



Corporate Governance Report

Corporate Governance Report

The Board of Directors (the “**Board**”) of Qian Hu Corporation Limited (the “**Company**”) and its subsidiaries (the “**Group**”) are firmly committed to ensuring a high standard of corporate governance which is essential to the long-term sustainability of the Group’s business and performance.

This report describes the Group’s corporate governance structures and practices that were in place throughout the financial year ended 31 December 2024 (“**FY 2024**”), with specific reference made to the principles and provisions of the revised Code of Corporate Governance (the “**Code**”) and accompanying Practice Guidance issued in August 2018, which forms part of the continuing obligations of the Listing Rules of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

The Board is pleased to confirm that for FY 2024, the Group has complied with the core principles of the Code, as well as the provisions that underpin the principles of the Code. Appropriate reasons have been provided for any deviations from any principles and/or provisions.

I. BOARD MATTERS

The Board’s Conduct of its 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.

PROVISION 1.1

Principal Duties of the Board

The Board is responsible for overseeing and managing the Group’s business and is accountable to shareholders for creating shareholder value within a framework that protects the rights and interests of the shareholders.

During FY 2024, as was in the past years, besides having carried out its statutory responsibilities, the Board performed the following role:

- provide leadership and guide in the formulation of the Group’s overall long-term strategic plans and performance objectives as well as delivery of short-term objectives;
- monitor and evaluate the adequacy and effectiveness of the Group’s internal controls, as well as procedures for financial reporting and compliance with regulatory requirements;
- identify the principal risks of the Group’s business and establish a risk management framework to manage these risks for safeguarding the shareholders’ interests and the Group’s assets;
- review and approve the Group’s business plan, including annual budgets, major funding proposals, investment and divestment proposals;
- oversee the business affairs of the Company and monitor the performance of the management and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;
- approve matters as specified under SGX-ST’s interested person transaction policy;
- assume responsibilities for good corporate governance and is responsible for setting the right ‘tone at the top’ in its policies and decisions to ensure that the Company’s corporate values and ethical standards are observed and there is proper accountability throughout the Group and that the obligations to its shareholders and other stakeholders are clearly understood and met; and
- consider sustainability issues, including the integration of sustainability-related matters and the monitoring of sustainability related risks and opportunities, as part of its long-term strategy formulation.

Discharge of Duties and Independent Judgement

All directors are fiduciaries who exercise due diligence and independent judgement in dealing with the business affairs of the Group and make decisions objectively to discharge their duties and responsibilities in the best interests of the Group.

The Board and the Management fully appreciate that an effective and robust board whose members engage in open and constructive debate and challenge the management on its assumptions and proposals is fundamental to good corporate governance. The directors on the Board have the appropriate core competencies and diversity of experience to enable them to contribute effectively. They can objectively raise issues and seek clarification as and when necessary, from the Board and the Management on matters pertaining to their area of responsibility and actively help Management in the development of strategic proposals and oversee the effective implementation by Management to achieve the objectives set.

The Board has no dissenting view on the “Letter from the Chairman” for the financial year under review as set out on pages 8 to 10 of this Annual Report.

Conflict of Interest

Each director is required to promptly disclose any conflict or potential conflict of interest, whether direct or indirect, in relation to a transaction or proposed transaction with the Group as soon as is practicable after the relevant facts have come to his/her knowledge. On an annual basis, each director is also required to submit details of his/her associates for the purpose of monitoring interested person transactions. Where a director has a conflict or potential conflict of interest in relation to any matter, he/she should immediately declare his/her interest when the conflict-related matter is discussed and recuse himself/herself from the discussion, unless the Board is of the opinion that his/her presence and participation is necessary to enhance the efficacy of such discussion. Nonetheless, he/she is abstained from voting in relation to the conflict-related matters.

PROVISION 1.2

Board Orientation and Training

A formal letter of appointment is furnished to every newly appointed director upon the appointment setting out among other matters, the roles, obligations, duties and responsibilities as a member of the Board. The Company also conducts a comprehensive and tailored induction programme for newly appointed directors to provide them with the necessary background information about the Group’s structure and core values, its strategic direction, risk-related issues and corporate governance practices as well as industry-specific knowledge. Directors have the opportunity to visit the Group’s operational facilities and to meet with the Management to gain a better understanding of the Group’s business operations. The induction programme gives the directors an understanding of the Group’s businesses to enable them to assimilate into their new role. It also allows the new directors to get acquainted with the Management, thereby facilitating Board interaction and independent access to the Management.

In addition to the the induction programme above, in accordance with the Listing Rules of the SGX-ST, a new director appointed to the Board who has no prior experience as a director of a listed company is require to undergo relevant training in the roles and responsibilities of a director of a listed company as prescribed by the SGX-ST, unless the Nominating Committee is of the view that such training is not required because the director has other relevant experience. Ms Chew Mok Lee was appointed onto the Board during the financial year and she has undergone the relevant mandatory trainings on her roles and responsibilities as a director of a listed company on the SGX-ST.

The Board as a whole is kept up to date from time to time on pertinent business developments in the business, including the key changes in the relevant regulatory requirements and financial reporting standards, risk management, corporate governance, sustainability issues and industry specific knowledge so as to enable them to properly discharge their responsibilities as members of the Board or Board Committees.

New releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority (“ACRA”) and news articles/ reports (including analyst reports) which are relevant to the Group’s business are regularly circulated to all the directors.

The Company Secretaries inform the directors of the availability of relevant courses, conferences and seminars, including those conducted by the Singapore Institute of Directors (“SID”). All directors are encouraged to attend appropriate courses, conferences and seminars at the Company’s expense to stay abreast of relevant business developments and their outlook.

During the financial year under review, the Board members were provided with regular briefings from the Company’s external auditors, KPMG LLP, on applicable Accounting Standards and the developments in governance standards. Both the Executive Chairman and CEO also updated the Board at each meeting on the business and strategic developments pertaining to the Group’s business. In addition, all the Board members have completed the mandated sustainability training course organised by SID and the Institute of Singapore Chartered Accountants (“ISCA”) as required by the enhanced SGX sustainability reporting rules.

PROVISION 1.3

Board Approval

The Group has adopted internal guidelines governing matters that require the Board’s approval, which have been clearly communicated to the Management. The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those prescribed limits to Board Committees and specific members of the key management via a structured Delegation of Authority matrix, which is reviewed on a regular basis and accordingly revised when necessary.

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The matters that require Board's approval include:

- annual budgets and business plan of the Group;
- material acquisition and disposal of assets/investments;
- corporate/financial restructurings or corporate exercise;
- incorporation of new entities;
- issuance of shares, dividend policy & payout and other returns to shareholders;
- risk appetite and risk tolerance for the different categories of risks;
- matters as specified under the SGX-ST's interested person transaction policy;
- announcement of the Group's half year and full year results and the release of the Annual Reports; and
- any other matters as prescribed under the relevant legislations and regulations, as well as the provisions of the Company's Constitution.

PROVISION 1.4

Delegation by the Board

To assist the Board in discharging its oversight functions and to enhance the Company's corporate governance framework, various Board Committees, namely the Audit & Risk Management Committee ("**ARMC**"), Remuneration Committee ("**RC**") and Nominating Committee ("**NC**") have been constituted with clearly defined written terms of reference, setting out the compositions, authorities and duties, including reporting back to the Board. These terms of reference are reviewed on a regular basis, along with the committee structures and membership, to ensure their continued relevance, taking into consideration the changes in the governance and regulatory environment. Any change to the terms of reference for any Board Committee requires the specific written approval of the Board.

The responsibilities and authority of the Board Committees set out in their respective terms of reference were revised for alignment with the Code.

During FY 2024, the composition of the Board and Board Committees are as follows:

Name of Director	Board	Audit & Risk Management Committee	Nominating Committee	Remuneration Committee
Kenny Yap Kim Lee (Executive/Non-Independent)	Chairman	–	–	–
Yap Kok Cheng (Executive/Non-Independent)	Member	–	–	–
Soong Wee Choo (Non-Executive/Lead Independent)	Member	Chairperson	Member	Member
Ling Kai Huat (Non-Executive/Independent)	Member	Member	Member	Chairperson
Chew Mok Lee (Non-executive/Independent) (appointed on 1 April 2024) ¹	Member	Member	Chairperson	Member
Sharon Yeoh Kar Choo (Non-executive/Independent) (retired on 27 March 2024) ²	Member	Member	Chairperson	Member

Notes:

(1) Ms Chew Mok Lee was appointed as Non-Executive Independent Director on 1 April 2024.

(2) Pursuant to Rule 210(5)(d)(iv) of the SGX-ST Listing Manual, Ms Sharon Yeoh Kar Choo retired as Non-Executive Independent Director at the Company's 25th Annual General Meeting held on 27 March 2024.

All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. Minutes of the Board Committee meetings are available to all Board members. The Board acknowledges that while these various Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board.

Please refer to the various Principles in this Corporate Governance Report for further information on the activities of the respective Board Committees.

PROVISION 1.5

Board Meetings and Attendance

The attendance of the directors at the scheduled Board and Board Committees meetings held during FY 2024 is set out below:

Name of Director	Board	Audit & Risk Management Committee	Nominating Committee	Remuneration Committee
Number of meetings held	3	3	2	1
Number of meetings attended:				
Kenny Yap Kim Lee	3	3*	1*	1*
Yap Kok Cheng	3	3*	1*	1*
Soong Wee Choo	3	3	2	1
Ling Kai Huat	3	3	2	1
Chew Mok Lee (appointed on 1 April 2024)	2	2	1	–
Sharon Yeoh Kar Choo (retired on 27 March 2024)	1	1	1	1

* Attendance by invitation of the Committee

The dates of meetings of all the Board and Board Committee meetings, as well as the Annual General Meeting (“AGM”), are scheduled well in advance each year, in consultation of the Board. When a physical meeting is not possible, timely communication with members of the Board can be achieved through electronic means. The Constitution of the Company provides for directors to conduct meetings by teleconferencing, videoconferencing, or other similar means of communication. The Board and Board Committees also make decisions through circulating resolutions.

The Board held three scheduled meetings in FY 2024 at regular intervals. Besides the scheduled Board meetings, the Board may meet on an ad-hoc basis as warranted by circumstances. Key matters discussed at these meetings include financial performance, annual budget, corporate strategy, significant operational matters, business opportunities, governance practices and sustainability issues.

If a director is unable to attend a Board or Board Committee meeting, he/she will still receive all the papers and materials for discussion at that meeting. The director will review them and advise the Chairman of the Board or the Board Committee of his/her views and comments on the matters to be discussed so that they can be conveyed to other members at the meeting.

Multiple Board Representations

All directors are required to declare their board representations. When a director has multiple board representations, the NC will consider whether the director is able to adequately carry out his/her duties as a director of the Company, taking into consideration the number of listed company board representations and other principal commitments, as well as if he/she is able to devote sufficient time and attention to the affairs of the Company to adequately and satisfactorily discharge his/her duties as director of the Company. There was no director holding multiple board representations during the financial year under review.

The Company’s current policy stipulates that a director should not have more than four listed company board representations and other principal commitments concurrently.

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PROVISION 1.6

Access to Information

All directors have unrestricted access to the Company's records and information. From time to time, they are furnished with complete, accurate and adequate information in a timely manner to enable them to be fully cognisant of the decisions and actions of the Management.

The Board receives quarterly management financial statements, annual budgets and explanations on material forecast variances to enable them to understand and oversee the Group's operational and financial performance. Directors are also informed on a regular basis as and when there are any significant developments or events relating to the Group's business operations.

As a general rule, Board papers prepared for each meeting are normally circulated five days in advance of each meeting. This is to give directors sufficient time to review and consider the matters to be discussed so that discussions can be more meaningful and productive. However, sensitive matters may be tabled at the meeting itself or discussed without papers being distributed. The Board papers provide sufficient background and explanatory information from the Management on financial impact, mitigation strategies, risk analysis, expected outcome, regulatory implications and corporate issues to enable the directors to be properly briefed on issues to be considered at Board and Board Committee meetings. Such explanatory information may also be in the form of briefings to provide additional insights to the directors or formal presentations made by the Management in attendance at the meetings, or by external consultants engaged on specific projects.

PROVISION 1.7

Access to Management and Company Secretary

The directors have separate and independent access to the Management and the Company Secretaries at all times through email, telephone and face-to-face meetings. Any additional materials or information requested by the directors to make informed decisions are promptly furnished.

Under the direction of the Chairman, the Company Secretaries ensure timely and good information flows within the Board and its Board Committees and between the Management and independent directors.

The Company Secretaries assist the Chairman and the Chairpersons of each Board Committee in the development of the agendas for the various Board and Board Committee meetings. They administer and attend all the Board and Board Committees meetings of the Company and prepare minutes of meetings. The Company Secretaries are also responsible for, among other things, ensuring that Board procedures are observed and that the relevant rules and regulations, including requirements of the Companies Act 1967, Securities and Futures Act and the SGX-ST Listing Manual, are complied with.

As the primary compliance officers for the Group, the Company Secretaries are responsible for designing and implementing a framework for the Management to comply with the Listing Rules of the SGX-ST, including advising the Management to ensure that material information is disclosed on a prompt basis. The Company Secretaries also assist the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhance long-term stakeholders' value.

The appointment and the removal of the Company Secretaries are subject to the approval of the Board.

Independent Professional Advice

Where the directors, whether individually or collectively, require independent professional advice in furtherance of their duties and responsibilities, the Company Secretaries will assist in appointing a professional advisor to render the relevant advice and keep the Board informed of such advice. The cost of obtaining such professional advice will be borne by 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.

PROVISION 2.1

Board Independence

During the financial year under review, the Board consists of five directors, of whom three are considered independent by the Board. With more than half of the Board made up of independent directors, including independence from the substantial shareholders of the Company, the Board can exercise independent and objective judgement on the corporate affairs of the Group. It also ensures that key issues and strategies are critically reviewed, constructively challenged, fully discussed and thoroughly examined, taking into consideration the long-term interests of the Group and its stakeholders. No individual or small group of individuals dominates the Board's decision making.

The independence of each director is assessed and reviewed annually by the NC. In the review and deliberation of the independence of the three independent directors, the NC has considered the applicable Listing Rules and the guidelines for independence as set out in Provision 2.1 of the Code, including independence in conduct, character and judgement, and has no business relationships with the Group, its substantial shareholders or its officers which could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the interest of the Group.

Each independent director is required to complete an annual declaration to confirm his/her independence based on the applicable Listing Rules and the guidelines as set out in the Code. The directors must also confirm whether they consider themselves independent despite not having any relationship identified under the applicable Listing Rules and the Code. The NC has examined the different relationships that might impair the directors' independence and is satisfied that all the three non-executive directors are independent.

As at the end of FY 2024, Dr Ling Kai Huat has served on the Board beyond nine years from the date of his first appointment. Notwithstanding that Dr Ling has demonstrated strong independence character and judgement over the years in discharging his duties and responsibilities as an independent director of the Company and could continue to provide noteworthy and valuable contributions objectively to the Board as a whole, in compliance with the amended Rule 210(5)(d)(iv) of the SGX-ST Listing Manual which imposed a hard tenure limit for independent directors of nine years, beyond which such directors will no longer be considered independent, Dr Ling Kai Huat who is due for retirement at the forthcoming AGM, will not seek for re-election.

PROVISION 2.2

PROVISION 2.3

Proportion of Non-Executive Independent Directors

The Company has complied with the relevant provisions as the majority of the Board members are non-executive independent directors.

PROVISION 2.4

Board Composition

The profile of the directors and key information are set out on pages 12 and 13 of this Annual Report.

The NC is responsible for examining the size and composition of the Board and Board Committees. Having considered the scope and nature of the Group's businesses, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, the Board, in concurrence with the NC, is satisfied that the current board size and the existing composition of the Board Committees is appropriate and effectively serves the Group. It provides diversity and allows for informed and constructive discussion and effective decision making at the Board meetings. The Board will, however, continue to review opportunities to refresh the Board with a view to expanding the skills, experience and diversity of the Board as a whole.

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Board Diversity

Qian Hu’s Board Diversity Policy endorses the principle that its Board should have a balance of skills, knowledge, experience and diversity of perspectives appropriate to its business so as to mitigate against groupthink and to ensure that the Group has the opportunity to benefit from all available talents. In reviewing Board composition and succession planning, the NC considers the benefits of all aspects of diversity, including diversity of background, experience, gender, age and other relevant qualities. These differences will be considered in determining the optimum composition of the Board and when possible, should be balanced appropriately.

The current Board composition reflects the Company’s commitment to Board diversity. Every year, the NC conducts its review of the composition of the Board, which comprises members of both genders and from different backgrounds whose core competencies, qualifications, skills and experiences meet the requirements of the Group at the point in time.

To assist the NC in its annual review of the directors’ mix of skills and experiences that the Board requires to function competently and efficiently, all directors submitted a Director Competency Matrix Form, providing information on their areas of specialisation and expertise. The NC, having reviewed the completed forms, is satisfied that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies to lead and govern the Group effectively. Each director has been appointed on the strength of his/her calibre, experience and stature and is expected to bring a valuable range of experience and expertise to contribute to the development of the Group’s strategy and the performance of its business.

In recognition of the importance and value of gender diversity in the composition of the Board, the Company undertake to have at least 30% of female representation on the Board and that if external search consultants are used to search for candidates for Board appointments, the brief will include a requirement to present female candidates. The Board has two female directors currently, representing 40% of total Board membership.

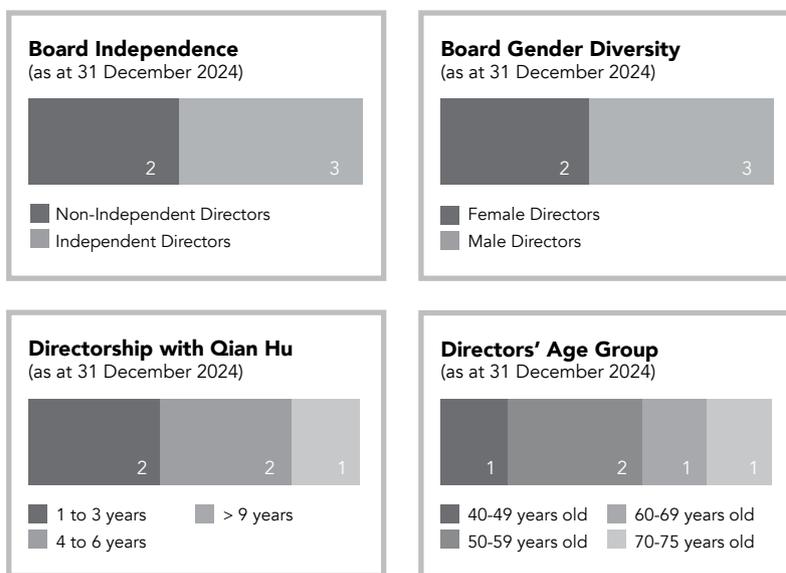
In addition, the Board consists of directors with the target age diversity set ranging from mid-40s to mid-70s, who have served on the Board for different tenures. The Board members with their combined business, management and professional experience, knowledge and expertise, provide the core competencies to allow for diverse and objective perspectives on the Group’s business and direction.

The NC will continue to review the Board Diversity Policy, as appropriate, to ensure its effectiveness, and will recommend appropriate revisions to the Board for consideration and approval. It will also continue its identification and evaluation of suitable candidates to ensure there is diversity on the Board.

Board Skill Sets

- Accounting and financial management
- Business entrepreneurship
- Legal
- Strategic planning
- Human resource
- Risk management
- Sustainability and Governance

Details of the Board composition are as follows:



PROVISION 2.5

Meeting of Independent Directors without Management

The independent directors, led by the lead independent director, meet amongst themselves at least once a year without the presence of the Management and the Chairman of the Board to discuss and evaluate the performance of the Management as well as the remuneration of the executive directors. The feedback and views expressed by the independent directors was communicated by the lead independent director to the Board and/or the Executive Chairman, as appropriate.

Chairman and Chief Executive Officer

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

PROVISION 3.1

Separation of the Role of Chairman and the Chief Executive Officer (“CEO”)

During the financial year under review, the roles of the Chairman of the Board and the CEO were separate to ensure clear distinction of responsibilities, appropriate balance of power and increased accountability. Mr Kenny Yap Kim Lee served as the Executive Chairman of the Group, whereas Mr Yap Kok Cheng was the Group’s CEO. Mr Yap Kok Cheng reported to the Board led by the Executive Chairman. Mr Yap Kok Cheng is the nephew of Mr Kenny Yap Kim Lee.

(Note – With effect from 1 January 2025, Mr Kenny Yap Kim Lee relinquished his role as the Executive Chairman. Mr Yap Kok Cheng assumed the role as Executive Chairman and redesignated as Executive Chairman & CEO from 1 January 2025)

All major proposals and decisions made by the Executive Chairman and CEO are discussed and reviewed by the Board and ARMC. Their performance and appointments are reviewed periodically by the NC and the remuneration packages are reviewed periodically by the RC. As the ARMC, NC and RC consist of all independent directors, the Board believes that there are sufficient strong and independent elements and adequate safeguards in place against a possible concentration of power and authority that a familial relationship exists between the Executive Chairman and the CEO.

PROVISION 3.2

Role of Executive Chairman and CEO

During FY 2024, the Chairman of the Board, Mr Kenny Yap Kim Lee, was also the Group’s Executive Chairman. Mr Kenny Yap Kim Lee played an instrumental role in developing the business of the Group and provides the Group with strong leadership and vision. He led the Board in its review of the Group’s strategies for sustainable growth and ensures the diversity of the Board. In addition to setting business strategies for the Group and monitoring the translation of the Board’s decisions and directions into executive action, he ensured that each member of the Board and the Management worked well together with integrity and competency. As the Executive Chairman, he with the assistance of the Company Secretaries, scheduled Board meetings as and when required and set the agenda for Board meetings with inputs from Management and allow sufficient allocation of time for thorough discussion of each agenda item, in particular strategic issues. He promoted an open environment for constructive debate, encourages independent directors to speak freely and contribute effectively and exercise control over the quality, quantity, accurateness and timeliness of information flow between the Board and the Management. He played a pivotal role in fostering constructive dialogue among stakeholders and provided close oversight, guidance and advice to the CEO and the Management. He also led in the Group in its commitment to achieve and maintain a high standard of corporate governance and sustainability practices with the full support of the Board and the Management.

During FY 2024, as the Group’s CEO, Mr Yap Kok Cheng manages the Management team and was responsible for implementing and reviewing the business directions and strategies for the Group as endorsed by the Board, and for operational performance and organisational excellence. In particular, he continues to drive the Group’s new growth segment - Aquaculture business.

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PROVISION 3.3

Appointment of Lead Independent Director

Taking cognisance that the Chairman of the Board is an Executive Director and thus not independent, the Board has designated a Lead Independent Director who serves as a sounding board for the Chairman and as an intermediary between the non-executive independent directors and the Chairman. The current Lead Independent Director is Ms Soong Wee Choo. The role of the Lead Independent Director is to co-ordinate and to lead the independent directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. She is available to all stakeholders should they have concerns which cannot be resolved or are inappropriate or inadequate to raise through the normal communication channels with the Chairman or the Management.

There were no queries or requests on any matters which required the Lead Independent Director's attention received in FY 2024.

Board Membership

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.

PROVISION 4.2

NC Composition and Role

The Board established the NC in July 2002 which comprises three non-executive directors, all of whom, including the Chairperson of the NC, are independent. The Lead Independent Director is one of the members of the NC.

Please refer to Provision 1.4 above on the names of the members and the composition of the NC.

The key written terms of reference for the NC are set out on page 112 of this Annual Report.

PROVISION 4.1

PROVISION 4.3

Board Renewal & Succession Planning

The responsibilities of the NC are, among other things, to make recommendations to the Board on all Board appointments, re-appointments, retirements and oversee the Board succession and the leadership development plans of the key management personnel ("KMP").

Board renewal is a continuous process and is a crucial element of the Group's corporate governance process. In this regard, the NC reviews annually the composition of the Board and Board Committees, which includes size and appropriate mix of expertise and experience and recommends to the Board the selection and appointment of new directors with a view to identifying any gaps in the Board's skills set taking into consideration the Group's strategy and business operations. The NC will seek to refresh the Board's membership progressively and in an orderly manner, to avoid losing institutional memory.

(more details are set out in the "Qian Hu's succession planning" section on page 68 of this Annual Report)

Process for Selection and Appointment of New Directors

The NC is responsible for identifying candidates and reviewing all nominations for the appointments of new directors. When an existing director chooses to retire or the need for a new director arises, either to replace a retiring director or to enhance the Board's strength, the NC, in consultation with the Board, evaluates and determines the selection criteria to identify candidates with the appropriate expertise and experience for the appointment as new director. The selection criterion includes integrity, independence, leadership skills, diversity of competencies, expertise required, industry experience, time commitment, and financial literacy. The NC and each individual director will try to source for suitable

candidates based on their networks and are empowered to engage external parties, such as professional search firms and institutions, to identify potential candidates or to undertake research on or assessment of candidates as they deem necessary.

The NC then meets with the shortlisted potential candidates with the appropriate profile to assess suitability and to ensure that the candidates are aware of the expectation and the level of commitment required, before nominating the most suitable candidate to the Board for approval and appointment as director.

Process for Re-appointment of Directors

The role of the NC also includes the responsibility of reviewing the re-nomination of directors who retire by rotation, taking into consideration the director's integrity, independence mindedness, contribution and performance (such as attendance record, preparedness and participation at meetings) and any other parameters as may be determined by the NC.

All directors, including the Executive Chairman, submit themselves for re-nomination and re-appointment at regular intervals of at least once every three years. Pursuant to Regulation 91 of the Company's Constitution, one-third of the Board are to retire from office by rotation and be subject to re-appointment at the Company's AGM. In addition, Regulation 90 of the Company's Constitution stipulates that a director newly appointed by the Board during the financial year must retire and submit himself/herself for re-appointment at the next AGM following his/her appointment. Thereafter, the director is subject to be re-appointed at least once every three years at the Company's AGM.

The names and additional information of the directors who are seeking re-election at the forthcoming AGM to be held on 3 April 2025 are stated in the Notice of AGM set out on pages 196 to 200 of this Annual Report.

PROVISION 4.4

Continuous Review of Directors' Independence

The NC is charged with determining the independence of the directors as set out under Provision 2.1 above.

The Board, after taking into consideration the views of the NC, is of the view that Ms Soong Wee Choo, Dr Ling Kai Huat and Ms Chew Mok Lee are independent and that no individual or small group of individual dominates the Board's decision-making process.

During FY 2024, there was no alternate director appointed on the Board.

PROVISION 4.5

Directors' Time Commitments

The NC ensures that new directors are aware of their duties and obligations. For re-nomination and re-appointment of directors, the NC takes into consideration the competing time commitments faced by directors and their ability to devote appropriate time and attention to the Group.

Each director is required to confirm annually to the NC as to whether he/she has any issue with competing time commitments which may impact his/her ability to provide sufficient time and attention to his/her duties as a director of the Company. Based on the directors' annual confirmation and the directors' commitments to the Company, which are also evident in their level of attendance and participation at Board and Board Committee meetings, the NC and the Board are of the view that all the directors were able to diligently discharge their duties as directors of the Company in FY 2024.

In addition to the current procedures for the review of the attendance records and analysis of directorships, a policy has also been put in place for directors to consult the Executive Chairman and the Chairperson of the NC before accepting any new listed company board appointment or principal commitment and notifying the Board of any changes in their external appointments. This would allow the director to review his/her time commitments with the proposed new appointment and in the case of an independent director, to also ensure that his/her independence would not be affected.

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Board Performance

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.

PROVISION 5.1

PROVISION 5.2

Board and Board Committees Evaluation Process

The Board, through the NC, has used its best effort to ensure that directors appointed to the Board and the Board Committees, whether individually or collectively, possess the background, experience and the relevant skills set which are critical to the Group's business. It has also ensured that each director, with his/her special contributions, brings to the Board an independent and objective perspective to enable sound, balanced and well-considered decisions to be made.

The NC has established a formal review process to assess the performance and effectiveness of the Board as a whole and each of its Board Committees, as well as the contribution by the Chairman of the Board and each individual directors to the effectiveness of the Board.

The NC assesses the performance of the Board and its Board Committees annually, using objective and appropriate criteria which were recommended by the NC and approved by the Board. During the financial year under review, all members completed evaluation questionnaires designed to seek their view on the various aspects of the Board and each of its Board Committees' (ARMC, RC and NC) performance and competencies, so as to assess the overall effectiveness of the Board and its Board Committees. To ensure confidentiality, the completed evaluation forms were submitted to the Company Secretaries for collation. The consolidated responses were presented to the NC for review before submitting them to the Board for discussion and to determine the areas for improvement and enhancement of the effectiveness of the Board and its Board Committees.

Following the review in FY 2024, the Board is of the view that the Board and its Board Committees operate effectively, and that each director is contributing to the overall effectiveness of the Board and its Board Committees.

There was no external consultant involved in the Board evaluation process in FY 2024.

Board and Board Committees Evaluation Criteria

The performance criteria for the board evaluation consists of qualitative factors such as board size and composition, board independence, board processes, board information and accountability, board performance in relation to discharging its principal functions and board committee performance in relation to discharging their responsibilities as set out in their respective terms of reference.

The assessment of Board Committees' performance includes the composition and skill sets of the Committees, performance and compliance with the written terms of reference, as well as the effectiveness of meeting procedures.

The primary objective of the evaluation exercise is to create a platform for the Board and its Board Committees' members to deliberate and identify the key strengths and to provide constructive feedback on the board procedures and processes and the changes which should be made to enhance the effectiveness of the Board and its Board Committees.

Chairman Evaluation

The evaluation of the Chairman of the Board is undertaken by the RC and the NC, and the results are reviewed by the Board.

The assessment of the Chairman of the Board is based on his ability to lead, whether he established proper procedures to ensure the effective functioning of the Board and that the time devoted to board meetings were appropriate and are conducted in a manner that facilitate open communication and meaningful participation for effective discussion and decision-making by the Board. He also ensures that the Board Committees formed were appropriate, with clear terms of reference, to assist the Board in the discharge of its duties and responsibilities.

Individual Director Evaluation

Individual director's performance is evaluated annually on a continual basis by the NC and the Chairman of the Board. Some factors taken into consideration by the NC and the Chairman of the Board include the value of contribution to the development of strategy, availability at board meetings (as well as informal contribution via email and telephone), interactive skills, degree of preparedness, industry and business knowledge and experience each director possess which are crucial to the Group's business.

The individual director evaluation exercise assists the NC in determining whether to re-nominate directors who are due for retirement at the forthcoming AGM, and in determining whether directors with multiple board representations are able to and have adequately discharged their duties as directors of the Company.

Nonetheless, the replacement of a director, when it happens, does not necessarily reflect the director's performance or contributions to the Board, but may be driven by the need to be in compliance with the Listing Rules of the SGX-ST and/or to align the Board with the medium- or long-term needs of the Group.

When deliberating on the performance of a particular director who is also a member of the NC, that member abstains from the discussions to avoid any conflict of interests.

The Board is satisfied with the performance of all the directors in the evaluation exercises carried out by the NC for FY 2024.

II. 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.

PROVISION 6.2

RC Composition and Role

The Board established the RC in July 2002 which comprises three non-executive directors, all of whom including the Chair of the RC are independent.

Please refer to Provision 1.4 above on the names of the members and the composition of the RC.

The key written terms of reference for the RC are set out on page 112 of this Annual Report.

PROVISION 6.1

PROVISION 6.3

PROVISION 6.4

Remuneration Framework

The RC is responsible for ensuring that a formal and transparent procedure is in place for developing policy and for determining the remuneration packages of individual directors and KMP. The RC recommends for the Board's endorsement, an appropriate remuneration framework which covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, benefits-in-kind and specific remuneration packages for each director and KMPs. The remuneration framework in place is reviewed periodically to ensure that it remain relevant and effective.

On an annual basis, the RC reviews and recommends the specific remuneration packages of the executive directors and the KMPs, including the annual increments and year-end variable bonuses, for approval by the Board. The RC also considers the termination terms in the contracts of employment of the executive directors and KMPs to ensure that they are not unfair or unreasonable.

Corporate Governance Report

The RC has explicit authority within its terms of reference to seek appropriate expert advice in the field of executive compensation outside the Company on remuneration matters where necessary. There being no specific necessity, the RC did not seek the service of an external remuneration consultant in FY 2024.

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.

PROVISION 7.1

PROVISION 7.3

Remuneration of Executive Directors and KMPs

The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the executive directors and KMPs commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO (together with other KMPs) is reviewed periodically by the RC and the Board. In structuring the compensation framework, the RC also takes into consideration the risk policies of the Group, the need for the compensation to be symmetric with the risk outcomes and the time horizon of risks.

Executive directors do not receive directors' fee but are remunerated as members of the Management. The remuneration packages of the executive directors and the KMPs is linked to the performance of the Group as a whole, as well as the individual performance. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance to promote the long-term sustainability of the Group.

Service contracts for executive directors are for a fixed appointment period and do not contain onerous removal clauses.

Having reviewed and considered the variable components of the executive directors and KMPs, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of their remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss. In addition, the executive directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the executive directors in the event of such breach of fiduciary duties.

The Company advocates a performance-based remuneration system that is flexible and responsive to the market. In designing the compensation structure, the Company seeks to ensure that the level and mix of remuneration is transparent, competitive, relevant and appropriate in finding a balance between the current and longer-term objectives of the Company so as to be able to attract, retain and motivate talents without being excessive, and thereby maximise value for stakeholders.

PROVISION 7.2

Remuneration of Non-Executive Directors

Non-executive directors have no service agreements (except for the letter of appointment) with the Company and their terms in office are specified in the Constitution. When reviewing the structure and level of directors' fee for the non-executive directors, the RC takes into consideration the directors' respective roles and responsibilities in the Board and its Board Committees.

Each of the non-executive directors receives a base director's fee. Directors who serve on the various Board Committees also receive additional fees in respect of each Board Committee that they serve on, with the Chairpersons of the Board Committees receiving a higher fee in respect of their service as Chairpersons of the respective Board Committees to reflect the expanded responsibilities.

The structure of the fees payable to the non-executive directors of the Company for FY 2024 is as follows:

Appointment	Per Annum
Board of Directors - Base fee (non-executive director only)	\$10,000
Audit & Risk Management Committee - ARMC Chairperson's fee - ARMC Member's fee	\$8,000 \$5,000
Nominating Committee - NC Chairperson's fee - NC Member's fee	\$6,000 \$5,000
Remuneration Committee - RC Chairperson's fee - RC Member's fee	\$6,000 \$5,000

The RC is mindful that the remuneration for non-executive directors should not be excessive so as not to compromise or reasonably be perceived to compromise their independence. No director is involved in deciding his/her own remuneration.

The Board concurred with the RC that the proposed directors' fees for FY 2024 is appropriate and not excessive, taking into consideration the level of contributions by the directors and factors such as effort and time spent for serving on the Board and Board Committees, as well as the responsibilities and obligations of the directors. Directors' fees are recommended by the RC, concurred by the Board, and submitted for approval by the shareholders at the AGM of the Company.

The Company currently does not have any share-based compensation scheme, or any long-term incentive scheme involving the offer of shares or grant of options in place to encourage the non-executive directors to hold shares in the Company.

Disclosure on 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.

PROVISION 8.1

PROVISION 8.2

PROVISION 8.3

Remuneration Criteria

The compensation packages for employees including the executive directors and the KMPs comprised a fixed component (in the form of a basic salary) and a variable component (normally consist of cash-based annual bonus) and benefits-in-kind, where applicable, considering amongst other factors, the individual's performance, the performance of the Group and industry practices.

When determining the fixed and variable components, the individual performance is taken into consideration and remuneration recommendations are reviewed by the RC in the light of any annual guidance from the National Wages Council and competitive market practices. This is further reviewed along with the Group's performance, taking into consideration the pre-defined key performance indicators (including financial and non-financial targets) achieved by the Group based on its short- and long-term objectives. The Board exercises its discretion and independent judgment in ensuring that there is a balance between business and risk taking and that the amount and mix of compensation are aligned with the interests of shareholders and promote the long-term success of the Group.

During the financial year under review, there was no termination, retirement or post-employment benefits granted to any director or KMP.

Corporate Governance Report

Disclosure of Remuneration

REMUNERATION TABLE

i) Remuneration of Directors

The breakdown of the total remuneration of the directors of the Company for FY 2024 is set out below:

Name of Director	Salary	Bonus	Director's Fees	Total Remuneration
	\$	\$	\$	\$
Kenny Yap Kim Lee	222,240	–	–	222,240
Yap Kok Cheng*	313,872	27,244	–	341,116
Soong Wee Choo	–	–	28,000	28,000
Ling Kai Huat	–	–	26,000	26,000
Chew Mok Lee (appointed on 1 April 2024)	–	–	19,500	19,500
Sharon Yeoh Kar Choo (retired on 27 March 2024)	–	–	6,500	6,500
Total	536,112	27,244	80,000	643,356

* Mr Yap Kok Cheng is the nephew of Mr Kenny Yap Kim Lee, Executive Chairman.

- The salary and bonus amounts shown are inclusive of Singapore Central Provident Fund (CPF) contributions.
- The director's fees are subject to shareholders' approval at the Annual General Meeting.

ii) Remuneration of Key Management Personnel

The breakdown of total remuneration of the top five key management personnel of the Group (who are not directors) for FY 2024 is set out below:

Name of Management Personnel	Salary	Bonus	Allowance & Benefit	Total Remuneration
	\$	\$	\$	\$
Alvin Yap Ah Seng*	300,240	26,046	–	326,286
Andy Yap Ah Siong*	300,240	44,046	–	344,286
Lai Chin Yee	300,240	26,046	–	326,286
Jimmy Tan Boon Kim	260,400	21,700	–	282,100
Yap Kay Wee**	161,472	7,196	–	168,668
Total	1,322,592	125,034	–	1,447,626

* Mr Alvin Yap Ah Seng and Mr Andy Yap Ah Siong are brothers and cousins of Mr Kenny Yap Kim Lee, Executive Chairman and uncles of Mr Yap Kok Cheng, CEO and Executive Director.

** Mr Yap Kay Wee is cousin of Mr Yap Kok Cheng, CEO and Executive Director.

- The salary and bonus amounts shown are inclusive of Singapore Central Provident Fund (CPF) contributions.

iii) Remuneration of Immediate Family Members of CEO and Executive Directors

The breakdown of total remuneration of employees who are immediate family members of the CEO and the Executive Directors for FY 2024 is set out below:

Name of Executive	Salary	Bonus	Allowance & Benefit	Total Remuneration
	\$	\$	\$	\$
Yap Ping Heng	74,820	6,020	–	80,840
Yap Hock Huat	73,284	6,104	–	79,388
Yap Kim Chuan	74,928	6,272	–	81,200
Lim Yik Kiang	133,872	11,700	–	145,572
Yap Kok Fong	125,472	20,844	–	146,316
Total	482,376	50,940	–	533,316

* Mr Yap Ping Heng, Mr Yap Hock Huat and Mr Yap Kim Chuan are brothers of Mr Kenny Yap Kim Lee, Executive Chairman.

* Mr Yap Hock Huat is father of Mr Yap Kok Cheng, CEO and Executive Director.

* Mr Yap Ping Heng and Mr Yap Kim Chuan are uncles of Mr Yap Kok Cheng, CEO and Executive Director.

* Mr Lim Yik Kiang is brother-in-law of Mr Yap Kok Cheng, CEO and Executive Director.

* Mr Yap Kok Fong is brother of Mr Yap Kok Cheng, CEO and Executive Director.

- The salary and bonus amounts shown are inclusive of Singapore Central Provident Fund (CPF) contributions.

The Company does not have any share-based compensation scheme or any long-term incentive scheme involving the offer of shares or options in place. The Board is of the view that such long-term incentive plan is not effective and that it is difficult to determine how much such form of deferred remuneration contributes to the retention of employees and to motivate their performance.

III. 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.

PROVISION 9.1

Oversight of Risk Management

The Board established a Risk Management Committee in FY 2013 as part of the Group's effort to strengthen its risk management processes and framework, in overseeing the formulation and reviewing the adequacy and effectiveness of the Group's risk management systems and internal controls and to report to the Board annually its observations on any matters under its purview.

On 29 March 2021, the Board consolidated the Audit Committee and Risk Management Committee and renamed it as Audit & Risk Management Committee. Thereafter, the responsibility of overseeing the Company's risk management framework, policies and processes is assumed by the ARMC with the assistance of the internal auditors.

Nature and Extent of Risks

The Board acknowledges that it is responsible for the governance of risks and the overall internal control framework but recognises that no cost-effective internal control system will preclude all errors and irregularities, as a 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 the occurrence of material errors or poor judgment in decision-making.

Corporate Governance Report

Risk assessment and evaluation is an essential part of the business planning and monitoring process. The Board has the overall responsibility for providing leadership, articulating the risk appetite and tolerance levels and ensuring that a robust risk management and compliance culture prevails. The Board, with the assistance of the ARMC, has developed a risk management framework to ensure that the structure, policies and processes are aligned with the strategic direction set by the Board. It has also put in place a documentation on its risk profile which summarises the material risks faced by the Group and the countermeasures in place to manage or mitigate those risks for the review by the ARMC and the Board annually.

The documentation provides an overview of the Group's risk profile and its key risk indicators (KRIs), the appropriate risk tolerance limits set for the respective risks, their likelihood of occurrence and the consequential impact on the Group as a whole. Having identified the risks that affect the achievement of the Group's business objectives and/or financial performance, each business unit is responsible for managing the risks arising from their respective operations and to document the mitigating actions in place and/or proposed in respect of each significant risk. It allows the Group to address the on-going risk exposures and identify the challenges and opportunities in the business environment so as to reduce uncertainties and facilitate the shareholder value creation process. Risk awareness and ownership of risk treatments are also continuously fostered across the business units of the Group.

Having regard to the risks which the business is exposed, the likelihood of such risks occurring and the risk tolerance accepted by the Group, the internal controls structure of the Group has been designed and put in place by the Group's business units to provide reasonable assurance against material financial misstatements or loss, for the safeguarding of assets, for the maintenance of proper accounting records, for the provision of financial and other information with integrity, reliability and relevance, and in compliance with applicable laws and regulations.

An overview of the key risks, the extent of the Group's exposure and the approach to managing these risks are set out in the "Risk Management" section on pages 113 to 120 of this Annual Report.

PROVISION 9.2

Assurance from the CEO, Finance Director and KMPs

The ARMC reviewed and assessed the adequacy and effectiveness of the Group's internal controls that address the Group's financial, operational, compliance and information technology risks, with the assistance of the internal and external auditors and the Management.

For the financial year under review:

- (i) written assurance was received from the CEO and the Finance Director that the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- (ii) written assurance was received from the CEO, Finance Director and the KMPs that the Group's risk management and internal controls systems in place were adequate and effective to address the financial, operational, compliance and information technology risks within the current scope of the Group's business operations.

The Company has complied with Rule 1207(4)(B)(IV) of the SGX-ST Listing Manual in relation to the risk management policies and processes. Based on the Group's framework of management controls in place, the internal control policies and procedures established and maintained by the Group, the reviews performed by the external and internal auditors, as well as the written representation by the Management, the Board, with the concurrence of the ARMC, is of the opinion that the risk management and internal control systems of the Group, addressing the financial, operational, compliance and information technology risks are adequate and effective as at 31 December 2024 to address the risks that the Group considers relevant and material to its operations.

The process of reviewing and strengthening the Group's control environment is an evolving process. Management will continue to devote resources and expertise towards improving its internal policies and procedures to maintain a high level of governance and internal controls.

Audit Committee

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

PROVISION 10.2

PROVISION 10.3

ARMC Composition and Role

The Board established the Audit Committee in July 2000. On 29 March 2021, it consolidated the Audit Committee and the Risk Management Committee and renamed it as the Audit & Risk Management Committee. The ARMC comprises three non-executive directors, all of whom, including the Chairperson of the ARMC, are independent.

Please refer to Provision 1.4 above on the names of the members and the composition of the ARMC.

The key written terms of reference for the ARMC are set out on page 111 of this Annual Report.

Ms Soong Wee Choo, Chairperson of the ARMC, is a certified member of the Institute of Singapore Chartered Accountants (ISCA). She possesses recent and relevant accounting or related financial management knowledge and risk management expertise, whilst the other two ARMC members have regulatory, governance and industrial background. With the current composition, the Board believes that the ARMC members are appropriately qualified to discharge their responsibilities as defined under the terms of reference, which have been approved by the Board.

No former partner or director of the Company's existing auditing firm is a member of the ARMC.

The ARMC is responsible for assisting the Board in its oversight of the reliability and integrity of the accounting policies and financial reporting as well as to scrutinize the adequacy and effectiveness of the internal control systems. The ARMC is authorised by the Board and has explicit authority to investigate any matter within its terms of reference. It has direct and unrestricted access to, and the co-operation of the Management and full discretion to invite any executive director or KMP to attend its meetings. The ARMC has adequate resources, including access to external consultants, lawyers or other professionals as it seems fit to provide independent counsel and advice, to assist in the review or investigation into such matters within its terms of reference as it deems appropriate at the Company's expense.

The ARMC met three times in FY 2024. The executive directors and the finance director were invited to attend the meetings.

PROVISION 10.1

PROVISION 10.4

Financial Reporting Matters

The ARMC reviews the financial statements, SGXNET announcements and all related disclosures to shareholders before submission to the Board for approval. In the process, the ARMC reviews the key areas of management judgement applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have an impact on the Group's financial performance to ensure the integrity and fairness of the financial statements, as well as its compliance with the accounting standards and the applicable laws and regulations.

In the review of the financial statements for FY 2024, the ARMC also discussed significant matters impacting the financial statements with the Management and the external auditors.

Internal Controls & Regulatory Compliance

The ARMC reviews the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management systems through discussion with Management and its auditors and report to the Board annually.

The ARMC reviews the assurance from the CEO and the Finance Director on the financial records and financial statements.

Corporate Governance Report

External Audit

The ARMC reviews the scope and results of the audit carried out by the external auditors, the cost effectiveness of the audit and the independence and objectivity of the external auditors. It always seeks to balance the maintenance of objectivity of the external auditors and their ability to provide value-for-money professional services.

The ARMC, in determining the independence and objectivity of the external auditors, KPMG LLP (“**KPMG**”), reviewed all aspects of their relationships with them, including the processes, policies and safeguards adopted by the Group and KPMG relating to audit independence. The ARMC also considered the nature and volume of the provision of the non-audit services in FY 2024 and the corresponding fees.

The total fees paid/payable to KPMG in FY 2024 are set out below:

Audit Fees for FY 2024	\$166,000
Non-Audit Fees – services relating to sustainability reporting	\$63,000
% of Non-Audit Fees to Audit Fees	38%

The non-audit fees arose primarily from the advisory services provided in connection with the Group’s Environmental, Social and Governance (“**ESG**”) reporting roadmap and compliance with SGX reporting requirements. The ARMC noted that these were not prohibited services and do not pose a threat to the external auditors’ independence, and safeguards had been put in place by KPMG to ensure that the independence of the audit team is not impaired. The ARMC is thus of the opinion that such non-audit fees did not impair or threaten the audit independence. Based on the review, the ARMC is of the opinion that KPMG is, and is perceived to be, independent for the purpose of the Group’s statutory financial audit.

The ARMC is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG, be nominated for re-appointment as auditors at the forthcoming AGM of the Company.

Details of fees payable to other auditors are set out on page 175 of this Annual Report.

The ARMC recommends to the Board the appointment, re-appointment and removal of external auditors, and approves the remuneration and terms of engagement of the external auditors.

In reviewing the nomination of KPMG for re-appointment for the financial year ending 31 December 2025, the ARMC has considered the adequacy of the resources, experience and competence of KPMG, and has taken into account the Accounting and Corporate Regulatory Authority’s (ACRA) Audit Quality Indicators Disclosure Framework relating to KPMG at the firm level and on the audit engagement level. Consideration was also given to the experience of the engagement partner and key team members in handling the audit. The ARMC also considered the audit team’s ability to work in a co-operative manner with Management whilst maintaining integrity and objectivity and its ability to deliver their services professionally and within agreed timelines.

Based on the above, the ARMC is satisfied with the standard and quality of work performed by KPMG. It has recommended to the Board the nomination of KPMG for re-appointment as external auditors of the Company, subject to the shareholders’ approval at the forthcoming AGM.

The Company has complied with Rules 712 and Rule 715 (read with Rule 716) of the SGX-ST Listing Manual in relation to the appointments of its external auditors. The ARMC and the Board are also satisfied with the standards and the effectiveness of the audits performed by the independent auditors, other than those of the Company.

Internal Audit

The primary role of internal audit is to assist the Board to evaluate the reliability, adequacy and effectiveness of the internal controls and risk management processes of the Group, reviewing the internal controls of the Group to ensure prompt and accurate recording of transactions and proper safeguarding of assets and reviewing that the Group complies with the relevant laws, regulations and policies established.

The internal audit function plans its internal audit schedule in consultation with, but independent of the Management. The ARMC examines the internal audit plan, determines the scope of audit examination and approves the internal audit budget. It also oversees the implementation of the improvements required on internal control weaknesses identified and ensures that Management provides the necessary co-operation to enable the internal auditors to perform its function. In addition, the internal auditors may be involved in ad-hoc projects initiated by the Management which require the assistance or/and assurance of the internal auditors in specific areas of concerns.

The Company has appointed Lo Hock Ling & Co. ("**LHL**") to perform the internal audit function of the Group. The internal audit work carried out by LHL is guided by the International Standards for the Professional Practice of Internal Auditing developed by the Institute of Internal Auditors ("**IIA**") and has incorporated these Standards into its audit practices and meet the standards set by the IIA. The internal auditors report primarily to the Chairperson of the ARMC and have unrestricted access to the documents, records, properties and personnel of the Company and of the Group. The ARMC annually reviews the adequacy and effectiveness of the internal audit function to ensure that resources are adequate and that the internal audits are performed effectively. It approves the appointment, termination, evaluation and the remuneration of the internal auditors.

The ARMC is satisfied that the internal audit function is independent and is staffed by suitably qualified and experienced professionals with the relevant experience to perform its function effectively.

Whistle Blowing Policy

The Company has established a Code of Conduct and Business Ethics that sets the principles of the code of conduct and business ethics which applies to all employees of the Group. This code covers areas such as conduct in workplace, business conduct, protection of the Company's assets, confidentiality of information and conflict of interest, etc. Directors, KMPs and employees are expected to observe and uphold high standards of integrity which are in compliance with the Company's policies and the law and regulations of the countries in which it operates.

The Group has put in place a whistle blowing framework, endorsed by the ARMC, which provides the mechanisms where employees may, in confidence, raise concerns or observations about possible corporate malpractices and improprieties in financial reporting or other matters directly to Ms Soong Wee Choo, Chairperson of the ARMC. Details of the whistle blowing policies, together with the dedicated whistle blowing communication channels (such as email address and telephone contacts) have been made available to all employees. It has a well-defined process which ensures independent investigation of issues/concerns raised and appropriate follow-up action and provides assurance that employees will be protected from reprisal within the limits of the law or victimisation for whistle blowing in good faith. Anonymous reporting will also be attended to and anonymity honoured.

The whistle blowing policy and procedures are reviewed by the ARMC from time to time to ensure that they remain relevant.

The ARMC reports to the Board on such matters at the Board meetings. Should the ARMC receive reports relating to serious offences and/or criminal activities in the Group, the ARMC and the Board have access to the appropriate external advice where necessary. Where appropriate or required, a report shall be made to the relevant government authorities for further investigation or action.

There was no reported incident pertaining to whistle blowing during FY 2024 and until the date of this Annual Report.

PROVISION 10.5

Meeting Auditors without Management

The ARMC meets with the external auditors and the internal auditors, at least once a year, without the presence of the Management, to review any matter that might be raised. These meetings enable the auditors to raise any issues in the course of their work directly to the ARMC.

Corporate Governance Report

IV. SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

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.

PROVISION 11.1

PROVISION 11.2

Conduct of General Meetings

Shareholders are informed of shareholders' meetings through notices contained in annual reports or circulars sent to all shareholders. These notices are also published in the Business Times and posted onto the SGXNET and the Company's corporate website – www.qianhu.com.

In order to provide ample time for the shareholders to review, the notice of AGM, together with the Annual Report, is distributed to all shareholders 28 days before the scheduled AGM date. Shareholders are invited to submit questions to the Chairman of the AGM in advance of, or to put forth any questions they may have on the motions to be debated and decided upon at the AGM.

Pursuant to Rule 730A(2) of the SGX-ST Listing Manual, all resolutions proposed at the AGMs and at any adjournment shall be put to the vote by way of poll. All shareholders are entitled to vote in accordance with the established voting rules and procedures at the AGM. Each share is entitled to one vote. In support of greater transparency and to allow for a more efficient voting process, the Company conducts electronic poll voting in respect of all the resolutions tabled at the AGM. The detailed procedures for the electronic poll voting are explained at the AGM. An external firm is appointed as scrutineers for the AGM voting process, which is independent of the firm appointed to undertake the electronic poll voting process. The detailed results setting out the number of votes cast for and against each resolution and the respective percentages resolution are tallied and instantaneously displayed on the screen after each poll conducted during the AGM. The results are also announced via SGXNET on the same day.

The resolutions tabled at the general meetings are on each distinct issue. The Company does not "bundle" resolutions unless the resolutions 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.

Detailed information on each item in the AGM agenda is provided in the explanatory notes to the Notice of AGM in the Annual Report.

PROVISION 11.3

Interaction with Shareholders

At general meetings of the Company, shareholders are given the opportunity to communicate their views and are encouraged to ask the directors and the Management questions regarding matters affecting the Company and the Group.

The Executive Chairman and all the directors (including the Chairpersons of the ARMC, NC and RC) were present at the last AGM held on 27 March 2024. All directors will endeavour to be present at the Company's forthcoming AGM to be held on 3 April 2025 to address shareholders' questions relating to the work of the Board and the Board Committees.

The Company's external auditors are also available at the AGM to address any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of the auditors' report.

PROVISION 11.4

Shareholders' Participation

The Company supports active shareholder participation at general meetings. Annual reports are distributed to all shareholders 28 days before the scheduled general meeting date. All shareholders are encouraged to attend the general meetings to ensure a high level of accountability and to stay informed of the Group's strategies and visions. If shareholders are unable to attend the meetings, the Constitution of the Company allows shareholders who are not relevant intermediaries to appoint not more than two proxies to attend, speak and vote at general meetings in their absence, and shareholders who are relevant intermediaries to appoint more than two proxies to attend, speak and vote at general meetings. In order to have a valid registration of proxy, the proxy forms must be sent in advance to the place as specified in the notice of the general meetings at least 72 hours before the time set for the general meetings.

Voting in absentia such as voting via mail, electronic mail or facsimile at the general meetings may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders through the web is not compromised.

PROVISION 11.5

Minutes of General Meetings

The Board views the AGM as the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues pertaining to the resolutions tabled for approval and/or ask the directors or the Management questions regarding the Company and its operations.

Since FY 2003, the Board has developed several channels, which include electronic mail or facsimile, for shareholders who are not able to attend the AGM to contribute their feedback and input. The detailed AGM minutes, which include comments and the questions raised by shareholders, together with the responses from the Board and the Management, are publicly available on both the SGXNET and the Company's corporate website within seven working days from the date of the meeting.

PROVISION 11.6

Dividend Policy

Qian Hu is committed to rewarding shareholders fairly and sustainably, balancing the payment of dividends while taking into consideration the Group's financial performance, cash flow generation, projected capital requirements for business growth and general global economic conditions, so as to ensure that the best interests of the Company are served.

It has formalised its dividend policy to provide a return to shareholders at least once a year through the payment of dividends, which aims to pay shareholders sustainable and growing dividend over time, consistent with its long-term growth prospects. In compliance with Rule 704(24) of the Listing Manual of SGX-ST, in the event that the Board decides not to declare or recommend a dividend, the reasons for such decision will be expressly disclosed together with the financial statements announcement.

The Board of directors has declared a final dividend of 0.4 Singapore cents per ordinary share for FY 2024 (FY 2023: 0.3 Singapore cents per ordinary share).

Corporate Governance Report

Engagement with Shareholders

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.

PROVISION 12.1

PROVISION 12.2

PROVISION 12.3

Disclosure of Information on Timely Basis

Qian Hu is firmly committed to corporate governance and transparency by disclosing to its stakeholders, including its shareholders, as much relevant information as is possible, in a timely, fair and transparent manner as well as hearing its shareholders' views and addressing their concerns. By supplying shareholders with reliable and timely information, the Company is able to strengthen the relationship with its shareholders based on trust and accessibility.

The Company discloses well in advance the date of release of its financial results in the Annual Report of the preceding year and confirms approximately two weeks prior to the actual date of the release through a SGXNET announcement. Since FY2020, the Company has moved to semi-annual reporting of its financial performance. The unaudited half-year results and audited full-year results were released to shareholders within 20 days (on 18 July 2024) and 15 days (on 15 January 2025) from the end of the respective reporting periods. All SGXNET financial statements announcements were accompanied by a press release in both the English and Chinese languages.

Other than the SGXNET financial statements announcements and Annual Reports, all relevant and material information are also released to the public timely in accordance with the applicable laws and regulations.

Outside of the financial announcement periods, when necessary and appropriate, the Executive Chairman and/or CEO will meet analysts and fund managers who like to seek a better understanding of the Group's operations. The Executive Chairman and/or CEO also engage with local and foreign investors to solicit feedback from the investment community on a range of strategic and topical issues which should provide valuable insights to the Board on investors' views. When opportunities arise, the Executive Chairman and/or CEO conduct media interviews to give its shareholders and the investors' public a profound prospective of the Group's business prospects to assist in their investment decision-making.

Investor Relations Practices

Qian Hu has in place an Investor Relations Policy, which sets out the process and mechanism to engage its shareholders, including the channel of communication for questions to be posed by shareholders and through which the Company may respond accordingly.

Through the investor relations (IR) personnel, the Company communicates and engages with shareholders, analysts and other stakeholders to provide balanced, consistent, clear and pertinent information on a regular basis, as well as to attend to their queries or concerns and to keep the investors public apprised of the Group's corporate developments and financial performance.

To enable shareholders to contact the Company easily, the contact details of the IR personnel are set out on page 4 of this Annual Report as well as on the Company's website. The IR personnel have procedures in place for following up and addressing stakeholders' queries as soon as practicable.

Full details of the Group's investor relations (IR) initiatives are set out on pages 77 and 78 of this Annual Report.

V. MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

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.

PROVISION 13.1

PROVISION 13.2

Stakeholders' Engagement

Since FY 2011, Qian Hu has started a sustainability framework that outline its sustainability efforts. Since FY 2022, the Group has reported its sustainability performance in accordance with the SGX Sustainability Report Guide, with reference to the Global Reporting Initiative (GRI) reporting framework and has aligned its climate-related disclosures with the Task Force on Climate-related Financial Disclosures (TCFD) in the four key areas of governance, strategy, risk management and metrics and targets. It has also mapped the material environmental, social and governance (ESG) topics to the United Nations Sustainable Development Goals (SDG) and will continually review the Group's sustainable business strategy to improve the stewardship and reporting format.

Qian Hu has regularly engaged its stakeholders through various medium and channels to ensure that the business interests are aligned with those of the stakeholders, to understand and address their concerns so as to improve the services and products' standards, as well as to sustain business operations for long-term growth.

The stakeholders have been identified as those who are expected to be reasonably impacted by the Group's business and operations and those who are similarly able to impact the Group's business and operations. Six stakeholders' groups have been identified through an assessment of their significance to the Group's business operations. They are namely, suppliers, customers, employees, community, investors and regulators.

The Group has also undertaken a process to determine the ESG topics which are important to these stakeholders. These topics form the materiality matrix upon which targets, performance and progress are tracked, reviewed and endorsed by the Board annually.

More details on Qian Hu's approach to stakeholder engagement and materiality assessment are disclosed on pages 45 to 49 of this Annual Report.

Having identified the stakeholders and the material ESG topics, the Group has provided the necessary guidance on the key areas of focus and the prioritisation of resources for the various sustainability initiatives.

Please refer to the Sustainability Report on pages 41 to 84 of this Annual Report for further details.

PROVISION 13.3

Corporate Website

The Company does not practice selective disclosure of material information. All material information on the performance and development of the Group and of the Company is disclosed in a timely, accurate and comprehensive manner through SGXNET, press releases and the Company's corporate website – www.qianhu.com.

The comprehensive website, which is updated regularly, contains various information on the Group and the Company which serves as an important resource for investors and all stakeholders. It has a dedicated "Investor Relations" link which features the latest and past annual reports, financial results, and related information.

Corporate Governance Report

VI. OTHER CORPORATE GOVERNANCE MATTERS

DEALING IN SECURITIES

- Listing Manual Rule 1207(19)

In compliance with Rule 1207(19) of the SGX-ST Listing Manual on best practices in respect of dealing in securities, the Group has in place an internal compliance policy which prohibits the directors, KMPs of the Group and their connected persons from dealing in the Company's shares during the "black-out" period – being one month immediately preceding the announcement of the Company's half-year and full-year results, or if they are in possession of unpublished price-sensitive information of the Group.

In addition, directors, KMPs and connected persons are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. They are also refrained from dealing in the Company's shares on short-term considerations.

All directors are required to seek the Board's approval before trading in the Company's shares and are also required to notify the Company Secretaries of any change in his/her interest in the Company's shares within two business days of the change.

During FY 2024, there was no trading of the Company's shares by insiders.

MATERIAL CONTRACTS

- Listing Manual Rule 1207(8)

Pursuant to Rule 1207(8) of the SGX-ST Listing Manual, there was no material contract involving the interests of any director or controlling shareholder entered into by the Company or any of its subsidiaries since the end of the previous financial year.

There was no such contract subsisted at the end of the financial year under review.

INTERESTED PERSON TRANSACTIONS

- Listing Manual Rule 907

To ensure compliance with Chapter 9 of the SGX-ST Listing Manual, the ARMC, as well as the Board, review if the Company will be entering into any interested person transactions. If the Company intends to enter into an interested person transaction, the ARMC and the Board will ensure that the transaction is carried out fairly and at arm's length based on normal commercial terms and will not be prejudicial to the interest of the Company and its non-controlling shareholders.

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the SGX-ST Listing Manual. Disclosure of interested person transactions is set out on pages 178 and 179 of this Annual Report. There was no interested person transactions entered into by the Group in excess of \$100,000 during the financial year under review.

APPENDIX –

BOARD COMMITTEES' DUTIES AND RESPONSIBILITIES

AUDIT & RISK MANAGEMENT COMMITTEE

- Review financial statements and formal announcements relating to financial performance, as well as discuss major risk areas and significant financial reporting issues and judgements contained in them, for better assurance of the integrity of such statements and announcements before submission for Board approval.
- Review and report to the Board annually on the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management system.
- Review the assurance from the CEO and the Finance Director on the financial records and financial statements.
- Review the external auditors' proposed audit scope and approach and ensure that no unjustified restrictions or limitations have been placed on the scope.
- Review the adequacy, effectiveness and the results of the external audit, and where external auditors provide non-audit services, to review the nature, extent and cost of such services and the independence and objectivity of the external auditors.
- Review the internal audit programme with regard to the complementary roles of the external and internal audit functions.
- Review the adequacy, effectiveness, independence, scope and results of the internal audit procedures.
- Receive reports from the external and internal auditors and ensure that the significant findings and recommendations are discussed and addressed on a timely basis.
- Meet with external auditors and internal auditors, without the presence of management, at least annually, to discuss any problems and concerns.
- Review the co-operation given by the Group and its management to the external and internal auditors.
- Make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors and approve the remuneration and terms of engagement of the external auditors.
- Approve the hiring, removal, evaluation and compensation of the outsourced internal audit function.
- Review the policy and arrangements by which employees and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken.
- To review any potential conflicts of interest that may arise in respect of any directors and/or controlling shareholders of the Company for the time being.
- Review and recommend for the Board's approval all interested person transactions, as specified under Chapter 9 of the Listing Manual of SGX-ST, to ensure that the transactions have been conducted on normal commercial terms and are not prejudicial to the interests of the Company and its non-controlling shareholders.
- Receive recommendations on risk tolerance and strategy from management, and where appropriate, report and recommend to the Board for its determination of the nature and extent of significant risks which the Group overall may take in achieving its strategic objectives and the Group's overall levels of risk tolerance and risk policies.
- Review and discuss, as and when appropriate, with management on the Group's risk governance structure and its risk policies and risk mitigation and monitoring processes and procedures.
- Receive and review reports from management on major risk exposures and the steps taken to monitor, control and mitigate such risks.
- Review the Group's capability to identify and manage new risk types.
- Review and monitor the Group's approach to ensure compliance with the regulatory commitments, including progress of remedial actions where appropriate.
- Provide timely input to the Board on critical risk and compliance issues, material matters, findings and recommendations.
- Investigate any matters within the Audit & Risk Management Committee's purview, whenever it deems necessary.
- Perform such other functions as the Board may determine.

Corporate Governance Report

BOARD COMMITTEES' DUTIES AND RESPONSIBILITIES (continued)

NOMINATING COMMITTEE

- Review the nominations and recommend to the Board the new appointment and re-appointment of directors.
- Annual review of balance and diversity of skills, experience, gender and knowledge required by the Board, and determine the suitable size of the Board which would facilitate decision-making after taking into consideration the scope and nature of the operations of the Group and recommend adjustments that are deemed necessary to the Board.
- Annual review of the independence of each director and to ensure that the Board comprises at least one-third independent directors.
- Where a director has multiple listed company board representations and/or other principal commitments, to decide whether the director is able to and has been adequately carrying out his/her duties as director of the Company.
- Recommend to the Board the process for the evaluation of the performance of the Board, the Board Committees and individual directors, and propose objective performance criteria to assess the effectiveness of the Board as a whole, as well as the contribution of each individual director.
- Annual assessment of the effectiveness of the Board as a whole and of the individual directors.
- Review and make recommendations to the Board on relevant matters relating to the succession plans of the Board (in particular, the Chairman and CEO) and key management personnel.
- Review the training and professional development programmes for board members.
- Perform such other functions as the Board may determine.

REMUNERATION COMMITTEE

- Review and recommend to the Board a framework of remuneration for Board members and key management personnel, and the specific remuneration packages for each director (executive and independent), as well as for the key management personnel.
- Review the on-going appropriateness and relevance of the remuneration policies.
- Review the Group's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such clauses are fair and reasonable and not overly generous.
- Perform such other functions as the Board may determine.

Save that a member of this Committee shall not be involved in the deliberations in respect of any remuneration, compensation, award of shares or any form of benefits to be granted to him/her.

Risk Management

Risk management forms an integral part of business management. The Group's risk and control framework is designed to provide reasonable assurance that business objectives are met by embedding management control into daily operations to achieve efficiency, effectiveness and safeguard of assets, ensuring compliance with legal and regulatory requirements, and ensuring the integrity of the Group's financial reporting and its related disclosures. It makes management responsible for the identification of critical business risks and the development and implementation of appropriate risk management procedures to address these risks. The risk management and control procedures are reviewed and updated regularly to reflect changes in market conditions and the activities of the Group.

The Group takes a balanced approach to risk management, recognising that not all risks can be eliminated. To optimise returns for the Group, it will only undertake appropriate and well-considered risks.

The Group's risk management process consists of identification, assessment, formulation of mitigation measures, communication and implementation, and monitoring and reviewing. The process takes into consideration both the impact and likelihood of the risks identified.



 IDENTIFY	 ASSESS	 MITIGATE	 IMPLEMENT	 MONITOR
<p>Identify the risks and opportunities that may impede or expedite our ability to achieve our ignite strategic objectives.</p>	<p>Prioritise our risks according to a consistent set of definitions, considering both the impact and the likelihood of occurrence, allowing us to focus on our mitigation plans.</p>	<p>Take action to address the risks we face either to control the likelihood of the risks crystallising or mitigate the impact if they do and bring our risk profile in line with the Board's risk appetite.</p>	<p>Communicate and deliver on-going support for the implementation of the necessary action plans.</p>	<p>Maintain an up-to-date assessment of risks and ensure that mitigating actions are taken in a timely way.</p>

Risk Management

The following set out an overview of the key risks faced by Qian Hu, the nature and the extent of the Group's exposure to these risks and the mitigating actions in place that we believe could help in managing these risks. In the year under review, the Group's risk appetite and risk profile remains broadly unchanged. We are satisfied that there were no risks that could affect the ability of the Group to continue as a going concern in the next twelve months.

BUSINESS AND STRATEGY RISKS

Business and strategy risks refer to factors affecting businesses such as customer demand, revenue attainment, macroeconomic conditions, competition and regulatory environment. They are normally managed by the respective divisions and subsidiaries within the Group in their pursuit of growth and meeting earnings target.

DESCRIPTION OF RISKS WE FACE	WHAT WE DO TO MITIGATE THE RISKS
<p>Strategy and investment risk</p> <ul style="list-style-type: none"> The Group grows businesses through organic growth of its existing activities, development of new capabilities and through new ventures with business partners. It is exposed to risks associated with its expansion plans, including the financial burden of setting up new businesses and dealing with unfamiliar rules and regulations in foreign jurisdictions. The investment timeframe and the budgets for such expansion plans may be exceeded and that the parameters set will not be achieved. 	<ul style="list-style-type: none"> Business proposals and investment activities are evaluated through the performance of due diligence exercise and where necessary, supported by external professional advice, to ensure that they are in line with the Group's strategic focus and that they meet the relevant rate of financial returns, taking into consideration other relevant risk factors. All business proposals are reviewed by the senior management before obtaining final Board approval. Investments are monitored to ensure that they are on track in meeting the Group's strategic intent, investment objectives and returns.
<p>Market and political risk</p> <ul style="list-style-type: none"> The Group currently operates in five countries with assets and activities spreading mainly across the Asia Pacific. The subsidiaries in these countries are exposed to changes in government policies and regulations, as well as unfavourable political developments, which may limit the realisation of business opportunities and investments in those countries. The Group's business operations are exposed to economic uncertainties that continue to affect the global economy and international capital markets. 	<ul style="list-style-type: none"> Consistently keep updated on the potential changes in political, economic and industrial developments so as to be able to anticipate and/or respond to any adverse changes in market conditions in a timely manner. As at 31 December 2024, approximately 36% of the Group's assets are located overseas, while revenue from its overseas' customers constitute approximately 64% of the total revenue in FY 2024. As the Group currently exports to more than 80 cities and countries, the effect of greater geographical diversification reduces the risk of concentration in a single market.
<p>Regulatory risk</p> <ul style="list-style-type: none"> The Group's operations are subject to changes in prevailing laws and regulations in countries where it operates, particularly in areas of corporate law, environment law, and possible local government interventions impacting the industry. 	<ul style="list-style-type: none"> Maintain close working relationships with respective local authorities and business partners so as to keep abreast with any changes and/or material regulatory development. All necessary certificates and licences are obtained and renewed on a timely basis in accordance with applicable laws and regulations.

DESCRIPTION OF RISKS WE FACE	WHAT WE DO TO MITIGATE THE RISKS
<p>Competition risk</p> <ul style="list-style-type: none"> With increasing competition, the Group may possibly lose its competitive edge due to new market entrants or with the growth of existing competitors as well as the emerging of new and better receptive products. 	<ul style="list-style-type: none"> Strive to strengthen competitiveness through product differentiation, market positioning, and leveraging on brand while consistently monitoring and responding to market dynamics. Conscientious efforts are made in attaining high quality products and services while sustaining operational efficiency to improve its competitiveness, productivity and profitability. Invest perpetually in research and development activities to develop more innovative accessories products with in-house proprietary technology to enhance market competitiveness.
<p>Reputation risk</p> <ul style="list-style-type: none"> The Group may face negative publicity or diminution in public confidence if there are mishandling of transactions or events. 	<ul style="list-style-type: none"> Instilled an open communication programme to ensure timely and effective communication of information with its key stakeholders. Investor relations policy in place and reputation associated with its investor relations efforts to further strengthen its communication with stakeholders. Clear corporate mission statements and guiding principles are in place and communicated to all employees within the Group to uphold the reputation of the Group.
<p>Business continuity risk</p> <ul style="list-style-type: none"> The Group may encounter unforeseen circumstances, including internal and external threats, which can prevent the continuation of its business operations such as during crisis or disasters. 	<ul style="list-style-type: none"> Focus on refining its business continuity management, including the setting up of an operational prevention and recovery framework, to ensure that it can continue to maintain its competitive advantage, maximise value for stakeholders, as well as minimise any disruptions to its critical business activities, supply chain, people and assets. Crisis management and communication procedures are in place and refined constantly to allow for prompt responses and expedite recovery so as to enhance the resilience of the Group to potential business interruptions and to safeguard critical business functions from major risks, and to be able to respond to the evolving situation with proactive implementing measures to mitigate the impact.

Risk Management

OPERATIONAL RISKS

Operational risks refer to persons, processes, products, information technology and practices in the business activities which may not operate as designed or planned.

DESCRIPTION OF RISKS WE FACE	WHAT WE DO TO MITIGATE THE RISKS
<p>Operational processes risk</p> <ul style="list-style-type: none"> Possible breakdown in internal process, deficiencies in people and the Management, or operational failure arising from external events may result in potential loss to the Group. 	<ul style="list-style-type: none"> Minimise unexpected losses and manage expected losses through a series of quality and people management programs, as well as through business continuity planning. Operating manuals, standard operating procedures and the delegation of authority matrix are in place. On-going efforts to streamline business processes and adopt ISO standards and certifications to achieve standardisation of processes and best practices. Conduct regular reviews of policies and authority limits to ensure its relevance in meeting changing business environment. Regular management team meetings held to facilitate effective communication.
<p>Product risk</p> <ul style="list-style-type: none"> Ornamental fish, like other livestock, is susceptible to disease and infection. Products and services offered by the Group may fail to meet customers' needs and expectations due to its functionality or quality, which can be damageable to the brand integrity. 	<ul style="list-style-type: none"> Different breeds of fishes are vulnerable to different types of diseases. While it is possible that a rare or virulent strain of bacteria or virus may infect a particular breed of fish in the farm, fatal infection across breeds at any one point in time is uncommon. Institutionalised a comprehensive health management and quarantine system for all domestic and overseas operations to ensure a consistently high standard of good health care management and hygiene for the fishes. Integrated in-house R&D team to focus on the research of breeding behaviour, product innovation technology for aquarium accessories and new form of ornamental fish farming technology to attain product differentiation and diversification, as well as to address quality issues and to shore up our resilience. Diversified in both its products and markets by selling over 1,000 species and varieties of ornamental fish and more than 3,000 kinds of accessories products to more than 80 cities and countries and are not solely reliant on the sale of any particular species of fish or type of accessories products.

DESCRIPTION OF RISKS WE FACE	WHAT WE DO TO MITIGATE THE RISKS
<p>People risk</p> <ul style="list-style-type: none"> The Group depends on the service of good personnel for business continuity. While no individual is indispensable, the loss of specialised skills and the leadership of the key management personnel, may result in business interruptions and a loss in shareholders' confidence. Succession plan execution may be a challenge given the size of the Group. 	<ul style="list-style-type: none"> Benchmark and review the competitiveness of remuneration packages periodically. Provide a cohesive environment to develop, nurture and retain employees. Set up a non-discriminatory reward framework linked to individual performance. Has since put in place a structured succession planning program to identify and develop a team of potential employees based on their merit. The training of a team of next-generation leaders for key positions is critical to the continuity of the business which should last beyond this generation.
<p>Climate change and environmental risk</p> <ul style="list-style-type: none"> Climate change and environmental risk is a growing concern. The recent spate of natural catastrophes and the continuing threat of future occurrences, especially in the past few years, may disrupt the Group's fish breeding/farming activities and/or logistics arrangements, resulting in economic losses. 	<ul style="list-style-type: none"> Embark on strategic reviews on key areas, such as infrastructure and logistics, to minimise the business impact of untoward events. Explore the feasibility of pursuing high-end aquaculture, such as bio-secured farming of selected fish species, to mitigate and manage risks relating to adverse weather conditions, and to ensure consistent supply of these fish species. Develop more proactive measures and environmental practices and continue to embrace and leverage on technology to improve processes. <p>(More details are set out on pages 50 to 55 of this Annual Report.)</p>

FINANCIAL RISKS

Financial risks arise from volatility in the underlying financial market and include factors such as interest rates, foreign exchange and equity prices.

DESCRIPTION OF RISKS WE FACE	WHAT WE DO TO MITIGATE THE RISKS
<p>Credit risk</p> <ul style="list-style-type: none"> The Group may suffer potential financial loss resulting from the failure of customers or counterparties to settle their financial and contractual obligations as and when they fall due. 	<ul style="list-style-type: none"> Standard operating procedures in place which includes the application of credit approvals, performing credit evaluations, setting credit limits and the monitoring of credit risk on a regular basis. Cash terms or advance payments are required for customers with lower credit standing. None of the Group's customers or suppliers contributes more than 5% of its revenue and purchases. It is the Group's policy to sell to a diversity of creditworthy customers to reduce concentration of credit risk. While the Group faces the normal business risks associated with ageing collections, it has adopted a prudent accounting policy of making allowances for trade receivables once they are deemed not collectible. Major collectible issues are highlighted to all concerned.

Risk Management

DESCRIPTION OF RISKS WE FACE	WHAT WE DO TO MITIGATE THE RISKS
<p>Interest rate risk</p> <ul style="list-style-type: none"> The Group is exposed to interest rate fluctuations from external borrowings. 	<ul style="list-style-type: none"> Monitor interest rate trends on an on-going basis with the objective of limiting the extent to which the Group's results could be affected by an adverse movement in interest rate. Cash balances are placed with reputable banks and financial institutions. For financing obtained through bank borrowings and finance lease arrangements, the Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.
<p>Liquidity risk</p> <ul style="list-style-type: none"> Renewal or additional financing made available to the Group on favourable terms is subject to prevailing global and local economic conditions, credit and capital market sentiments. 	<ul style="list-style-type: none"> Monitor working capital requirements and maintain a level of cash and cash equivalents deemed adequate to mitigate the effects of fluctuations in cash flows, as well as to ensure that the Group has sufficient funds to meet its contractual and financial obligations as and when they fall due. Cash flow projections and available bank facilities are reviewed regularly to ensure efficient management of liquidity position. Enhance ability to generate cash from operating activities so as to improve the Group's cash position.
<p>Foreign exchange risk</p> <ul style="list-style-type: none"> The foreign exchange risk of the Group arises from sales, purchases and borrowings that are denominated in currencies other than Singapore dollars. Exchange gain or loss may also arise when the assets and liabilities in foreign currencies are translated into Singapore dollars for financial reporting purposes. 	<ul style="list-style-type: none"> Continuous monitoring of the exchange rates of major currencies and may enter into hedging contracts with banks from time to time whenever the Management detects any movements in the respective exchange rates which may impact the Group's profitability. Natural hedging is used extensively, including the matching of sales and purchases of the same currency and amount where practicable. Foreign currencies received are kept in foreign currencies bank accounts which are converted to the respective measurement currencies of the Group's companies on a need-to basis so as to minimise foreign exchange exposure. Currency translation risk (especially for reporting purposes), which is inherent for operations outside Singapore, is non-cash in nature and therefore not hedged.
<p>Capital structure risk</p> <ul style="list-style-type: none"> The capital structure of the Group consists of loans and borrowings, issued share capital and accumulated profits. Insufficient capital structure may impact the Group's ability to provide appropriate returns to the shareholders. 	<ul style="list-style-type: none"> Regular review is performed to ensure optimal capital structure taking into consideration future capital requirements and capital efficiency, prevailing operating cash flow and profitability, as well as projected capital expenditure of the Group. The Group may issue new shares, obtain new bank borrowings, sell its assets to reduce external borrowings, adjust the amount of dividend pay-out or return a portion of capital to its shareholders in order to maintain or achieve an optimal capital structure.

DESCRIPTION OF RISKS WE FACE	WHAT WE DO TO MITIGATE THE RISKS
<p>Financial management risk</p> <ul style="list-style-type: none"> • Rely on self- assessment, review and reporting process to ensure that transactions are carried out in conformity with accounting standards and the Group’s accounting policies and that the internal controls over financial reporting are adequate and effective. • The system may not prevent or detect all frauds or misstatements in a timely manner, especially with changes in conditions and operations which may cause the system effectiveness to vary from time to time. 	<ul style="list-style-type: none"> • Formalise operating manuals and standard operating procedures. • Internal controls over financial reporting are reviewed regularly to ensure proper financial discipline and compliance with established Group’s policies and guidelines, which are embedded within the corporate governance structure. • External and internal audit reviews carried out annually on the controls and procedures in place also serves as a platform to highlight any irregularities.
<p>Derivative financial instrument risk</p> <ul style="list-style-type: none"> • Market conditions may move against the Group’s assumptions at the time of hedging the transactions. 	<ul style="list-style-type: none"> • The Group does not hold or issue derivative financial instruments for trading purposes.

COMPLIANCE RISKS

Compliance risks are the current and prospective risks arising from violation of, or non-conformance with laws, rules, regulations, or ethical standards.

DESCRIPTION OF RISKS WE FACE	WHAT WE DO TO MITIGATE THE RISKS
<p>Compliance risk</p> <ul style="list-style-type: none"> • As a listed company incorporated in Singapore with overseas subsidiaries in various countries, the Group is obligated to comply with all the local statutory and regulatory requirements, such as the Singapore Exchange Listing Manual requirements and the Companies Act, etc. Nonetheless, the rapid changes in laws and regulations and practices in different jurisdictions has made compliance more complicated. • Fraud or deliberate wrongful act committed within the Group may result in financial loss. 	<ul style="list-style-type: none"> • Implement effective compliance frameworks, which include putting in place the relevant internal controls processes, policies and procedures, delegation of authority matrix, risk management initiatives and corporate governance practices to minimise the level of lapses. • Establish internal guidelines (Code of Business Ethics and Conduct) and anti-corruption policies have been defined and put into practice for which employees are accountable for compliance. • Align our policies and procedures as reasonable and practical with the requirements of best practice accredited framework, systems and industry standards. • A whistle blowing policy and well-defined communication channels are in place.

Risk Management

DESCRIPTION OF RISKS WE FACE	WHAT WE DO TO MITIGATE THE RISKS
<p>Data protection and privacy risk</p> <ul style="list-style-type: none"> Data privacy breaches may undermine customer confidence and result in litigation from customers and/or regulatory fines and penalties. 	<ul style="list-style-type: none"> Ensure compliance with applicable data protection laws and perform regular reviews to refine practices. Implement security policies, procedures, technologies and tools designed to minimise the risk of privacy breaches. (For more information on the management of personal data, please refer to the data privacy policy on the Qian Hu website) Conduct awareness training to ensure that employees who handle personal data in the course of their work are mindful of data protection principles and are equipped with the right knowledge to carry out good protection practices in their day-to-day activities. Establish an escalation process for incident management to ensure timely response, internally or externally, to minimise impact.

INFORMATION TECHNOLOGY RISKS

Information technology (IT) risks include hardware and software failure, human error, spam, viruses and malicious attacks, as well as natural disasters such as fire, storms or floods.

DESCRIPTION OF RISKS WE FACE	WHAT WE DO TO MITIGATE THE RISKS
<p>Cyber security risk</p> <ul style="list-style-type: none"> The Group is imperiled to a full range risk, presented in various forms, associated with its IT system, including disruptions to the network. Increasing global incidence of cyber-attacks on company servers and websites demonstrates the need to reinforce and tighten the security of the Group’s IT systems and avoid breach. Cyber-attacks can disrupt operations and the resulted cyber thefts of sensitive and confidential information could lead to litigations and financial losses. 	<ul style="list-style-type: none"> Adopt necessary and up-to-date IT controls and governance practices, including the strengthening of network security such as updating security patches to the system and encrypting workstations. Put in place appropriate measures to safeguard against loss of information, data security, as well as to ensure the continuity of the Group’s business activities and its prompt recovery from an IT crisis. Conduct regular training for users to educate and heighten awareness of cyber threats.