character and judgment, and has no relationship with the Company, its related corporations, its substantial shareholders 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. Under the SGX-ST Listing Manual, a Director will not be deemed independent if he is employed by the Company or its related corporations for the current or any of the past three financial years, or if he has an immediate family member who is employed or has been employed by the Company or its related corporations for the past three financial years, and whose remuneration is determined by the Company's RC.

The Directors complete a declaration of independence annually which is reviewed by the NC. The NC determines annually, and as and when circumstances require, if a Director is independent. Based on the declarations of independence of the Directors, and having regard to the circumstances set forth in Provision 2.1 of the Code, Rule 210(5)(d) of the SGX-ST Listing Manual, the NC and the Board have determined that there are four Independent Directors on the Board, namely: Dr Ong Seh Hong, Mr Hoon Tai Meng, Mr Lim Bok Ngam and Mr David Tan Chao Hsiung.

Although Dr Ong Seh Hong ("**Dr Ong**") has served on the Board for more than nine years from the date of his first appointment, the NC had rigorously reviewed his past contributions to the Group and considered that he is independent in character and judgement and there was no circumstance which would likely affect or appear to affect his independent judgement. Dr Ong who has served the Board beyond 9 years had sought approval from the Shareholders in the annual general meeting of the Company held on 21 April 2022 of his continued appointment as Independent Director pursuant to Rule 210(5)(d)(iii).

CORPORATE GOVERNANCE REPORT

Notwithstanding that Dr Ong has served the Board beyond nine years, the NC with the concurrence of the Board, is satisfied that Dr Ong has been able to objectively guide and oversee the Management of the Group, provide the check and balance and exercise an independent business judgement to the best interests of the Group. Dr Ong had abstained from the discussions pertaining to the review of his independence, and being member of the NC has abstained from voting on any resolution in relation to his independence.

The opinion was arrived at after careful assessment by the NC and the Board and the rigorous review comprised a review of, but not limited to, the following factors: (a) the length of services of Dr Ong has not compromised the objectivity of Independent Director and his commitments and abilities to discharge his duties as Independent Director; (b) the abilities of Independent Director to continue exercising independent judgements in the best interests of the Company; (c) the abilities of Independent Director to express his objectives and independent views during Board and Board Committee meetings; and (d) Independent Director, through his years of involvements with the Company, has gained valuable insights and understandings of the Group's business and together with his diverse experiences and expertise, have contributed and will continue to contribute effectively as Independent Director by providing impartial and autonomous views at all times. The Group would continue to build on the acquired experience and expertise by preserving continuity and stability within the Group through orderly succession.

With the removal of Rule 210(5)(d)(iii) of the Listing Rules of SGX-ST on 11 January 2023, Dr Ong has expressed his intention not to seek for re-election at the forthcoming Annual General Meeting. The Board and the NC will endeavour to reconstitute the composition of the Board and Board Committees in due course.

Board Diversity

The Board has adopted a Board Diversity Policy which sets out the framework for promoting diversity on the Board of the Company in order to improve performance. This diversity includes the range of skills, business and industry experience, gender, age, ethnicity, geographic background, length of service, and other distinctive qualities of the board members. The Company recognises that an effective board requires Directors to possess not only integrity, commitment, relevant experience, qualifications and skills in carrying out their duties effectively but also include diverse background towards promoting good corporate governance.

In the process of searching for qualified persons to serve on the Board, the NC shall strive for the inclusion of diverse groups and the final decision on selection of directors will be based on merit against the objective criteria set and after giving due regard for the benefits of diversity on the Board.

The Board comprises of Directors who possess the core competencies, experience and knowledge in business, finance and management skills critical to the Group's business and that each Director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made. The Directors, having reviewed the composition of the Board, are satisfied that the present size and composition of the Board is effective for decision making.

As the NC has assessed the current level of diversity on the Board to be satisfactory, the Company generally does not set concrete timeline for achieving board diversity targets. Instead, the Company takes the approach that maintaining a satisfactory level of diversity as an ongoing process. The targets to achieve diversity on the Board are assessed from time to time, based on the composition of the Board and operations of the Group at the relevant time.

The key information regarding Directors such as academic and professional qualifications, board committees served, present and past Directorships or chairmanships held over the preceding three years in other listed companies and other major appointments, whether the appointment is executive or non-executive can be found under the "Board of Directors" section of the Annual Report.

CORPORATE GOVERNANCE REPORT

Non-Executive and Independent Directors of the Board exercise no management functions but have equal responsibility for the performance of the Group, the role of the Non-Executive and Independent Directors are particularly important in ensuring that the strategies proposed by the Management are constructively challenged, taking into account the long-term interests, not only of the shareholders, but also of employees, customers, suppliers and the communities in which the Group conducts business. The Independent Directors help to develop proposals on strategy and review the performance of Management in meeting agreed goals and objectives and monitor the reporting performance. When necessary, the Independent Non-Executive Directors will meet and discuss on the Group's affairs without the presence of the Management and feedback on issues discussed is thereafter provided to the Chairman of the Board.

To-date, none of the independent Directors of the Company has been appointed as Director of the Company's principal subsidiary, which is based in Singapore.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and the Management, and no one individual has unfettered powers of decision-making.

There is clear separation of responsibilities between the Chairman and CEO, which ensures that there is an appropriate balance of power and authority, increased accountability and greater capacity of the Board for independent decision-making. The role of the Chairman is assumed by Dr Ong.

The Independent Non-Executive Chairman, amongst his other duties, schedules and chairs Board meetings and, with the assistance of the Company Secretary and her representatives and Executive Directors, prepares Board agenda as well as controls the quality, quantity and timely flow of information between Management to the Board, promoting effective communication with the Company's shareholders. The Chairman is also responsible for the workings of the Board and ensures the integrity and promoting his standard of corporate governance with full support of the Directors and management.

Mr Chua Leong Hai is the CEO of the Company. He is the founder of the Group and has played an instrumental role in developing the business since its establishment. He has considerable industry experience and business network and has also provided the Group with strong leadership and vision. The CEO and Executive Directors, assisted by the functional Directors and senior management, manage and are responsible for the Group's day-to-day operations and business.

Provision 3.3 of the Code requires the Board to have a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. As the Group's Chairman is an independent director and Independent Directors make up half of the Board, as such, the Board is satisfied that there is a strong independent element to contribute to effective decision-making in the best interests of the Company. The Independent Directors are and continue to be available to shareholders as a channel of communication between shareholders and the Board and/or Management. The Board will appoint a Lead Independent Director as and when deemed appropriate.

Board Membership and Performance

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

CORPORATE GOVERNANCE REPORT

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

As at the date of this report, the NC comprises the following members, the majority of whom are independent and non-executive Directors:

Mr Lim Bok Ngam	Chairman and Independent Director
Dr Ong Seh Hong	Member and Independent Director
Mr Hoon Tai Meng	Member and Independent Director
Mr David Tan Chao Hsiung	Member and Independent Director
Mr Chua Leong Hai	Member and CEO

The principal functions of the NC include:

- determining the process for search, nomination, selection and appointment of new board members and being responsible for assessing nominees or candidates for appointment or election (including alternate director, if any) to the Board, determining whether or not such nominee has the requisite qualifications and whether or not he/she is independent;
- determining, on an annual basis, if a Director is independent. If the NC determines that a Director, who has one or more of the relationships mentioned under the Code is in fact independent, the Company will disclose in full, the nature of the Director's relationship and bear responsibility for explaining why he should be considered independent. The NC may at its discretion determine a Director as non-independent even if he has no business or, other relationships with the Company, its related companies or its officers;
- recommending Directors who are retiring by rotation to be put forward for re-election, having regard to the Director's contribution and performance;
- reviewing of training and professional development programmes for the Board and its Directors;
- reviewing and deciding whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations and having regard to the competing time commitments that are faced by the Director when serving on multiple boards;
- assessing the effectiveness of the Board as a whole, its Board committees and assessing the effective contribution and commitment of each individual Director to the effectiveness of the Board. The results of the performance evaluation will be reviewed by the Chairman and the assessment shall be carried out annually;
- deciding how the Board's performance may be evaluated and propose objective performance criteria, subject to the approval of the Board, which allow for comparison with industry peers and which address how the Board has enhanced long-term shareholders' value; and
- reviewing and approving any new employment of related persons and the proposed terms of their employment.

The NC meets at least once a year and at other times as required. The Regulation 97 of the Constitution provides that at least one-third of the Directors shall retire from office and are subject to re-election at every Annual General Meeting ("AGM"). All Directors are required to retire from office at least once every three years. A newly appointed Director must also subject himself or herself for retirement and re-election at the next AGM immediately following his or her appointment in accordance to the Regulation 101 of the Constitution. The shareholders approve the re-election of Board members at the AGM.

CORPORATE GOVERNANCE REPORT

Succession Planning

The NC regards succession planning as an important part of corporate governance and has an internal process of succession planning for the Chairman, Directors, the CEO and senior Management, to ensure the progressive and orderly renewal of the Board and key executives.

Board Performance

For FY2023, the NC evaluated the Board as a whole and its Board committees as well as the individual Directors. The areas for the Board and Board committees' performance evaluation cover from Board Structure, Conduct of Meetings, Corporate Strategy and Planning and Risk Management to Internal Control. In evaluating the performance of the individual Directors, the NC considers, amongst others, the Directors' attendance, contribution and participation at the Board and Board committee meetings. No external facilitator was engaged during the reporting financial year.

Appointment and Re-nomination of Directors

When selecting new Directors, the NC takes into consideration the skills and experience required and the current composition of the Board, and strives to ensure that the Board has an appropriate balance of independent Directors as well as Directors with the right profile of expertise, skills, attributes and experience.

Currently, the Company does not have any alternate Director.

The NC has recommended to the Board that Mr Chua Leong Hai, Mr Chua Sher Kiong and Mr David Tan Chao Hsiung be nominated for re-election at the forthcoming AGM in accordance to Regulations 97 and 101 of the Constitution of the Company. In this regard, the NC having considered the directors' overall contributions and performance as well as the attendance and participation of these Directors at the Board and Board Committee meetings, has recommended to the Board for their re-elections. The retiring Directors, Mr Chua Leong Hai, Mr Chua Sher Kiong and Mr David Tan Chao Hsiung being eligible, have offered themselves for re-election at the forthcoming AGM. The Board has concurred with the NC's recommendation. The details of the Directors seeking for re-election are found on "Additional information on directors seeking re-election". Dr Ong Seh Hong, while eligible for re-election, has expressed his intention not to seek for re-election at the forthcoming AGM.

Each member of the NC shall abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the NC in respect of the assessment of their respective performance, independence or re-nomination as a Director.

Remuneration Matters

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No Director is involved in deciding his or her own remuneration.

As at the date of this report, the RC comprises the following members, all of whom are independent non-executive Directors:

Mr David Tan Chao Hsiung	Chairman and Independent Director
Dr Ong Seh Hong	Member and Independent Director
Mr Hoon Tai Meng	Member and Independent Director
Mr Lim Bok Ngam	Member and Independent Director

CORPORATE GOVERNANCE REPORT

The principal responsibilities of the RC are set out in the terms of reference and its key functions include:

- reviewing and recommending to the Board, a framework of remuneration and to determine the specific remuneration packages and terms of employment for Directors, the CEO, senior management of the Group and employees related to Directors or controlling shareholders of the Group;
- reviewing the service contracts of the executive Directors; and

The RC meets at least once a year and at other times as required. No Director is involved in deciding his or her own remuneration, except in providing information and documents if specifically requested by the RC to assist in its deliberations.

The RC's review covers all aspects of remuneration, including Directors' fees, salaries, allowances, bonuses, share option scheme, share based incentives and awards and benefits-in-kind. The RC's recommendations are submitted for endorsement by the entire Board.

The RC members are knowledgeable in the field of executive compensation and also have access to expert advice from external consultants, where necessary. No external expert advice was engaged by the Company in FY2023.

In setting out the remuneration packages, the RC would take into consideration pay and employment conditions within the industry and in comparable companies. The remuneration packages should take into account the Company's relative performance and the performance of the individual Directors and key management personnel.

The Directors' fees to be paid for any one (1) year are submitted for shareholders' approval at the AGM.

In reviewing the employment contracts of the executive Directors and key management personnel of the Company, the RC will review the Company's obligations arising in the event of termination of these employment contracts, to ensure that such employment contracts contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoids rewarding poor performance.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

The objective of the Group's remuneration policy is to ensure that the level and structure of the remuneration are aligned with the long-term interests and risk policies of the Company, and that the remuneration is able to attract, retain and motivate the Board to provide good stewardship for the Company and Senior Management to successfully manage the Company and the Group as a whole.

Non-Executive Directors are paid a fixed fee, taking into account the effort, time spent and responsibilities of each Non-Executive Director. The fees of Non-Executive Directors are subject to shareholders' approval at the AGM. Non-Executive Directors should not be over-compensated to the extent that their independence may be compromised and no Director is involved in deciding his or her own remuneration.

The Executive Directors do not receive Directors' fees. The remuneration packages of the Executive Directors and the key management personnel are governed by their respective employment contracts and comprise primarily a basic salary component and a variable component which is the bonuses and other benefits. The Company had instituted contractual provisions in the service agreement to reclaim incentive components of remuneration paid in prior years from the Chief Executive Officer where incidents occur in exceptional circumstances such as misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

CORPORATE GOVERNANCE REPORT

Disclosure of Remuneration

Principle 8: 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.

Remuneration paid or accrued to directors for the financial year ended 31 December 2023

Directors of Company	Fixed component ¹	Variable component ²	Directors' Fees	Total Compensation
	%	%	%	%
\$1,250,000 to \$1,500,000				
Chua Leong Hai	40	60	–	100
\$250,000 to \$500,000				
Chua Siok Peng	84	16	–	100
Below \$250,000				
Chua Sher Kiong	83	17	–	100
Hoon Tai Meng	–	–	100	100
Kee Guan Chua	85	15	–	100
Lim Bok Ngam	–	–	100	100
Ong Seh Hong	–	–	100	100

Notes:

1. Fixed component refers to base salary earned, allowances, benefits in kind and employer CPF.
2. Variable component refers to variable bonus, performance bonus and employer CPF.

The Company is transparent on its remuneration policies, which has been disclosed not only as part of compliance with Principle 8 but also in respect of Principle 7 of the Code. In particular, the Company has elaborated on the remuneration policy governing the remuneration of the Executive Director and the factors taken into account for the remuneration of the Independent Directors. The Company has decided not to disclose information on the remuneration of the Directors and key management personnel in dollars terms because of the confidentiality and prevention of upward pressure on remuneration due to market competition. The Company is of the view that the disclosure of the indicative range of the Directors' and KMP's remuneration provides a reasonable amount of information on the Company's remuneration framework to enable the shareholders to understand the link between the Company's performance and the remuneration of the Directors and key management personnel.

The RC has reviewed and approved the remuneration packages of the Executive Directors and key management personnel, having regard to their contributions as well as the financial performance and commercial needs of the Group and has ensured that the Executive Directors and key management personnel are adequate but not excessively remunerated. The RC will consider and deliberate on the performance conditions to which Executive Director's and key management personnel's entitlement to short term and long-term incentive schemes are subject and make the necessary disclosures, if any.

CORPORATE GOVERNANCE REPORT

Remuneration paid or accrued to the top five key executives (who are not Directors nor the CEO) for FY2023 is as follows:

Remuneration of the Key Management Personnel

Key Executives of Company	Fixed component ¹	Variable component ²	Total Compensation
	%	%	%
\$250,000 to \$500,000			
First Executive	88	12	100
Second Executive	87	13	100
Third Executive	84	16	100
Fourth Executive	84	16	100
Below \$250,000			
Fifth Executive	82	18	100

Notes:

1. Fixed component refers to base salary earned, allowances, benefits in kind and employer CPF
2. Variable component refers to variable bonus, performance shares and employer CPF

Due to the highly competitive industry conditions coupled with the confidentiality and sensitivity of remuneration matters, the names of these key management personnel are not disclosed.

The aggregate of the total remuneration paid to the above key management personnel for FY2023 was S\$1,478,000.

Save as disclosed above, no employee of the Group, whose remuneration exceeded S\$100,000 during FY2023, was a substantial shareholder, or an immediate family member of a Director or the CEO or a substantial shareholder of the Company.

For FY2023, there were no termination, retirement and post-employment benefits granted to Directors, the CEO and the top key management personnel (who are not Directors or the CEO).

Employee Share Option Scheme and Performance Share Plan

The Group Employee Share Option Scheme and Performance Share Plan has expired on 30 November 2019. The RC will review and recommend any new scheme if it deems necessary.

Accountability and Audit

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Board has overall responsibility for the governance of the Group's risk management and internal controls. The Board and Management of the Company are fully committed to maintaining sound risk management and internal control systems to safeguard shareholders' interests and the Group's assets. The Board determines the Company's levels of risk tolerance and risk policies, and oversees Management in the design, implementation and monitoring of the risk management and internal control systems. The ARMC monitors and assists the Board in determining the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation. Please refer to "Risk Management" and "Internal Controls" sections for more details.

CORPORATE GOVERNANCE REPORT

For FY2023, the Board has received assurances from Mr Chua Leong Hai (Executive Director and CEO) and Ms Chong Lee Yin (Chief Financial Officer) that:

- (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

In addition, the CEO and the key management personnel have also given assurance to the Board that:

- (b) the Group's risk management and internal control systems are adequate and effective in addressing the financial, operational, compliance and information technology risks.

Audit and Risk Management Committee

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

As at the date of this report, the ARMC comprise the following members, all of whom are independent non-executive Directors:

Mr Hoon Tai Meng	Chairman and Independent Director
Dr Ong Seh Hong	Member and Independent Director
Mr Lim Bok Ngam	Member and Independent Director
Mr David Tan Chao Hsiung	Member and Independent Director

The Board has reviewed and is satisfied that the members of the ARMC are appropriately qualified and have relevant accounting and related financial management expertise or experience. None of the members of the ARMC is a former partner of the Group's external auditors, Ernst & Young LLP, and none of the members of the ARMC has any financial interest in the Group's external auditors, Ernst & Young LLP.

The functions of the ARMC include the following:

- review with the external auditors the audit plan, audit report, management letter and the Management's corresponding response;
- review with independent internal auditors the internal audit plan and their evaluation of the adequacy of the internal controls of the Company;
- review the internal controls (including financial controls, operational and compliance controls and risk management policies and systems established by the Management) and procedures and ensure co-ordination between the external auditors and the Management, reviewing the assistance given by the Management to the auditors, and discuss problems and concerns, if any, arising from the audits, and any matters which the auditors may wish to discuss (in the absence of the Management where necessary);
- consider and recommend the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors, review the independence and objectivity of the external auditors annually;
- review transactions falling within the scope of Chapter 9 and Chapter 10 of the SGX-ST (if any);
- review arrangements by which the employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that arrangements are in place for the independent investigations of such matter and for appropriate follow-up;

CORPORATE GOVERNANCE REPORT

- commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position; and
- determine the company's levels of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems.

Financial Performance and Reporting

The Management will provide the members of the Board with management reports regularly. Such reports will keep the Board updated as well as enable the members to have a balanced and objective assessment of the Group's performance, position and prospects. The Management will also assist the Board to provide the Shareholders with a balanced and understandable assessment of the Group's performance, financial position and prospects via the issuance of the Company's annual reports and half and full year announcements of its financial results and disclosure of other relevant information of the Group.

All the Directors and executive officers of the Company have signed the undertaking letters pursuant to the Rule 720(1) of the Listing Manual of SGX-ST.

The Board is updated with significant events that have occurred or material to the Group during the year. The Management provides the Board with financial updates on the performance and position of the Group to keep Board members informed and updated on a monthly basis in order that it may effectively discharge their duties.

Risk Management

The Management regularly reviews its Group's business and operational activities and to identify areas of significant business risk as well as take appropriate measures to manage and mitigate these risks.

The ARMC reviews and guides Management in the formulation of risk policies and processes to identify, evaluate and manage significant risks. The Management reports to the ARMC on control policies and procedures and highlights all significant matters to the ARMC on regular basis. Risks arising from the Group's financial operations are separately disclosed in the audited financial statements of this Annual Report.

The Board Safety Committee ("**BSC**") was established in 2012 to oversee and monitor the establishment and maintenance of the safety practices and policies of the Group.

The BSC comprises the following members, all of whom are independent non-executive Directors:

Mr Lim Bok Ngam	Chairman and Independent Director
Dr Ong Seh Hong	Member and Independent Director
Mr Hoon Tai Meng	Member and Independent Director
Mr David Tan Chao Hsiung	Member and Independent Director

The BSC is supported by the Management and safety officer of the Group. BSC reviews the safety reports and ensure adequate budget is allocated for safety training.

CORPORATE GOVERNANCE REPORT

Internal Controls

The Board acknowledges that it is responsible for the overall internal control framework, but recognizes that no cost-effective internal control system will preclude all errors and irregularities. The system is 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 ARMC is responsible for ensuring that a review of the adequacy of the Company's internal financial controls, operational and compliance controls, as well as risk management policies and systems established by the Management is conducted at least annually.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by the Management, ARMC and the Board, the Board with the concurrence of the ARMC is of the opinion that the systems of the internal controls is adequate and effective in addressing the financial, operational, compliance risks, information technology controls and risk management system for FY2023.

Annually, the ARMC meets with the external auditors and the internal auditors, without the presence of the Company's Management. ARMC members keep abreast of changes to accounting standards and important accounting issues with continuing education. In addition, the external auditors update the ARMC on the changes to accounting standards and issues which have a direct impact on financial statements to the Company.

External audit

The ARMC has conducted an assessment of the external auditors, and recommends its appointment, re-appointment and removal to the Board. The assessment is based on factors such as the performance and quality of its audit, the cost effectiveness and the independence and objectivity of the external auditors. The Board confirmed that in appointing the auditing firms for the Company, subsidiaries and significant associated companies, the Group has complied with Rules 712 and 715 of the Listing Manual issued by SGX-ST in relation to its auditors.

The ARMC has undertaken a review of all non-audit services provided by the external auditors during the financial year, and in the ARMC's opinion, the provision of these services does not impair the independence of the external auditors. The ARMC had recommended to the Board the re-appointment of Messrs Ernst & Young LLP as the external auditors of the Company at the forthcoming AGM.

The fees payable to auditors is separately disclosed in the audited financial statements in this Annual Report.

The ARMC discussed the key audit matters for FY2023 with Management and the external auditor. The ARMC concurs with the basis and conclusions included in the auditor's report with respect to key audit matters. For more information on the key audit matters, please refer to pages 35 to 37 of this Annual Report.

Internal audit

The Board recognises the importance of maintaining an internal audit function to provide an independent assurance over the soundness of the system of internal controls within the Group to safeguard shareholders' investments and the Company's assets. The ARMC has the responsibility to review the adequacy of the internal audit function annually, review the internal audit program and ensure co-ordination between internal auditors, external auditors and Management, and ensure that the internal auditors meet or exceeds the standards set by nationally or internationally recognized professional bodies. The ARMC also reviews and approves the hiring, removal and evaluates its outsourced internal auditors.

The Group has outsourced its internal audit function to BDO Advisory Pte. Ltd. The Internal Auditor has adopted the Standards for Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The Internal Auditors primarily reported to the ARMC Chairman.

CORPORATE GOVERNANCE REPORT

The Internal Auditor plans its audit schedules in consultation with the Management and its plans are submitted to the ARMC for approval. The ARMC reviews and approves the internal audit plans and resources annually. Based on their review, the ARMC believes that the Internal Auditor is independent and has the appropriate standing to perform its functions effectively. Based on the information provided to the ARMC, nothing has come to the ARMC's attention to cause the ARMC to believe that the internal control system is inadequate.

Whistle-Blowing policy

The Group has designated and implemented a whistle-blowing policy. The Whistle-Blowing Policy provides an independent feedback channel through which matters of concern about possible improprieties in matters of financial reporting, suspected fraud and corruption or other matters may be raised by employees and any other persons in confidence and in good faith, without fear of reprisal. Whistle-Blowers may report any matters of concern by mail, email, or calls, details of which are provided in the Whistle-Blowing Policy, which is available on the Company's website. The identity of the whistleblower is kept confidential. For employees, the Whistle-Blowing Policy provides assurance that employees will be treated fairly, and protected from reprisals or victimisation for whistle-blowing in good faith. The improprieties that are reportable under the Whistle-Blowing Policy include: (a) financial or professional misconduct; (b) improper conduct, dishonest, fraudulent or unethical behaviour; (c) any irregularity or non-compliance with laws/regulations or the Manager's policies and procedures, and/or internal controls; (d) violence at the workplace, or any conduct that may threaten health and safety; (e) corruption or bribery; (f) conflicts of interest; and (g) any other improprieties or matters that may adversely affect shareholders' interests in, and assets of, the Company as well as the Company's reputation. The Whistle-Blowing Policy is disseminated to all staff annually. All whistle-blowing complaints are safely raised and are independently investigated and if appropriate, an independent investigation committee will be constituted. Following the investigations, appropriate action will be taken. The outcome of each investigation and any action taken is reported to the ARMC. The ARMC reviews and ensures that independent investigations and any appropriate follow-up actions are carried out.

There were no reported incident pertaining to whistle-blowing during FY2023 and until the date of this Annual Report.

Codes of Conduct and Practices

The Company's Code of conduct and practices covering principles and desired behaviours that support the commitment to honest and ethical business conduct are posted on the Company's website.

Shareholder Rights and Engagement

Shareholder Rights and Conduct of General Meetings/Engagement with Stakeholders

Principle 11: 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. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

CORPORATE GOVERNANCE REPORT

Shareholders and communication

The Company treats all shareholders fairly and equitably in order to enable them to exercise their rights and have the opportunity to communicate their views on matters affecting the Company.

The Company recognises the need to communicate with shareholders on all material matters affecting the Group and does not practice selective disclosure. The Company's investor relationship policy is to ensure fair, transparent and ethical business dealings with all stakeholders. Financial results and other material information are communicated to shareholders on equal and timely basis through SGXNET.

The Company also communicates through its corporate website at <http://www.hlsgroup.com.sg> which provides shareholders with corporate announcements, press releases, annual reports and profile of the Group.

General Meetings

The Company encourages Shareholders' participation at the Company's annual general meetings ("**AGM**"). The Company's forthcoming annual general meeting for FY2023 will be held physically. Shareholders are reminded to refer to the Notice of AGM for further details.

Notice of AGM and proxy form are dispatched to shareholders within the notice period as prescribed by the relevant regulations. The Company's Annual Report, Circular, Notice of AGM and proxy form are uploaded on SGXNET at the URL <https://www.sgx.com/securities/company-announcements> and are also available on the Company's website at the URL <http://www.hlsgroup.com.sg/>.

Separate resolutions at AGM

The Company ensures that sufficient explanations of all resolutions are included in the notice of general meeting. Separate resolutions on each distinct issue are tabled at general meeting. "Bundling" of resolutions are kept to a minimum and executed only where the resolutions are interdependent as to form one significant proposal and only where there are reasons and material implications involved.

The detailed results showing the number of votes cast for and against each resolution and the respective percentages will be announced via SGXNET after the conclusion of the general meetings.

Attendance at AGM

All the Directors attend all general meetings of the Company and the external auditors will also be present in addressing queries raised by shareholders relating to the conduct of the audit and the preparation of the content of the auditors' report. All the Directors and external auditors were present at AGM held in 2023.

Absentia Voting at AGM

As authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, facsimile or email.

CORPORATE GOVERNANCE REPORT

Minutes of AGM

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management. Pursuant to Practice Note 7.5 of the Listing Manual of the SGX-ST, the minutes of AGM will be published within one month after the AGM on SGXNET and the Company's website.

Dividend Policy

The Company is committed to enhancing value for its shareholders and strives to achieve an efficient capital structure that balances the returns to shareholders with the Company's capital needs for investment and growth.

The dividend that the Board may recommend in respect of each financial year is subject to various factors such as the level of available cash, financial performance and projected capital expenditures and investment plans. Over the past five years, annual dividends paid out by the Group (excluding special dividends) was about 30% of the Group's total net profit after tax. Subject to the shareholders' approval, the Company pays the final dividend(s) to all its shareholders within 30 days after the AGM.

Stakeholder Engagement

The Board adopts an inclusive approach by considering and balancing the needs and the interests of material stakeholders, as part of its overall responsibility to ensure that the best interest of the Group are served.

The Company maintains a current corporate website, www.hlsgroup.com.sg, to communicate and engage with stakeholders.

The sustainability report sets out the Group's strategy and key areas of focus in managing stakeholder relationships.

Dealings in Securities

The Company has adopted an internal code on dealings in securities to govern dealings in its shares by the Directors and the employees of the Group. This internal code is made in compliance with Rule 1207(19) of the Listing Manual of the SGX-ST relating to dealings in securities and has been disseminated to the Directors and the employees of the Group informing them of the implications on insider trading.

The internal code prohibits the dealing in securities of the Company by Directors and employees while in possession of price-sensitive information, and during the period commencing one month in the case of the announcements of the half and full year financial results and ending on the date of the announcements. Directors are required to report securities dealings to the Company and the necessary announcements are made as required. In addition, Directors and employees are reminded to observe insider trading rules at all times and not to deal with the Company's securities on short-term considerations.

Material Contracts

Except as disclosed in the financial statements, there was no material contracts entered into by the Company or its subsidiary companies, involving the interests of any Director or controlling shareholder subsisting at the end of the FY2023.

CORPORATE GOVERNANCE REPORT

Interested Person Transactions

The Company has established procedures to ensure that transactions with interested persons are properly reviewed and approved and are conducted at arm's length basis.

The Company will seek a general mandate from its shareholders, if necessary for those recurrent transactions of revenue or trading nature or those necessary for its day-to-day operations.

During the year, there was no interested person transactions in value of S\$100,000 or above that had been entered into with a firm in which a Director is a member and has a substantial financial interest.

The Company does not have a general shareholders' mandate for interested person transactions pursuant to Rule 920 of the SGX-ST Listing Manual.

Sustainability Report

The Sustainability report for FY2023 of the Company will be released via SGXNET at the end of April 2024, copy will be made available on the Company's website at www.hlsgroup.com.sg.