



# 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 2021, with specific reference made to the principles and provisions of the revised Code of Corporate Governance (the “2018 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 the financial year ended 31 December 2021 (“FY 2021”), the Group has adhered to the principles and provisions as set out in the 2018 Code. In so far as any principles and/or provisions has not been complied with, the reason has been provided.

## 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 primary function of the Board is to provide entrepreneurial leadership so as to protect and enhance long-term value and returns for its shareholders. During FY 2021, as was in the past years, besides carried out its statutory responsibilities, the Board performed the following roles:

- guide the formulation of the Group’s overall long-term strategic plans and performance objectives as well as operational initiatives;

- establish and oversee the processes of evaluating the adequacy and effectiveness of the Group’s risk management and internal controls framework, financial reporting and compliance with legislative and regulatory requirements;
- 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;
- set the Company’s values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and duly met;
- approve matters as specified under SGX-ST’s interested person transaction policy;
- consider sustainability issues such as environmental and social factors as part of its strategic formulation (more details are set out in the “Sustainability & Governance” section on pages 34 to 86 of this Annual Report); and
- assume responsibility for good corporate governance.

##### Independent Judgment

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 are able to objectively raise issues and seek clarification as and when necessary, from the Board and the Management on matters pertaining to their area of responsibilities and actively help the Management in the development of strategic proposals and oversees the effective implementation by Management to achieve the

objectives set. All directors are expected to exercise due diligence and independent judgment in dealing with the business affairs of the Group and are obliged to act in good faith and to take objective decisions in the interest of the Group.

The Board has no dissenting view on the “Letter to Shareholders” to the shareholders for the financial year under review as set out on pages 6 to 9 of this Annual Report.

##### Conflict of Interest

Each director is required to promptly disclose any conflict or potentially conflict of interest, whether direct or indirect, in relation to a transaction or proposed transaction with the Qian Hu 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 persons transactions. Where a director has a conflict or potentially conflict of interest in relation to any matter, he/she should immediately declare his/her interest when the conflict-related matter is discussed, 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 explaining among other matters, the roles, obligations, duties and responsibilities as a member of the Board.

The Company also conducts a comprehensive induction programme for newly appointed directors which provides extensive background information about the Group’s structure and core values, its strategic direction 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. A first time director with no prior experience as a director of a listed company will be required to attend certain specific modules of the Listed Entity Director ("LED") Programme conducted by the Singapore Institute of Directors ("SID") in order to acquire the relevant knowledge of what is expected of a listed company director, this being a mandatory requirement under the Listing Rules of 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 and industry specific knowledge so as to enable them to properly discharge their duties as Board or Board Committee members.

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 Secretary informs the directors of upcoming conferences and seminars relevant to their roles as directors of the Company. The Company has an on-going budget for all directors to attend appropriate courses, conferences and seminars conducted by external professionals for them to stay abreast of relevant business developments and outlook.

### **Seminars and trainings attended by directors in FY 2021**

The details of update sessions, seminars, conferences and training programmes attended by the directors collectively in FY 2021 include:

- the external auditors, KPMG LLP, briefed the Audit Committee and the Board members on the developments in financial reporting and governance standards
- the CEO updated the Board at each meeting on business and strategic developments pertaining to the Group's business
- ISCA Audit Committee Programme Certification, conducted by the Institute of Singapore Chartered Accountants ("ISCA")
- Business Valuation Methods and Applications, conducted by ISCA
- PAIB Conference 2021: Sustainability & Trust: Taking centre-stage in a new era of business, organised by ISCA
- Roadmap to Mandatory Climate-related Disclosures, organised by SGX RegCo
- Ethics Update for Professional Accountants in Business, conducted by ISCA

### **PROVISION 1.3**

#### **Board Approval**

The Group has adopted internal guidelines governing matters that require the Board's approval which has 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.

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 payout and other returns to shareholders;
- risk appetite and risk tolerance for the different categories of risk;
- matters as specified under the SGX-ST's interested person transaction policy; and
- 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 Executive Management Committee ("EXCO"), Audit & Risk Management Committee ("ARMC"), Remuneration Committee ("RC") and Nominating Committee ("NC") have been constituted with clearly defined written terms of reference. 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 legal 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 in FY 2019 for alignment with the 2018 Code.

# CORPORATE GOVERNANCE REPORT

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## COMPOSITION OF BOARD AND BOARD COMMITTEES

Name of Director	Executive Management Committee	Audit & Risk Management Committee <sup>1</sup>	Nominating Committee	Remuneration Committee
Kenny Yap Kim Lee (Executive/Non-independent)	Chairman	–	–	–
Lai Chin Yee (Executive/Non-independent)	Member	–	–	–
Soong Wee Choo (Non-executive/Lead Independent) <sup>2</sup>	–	Chairman	Member	Member
Sharon Yeoh Kar Choo (Non-executive/Independent)	–	Member	Chairman	Member
Ling Kai Huat (Non-executive/Independent) <sup>3</sup>	–	Member	Member	Chairman
Alvin Yap Ah Seng (Executive/Non-independent) (retired on 29 March 2021) <sup>4</sup>	Member	–	–	–
Tan Tow Ee (Non-executive/Independent) (retired on 29 March 2021) <sup>5</sup>	–	Chairman	Member	–

### Notes:

- (1) The Audit Committee and Risk Management Committee were consolidated and renamed as the Audit & Risk Management Committee on 29 March 2021.
- (2) Ms Soong Wee Choo was appointed as the Lead Independent Director and the Chairman of the Audit & Risk Management Committee on 29 March 2021. She relinquished her position as the Chairman of the Remuneration Committee on the same day.
- (3) Dr Ling Kai Huat was redesignated from the Chairman of the Risk Management Committee to the Chairman of the Remuneration Committee on 29 March 2021.
- (4) Mr Alvin Yap Ah Seng retired as an Executive Director at the Company's 22<sup>nd</sup> Annual General Meeting held on 29 March 2021.
- (5) Mr Tan Tow Ee retired as a Non-executive Independent Director at the Company's 22<sup>nd</sup> Annual General Meeting held on 29 March 2021.

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 during the financial year ended 31 December 2021 is set out below:

Name of Director	Board	Executive Management Committee	Audit & Risk Management Committee	Nominating Committee	Remuneration Committee
<b>Number of meetings held</b>	<b>3</b>	<b>10</b>	<b>3</b>	<b>1</b>	<b>2</b>
<b>Number of meetings attended:</b>					
Kenny Yap Kim Lee	3	10	3*	–	–
Lai Chin Yee	3	10	3*	–	–
Soong Wee Choo	3	–	3	1	2
Sharon Yeoh Kar Choo	3	–	3	1	2
Ling Kai Huat	3	–	3	1	2
Alvin Yap Ah Seng (retired on 29 March 2021)	1	2	1*	–	–
Tan Tow Ee (retired on 29 March 2021)	1	–	1	–	1*

\* Attendance by invitation of the Committee

The dates of meetings of all the Board and Board Committee meetings for each new calendar year, as well as the Annual General Meeting (“AGM”), are scheduled well in advance each year and is notified to all Board members at the start of the calendar year. 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 the financial year ended 31 December 2021 at regular intervals. Besides the scheduled Board meetings, the Board meets on an ad-hoc basis as warranted by circumstances. Key matters discussed at these meetings included financial performance, annual budget, corporate strategy, significant operational matters, business opportunities and governance 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. He/she 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 representation, 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 director’s number of listed company board representations and other principal commitments.

The NC has reviewed and is satisfied that Ms Lai Chin Yee, with multiple board representations and other principal commitments, has been able to devote sufficient time and attention to the affairs of the Company to adequately

and satisfactorily discharge her duties as director of the Company, notwithstanding her multiple appointments and commitments in FY 2021.

The Company’s current policy stipulates that a director should not have in aggregate of more than four listed company board representations and other principal commitments concurrently so as to be able to devote sufficient time and attention to the affairs of the Company to adequately discharge his/her duties as director of the Company. For the financial year under review, no director has exceeded such stipulation.

### **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, periodic cash flow projections, annual budgets and explanation on material forecasts 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 Committees 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 Secretary at all times through email, telephone and face-to-face meetings. Any additional materials or information requested by the directors to make informed decisions is promptly furnished.

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

The Company Secretary assists the Chairman and the Chairman of each Board Committees in the development of the agendas for the various Board and Board Committees meetings. She administers and attends all Board and Board Committees meetings of the Company and prepares minutes of meetings. She is 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, Securities and Futures Act and the Listing Rules of the SGX-ST, are complied with.

As the primary compliance officer for the Group’s compliance with the Listing Rules, the Company Secretary is responsible for designing and implementing a framework for the Management to comply with the Listing Rules, including advising the Management to ensure that material information is disclosed on a prompt basis. The Company Secretary also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term stakeholders’ value.

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

## **Independent Professional Advice**

The directors, whether as individually or collectively, are entitled to seek independent professional advice at the expense of the Company, in furtherance of their duties and responsibilities. The Company Secretary will assist in appointing a professional advisor to render the relevant advice and keep the Board informed of such advice.

## **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**

Currently, 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 is capable of exercising independent and objective judgment on 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 its deliberation as to the independence of a director, the NC took into account examples of relationships as set out in the 2018 Code, considered whether a director has business relationships with the Group, its substantial shareholders

or its officers and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment in the interest of the Group.

Each independent director is required to complete a Director Independence declaration annually to confirm his/her independence based on the guidelines as set out in the 2018 Code. The directors must also confirm whether they consider themselves independent despite not having any relationship identified in the 2018 Code.

For FY 2021, the NC has assessed and satisfied that all the three non-executive directors are independent.

The Board recognises that independent directors may over time develop significant insights in the Group's business and operations and can continue to provide noteworthy and valuable contribution objectively to the Board as a whole. The independence of the independent directors must be based on the substance of their professionalism, integrity, and objectivity, and not merely based on form; such as the number of years which they have served on the Board. Nevertheless, when there are directors who have served beyond nine years from the date of their first appointment, the Board will rigorously review their continuing contributions and independence and decide if they should continue with the appointment.

As at the end of FY 2021, Ms Sharon Yeoh Kar Choo has served on the Board beyond nine years from the date of her first appointment. The Board has subjected her independence to a particularly rigorous review by all the other fellow directors (with Ms Yeoh abstaining from the review), before deciding if she should continue with the appointment.

After due consideration and with the concurrence of the NC, the Board is of the view that Ms Sharon

Yeoh Kar Choo has demonstrated strong independence character and judgment over the years in discharging her duties and responsibilities as independent director of the Company with the utmost commitment in upholding the interest of the non-controlling shareholders. She has expressed individual viewpoints, debated issues and objectively scrutinised and challenged Management. She has sought clarification and amplification as deemed necessary, including through direct access to the Management.

Taking into account the above, and also having weighed the need for the Board's refreshment against tenure for relative benefit, the Board has affirmed her independence status and resolved that Ms Yeoh continues to be considered as an independent director, notwithstanding she has served on the Board beyond nine years from the date of their first appointment.

Nonetheless, in line with Rule 210(5)(d)(iii) of the SGX Listing Rules which took effect on 1 January 2022, that stipulates the continued appointment of any independent director who has served the Board for an aggregate period of more than nine years from the date of the first appointment to undergo the mandatory two-tier voting process at the AGM. Accordingly, Ms Sharon Yeoh Kar Choo, who had served the Board for 10 years as an Independent Non-Executive Director will be subjected to the mandatory two-tier voting at the Company's 23<sup>rd</sup> AGM to be held on 30 March 2022.

### **PROVISION 2.2**

### **PROVISION 2.3**

#### **Proportion of Non-Executive Independent Directors**

The Company has complied with the relevant provisions as 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 10 to 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, considers that a board size of five members as appropriate.

The Board believes that its current board size and the existing composition of the Board Committees effectively serve the Group. It provides diversity and allow 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.

### **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 will consider the benefits of all aspects of diversity, including diversity of background, experience, gender, age and other relevant factors. These differences will be considered in determining the optimum composition of the Board and when possible, should be balanced appropriately.

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, met with the requirement of the Group.

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 of 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 calibre, experience and stature and is expected to bring a valuable range of experience and expertise to contribute to the development of the Group strategy and the performance of its business.

In recognition of the importance and value of gender diversity in the composition of the Board, the Board has three female directors currently, representing 60% of total Board membership. Ms Lai Chin Yee, Ms Sharon Yeoh Kar Choo and Ms Soong Wee Choo have been members of the Board since November 2004, September 2011 and April 2020 respectively.

In addition, the Board consists of directors with ages ranging from fifties to more than 70 years old, 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.

## 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 Executive Chairman after the meeting, as appropriate.

Details of the Board composition are as follows:



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## 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")

The roles of the Chairman of the Board and the CEO are separate to ensure clear distinction of responsibilities, appropriate balance of power and increased accountability. Since 1 January 2021, Mr Kenny Yap Kim Lee, has relinquished his CEO portfolio to Mr Yap Kok Cheng who was appointed the Group's new CEO. Mr Kenny Yap Kim Lee continues to serve as the Executive Chairman of the Group. Mr Yap Kok Cheng reports to the Board lead by the Executive Chairman. Mr Yap Kok Cheng is the nephew of Mr Kenny Yap Kim Lee.

All major proposals and decisions made by the Executive Chairman and CEO are discussed and reviewed by the AC. Their performance and appointment 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

The Group's Executive Chairman, Mr Kenny Yap Kim Lee, plays an instrumental role in developing the business of the Group and provides

the Group with strong leadership and vision. He leads the Board in its review of the Group's strategies for sustainable growth, ensures the diversity of the Board, and provides guidance in the Group's post-pandemic recovery and transformation efforts. In addition to setting and implementing the business direction and strategies for the Group as endorsed by the Board, as well as the management oversight of the Group's performance, he is to ensure that each member of the Board and the Management works well together with integrity and competency.

As the Executive Chairman, he, with the assistance of the Company Secretary, schedules Board meetings as and when required and prepare the agenda for Board meetings and ensure sufficient allocation of time for thorough discussion of each agenda item, in particular strategic issues. He promotes an open environment for debate and ensure that independent directors are able to speak freely and contribute effectively. In addition, he sets guidelines and exercise control over the quality, quantity, accurateness and timeliness of information flow between the Board and the Management. He plays a pivotal role in fostering constructive dialogue among stakeholders, the Board and the Management at various meetings. He also takes a leading role in ensuring the Group's drive to achieve and maintain a high standard of corporate governance practices with the full support of the Board, the Company Secretary and the Management.

With his appointment as the Group's CEO on 1 January 2021, Mr Yap Kok Cheng has a strategic executive role in developing the Group's businesses and implementing the Board's decisions, while overseeing the day-to-day operations in Singapore and the region. In particular, he will continue to drive the Group's new growth segment – the Aquaculture business.

### 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 Board has appointed Ms Soong Wee Choo as the Lead Independent Director to coordinate 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 shareholders should they have concerns that cannot be resolved or are inappropriate or inadequate to raise through the normal communication channels of the Chairman or the Management.

There were no query or request on any matters which requires the lead independent director's attention received in FY 2021.

## 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 Chairman 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 of the NC are set out on page 77 of this Annual Report.



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#### PROVISION 4.1

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#### 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 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 Committees, which includes size and mix, and recommends to the Board the selection and appointment of new directors with a view to identify any gaps in the Board's skills set taking into account the Group's strategy and business operations. The NC will seek to refresh the Board 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 52 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 so as to identify candidates with the appropriate expertise and experience for the appointment as new director. The selection criterion includes integrity, diversity of competencies, expertise, industry experience and financial literacy. The NC seeks potential candidates widely and beyond directors/management recommendations and is empowered to engage external parties, such

as professional search firms and institutions, to undertake research on or assessment of candidates as it deems 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, participation, preparedness and candour) and any other factors 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 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 30 March 2022 are set out on pages 172 to 176 of this Annual Report.

The Board recognises the contribution of its independent directors who over time have developed deep insight into the Group's businesses and operations

and who are therefore able to provide invaluable contributions to the Group. As such, the Board has not set a fixed term of office for each of its independent directors so as to retain the services of the directors, as necessary.

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#### 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, Ms Sharon Yeoh Kar Choo and Dr Ling Kai Huat are independent and that, no individual or small group of individual dominates the Board's decision-making process.

During FY 2021, there was no alternate director on the Board.

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#### 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 Qian Hu.

Each director is required to confirm annually to the NC as to whether he or she has any issue with competing time commitments which may impact his or her ability to provide sufficient time and attention to his or her duties as a director of the Company. Based on the directors' annual confirmation and the directors' commitments and contributions to the Company, which are also evident in their level of attendance and participation at Board and Committee meetings, the NC and the Board are satisfied that all the directors were able to and have been adequately carrying out their duties as directors of the Company in FY 2021.

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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 Chairman of the NC with regard to 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.

## 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 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, knowledge in the business, competencies in finance and management skills critical to the Group's business. It has also ensured that each director, with his 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 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, all directors completed a Board Evaluation Questionnaire designed to seek their view on the various aspects of the Board and its Board Committees 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 Secretary for collation. The consolidated responses were presented to the NC for review before submitting to the Board for discussion and determining areas for improvement and enhancement of the effectiveness of the Board and its Board Committees.

Following the review in FY 2021, 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 2021.

## Board Evaluation Criteria

The performance criteria for the board evaluation are in respect of 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, and financial targets which include profit after tax, earnings per share, return on assets, debt-equity ratio, dividend payout ratio and total shareholder returns.

The primary objective of the board evaluation exercise is to create a platform for the Board and its Board Committees' members 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 has also ensured that 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 and informally 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, 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 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.

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## 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.*

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#### 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 Chairman 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 of the RC are set out on page 77 of this Annual Report.

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#### PROVISION 6.1

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#### PROVISION 6.3

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#### 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 key management personnel (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 framework is reviewed periodically to ensure that it remain relevant and effective.

In FY 2021, the RC reviewed and recommended to the Board the remuneration packages of the executive directors and the KMPs, which are within specific mandates sought from the Board.

The RC also reviewed the Company's obligations arising in the event of termination of the services of the executive directors and KMPs to ensure that the contracts of service contain fair and reasonable termination clauses which are not overly generous.

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 2021.

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### **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.*

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#### PROVISION 7.1

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#### 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' fees but are remunerated as members of 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, and the performance of the Group's business units and individual employees. 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 shareholders.

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#### 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' fees for the non-executive directors, the RC takes into consideration the directors' respective roles and responsibilities in the Board and its Board Committees and the frequency of Board and Board Committee meetings.

# CORPORATE GOVERNANCE REPORT

(Cont'd)

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 Chairmen of the Committees receiving a higher fee in respect of their service as Chairman of the respective Board Committees.

The structure of the fees payable to the non-executive directors of the Company for FY 2021 is as follows:

Appointment	Per annum
<b>Board of Directors</b> - Base fee	\$8,000 (non-executive director only)
<b>Audit &amp; Risk Management Committee</b> - Chairman	\$10,000
- Member	\$6,000
<b>Other Committees</b> - Chairman	\$7,000
- Member	\$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 member of the RC is involved in deliberating and deciding in respect of any remuneration, compensation or any form of benefits to be granted to him/her.

The Board concurred with the RC that the proposed directors' fees for the year ended 31 December 2021 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 Board 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, taking into account 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, competitive market practices and information gathered from market surveys. This is further reviewed along with the Group's performance, taking into consideration specific key performance indicators (involving financial and non-financial indicators) tracked over time as compared to the targets to be achieved by the Group based on its short and long term objectives. The Board exercises its discretion and independent judgment in ensuring that the amount and mix of compensation are aligned with the interests of shareholders and promote the long-term success of the Group. The overall level of remuneration is not considered to be at a level which is likely to promote behaviour contrary to the Group's risk profile.

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

## REMUNERATION TABLE

### i) Remuneration of directors

The breakdown of the total remuneration of the directors of the Company for the year ended 31 December 2021 is set out below:

Name of Director	Salary	Bonus	Director's fees	Total remuneration
	\$	\$	\$	\$
Kenny Yap Kim Lee	219,360	-	-	219,360
Lai Chin Yee	285,360	38,400	-	323,760
Soong Wee Choo	-	-	28,000	28,000
Sharon Yeoh Kar Choo	-	-	26,000	26,000
Ling Kai Huat	-	-	26,000	26,000
Alvin Yap Ah Seng (retired on 29 March 2021)	71,340	-	-	71,340
Tan Tow Ee (retired on 29 March 2021)	-	-	7,000	7,000
	<b>576,060</b>	<b>38,400</b>	<b>87,000</b>	<b>701,460</b>

- 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 the year ended 31 December 2021 is set out below:

Name of Management Personnel	Salary	Bonus	Allowances & benefits	Total remuneration
	\$	\$	\$	\$
Alvin Yap Ah Seng*	214,020	38,400	-	252,420
Andy Yap Ah Siong**	285,360	39,330	-	324,690
Jimmy Tan Boon Kim	269,760	36,450	-	306,210
Yap Kok Cheng***	228,240	21,060	-	249,300
Lee Kim Hwat	155,448	11,807	-	167,255
	<b>1,152,828</b>	<b>147,047</b>	<b>-</b>	<b>1,299,875</b>

\* Mr Alvin Yap Ah Seng is brother of Mr Andy Yap Ah Siong and cousin of Mr Kenny Yap Kim Lee, Executive Chairman and uncle of Mr Yap Kok Cheng, CEO.

\*\* Mr Andy Yap Ah Siong is brother of Mr Alvin Yap Ah Seng and cousin of Mr Kenny Yap Kim Lee, Executive Chairman and uncle of Mr Yap Kok Cheng, CEO.

\*\*\* Mr Yap Kok Cheng is nephew of Mr Andy Yap Ah Seng and Mr Yap Ah Siong and Mr Kenny Yap Kim Lee, Executive Chairman.

- 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 the year ended 31 December 2021 is set out below:

Name of Executive	Salary	Bonus	Allowances & benefits	Total remuneration
	\$	\$	\$	\$
Yap Ping Heng	72,324	6,048	-	78,372
Yap Hock Huat	72,324	6,048	-	78,372
Yap Kim Chuan	75,936	6,384	-	82,320
	<b>220,584</b>	<b>18,480</b>	<b>-</b>	<b>239,064</b>

• 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.

• Mr Yap Ping Heng and Mr Yap Kim Chuan are uncles of Mr Yap Kok Cheng, CEO.

- 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 efforts 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 the Risk Management Committee and renamed it as the Audit & Risk Management Committee ("ARMC"). 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

(Cont'd)

Risk assessment and evaluation has become an essential part of the business planning and monitoring process. The Group has 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 key risks, the appropriate risk tolerance limits set for the respective risks, their likelihood of occurrence and the consequential impact to 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 required 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 changes and the challenges in the business environment, reduces uncertainties and facilitates the shareholder value creation process. Risk awareness and ownership of risk treatments are also continuously fostered across the organisation.

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 78 to 83 of this Annual Report.

## PROVISION 9.2

### **Assurance from the CEO, CFO 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 CFO 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 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 Listing Manual of the SGX-ST 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 2021 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 discharge its duties objectively.*

## PROVISION 10.2

### **ARMC Composition and Role**

The Board established the AC 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 ("ARMC"). The ARMC comprises three non-executive directors, all of whom, including the Chairman 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 of the ARMC are set out on page 76 of this Annual Report.

Following the retirement of Mr Tan Tow Ee on 29 March 2021, the newly appointed Chairman of the ARMC, Ms Soong Wee Choo, possesses the relevant accounting or related financial management knowledge and risk management expertise and experience, whilst the other two ARMC members have regulatory and industrial background. With the current composition, the ARMC and the Board believe that the ARMC members are appropriately qualified to discharge their responsibilities as defined under the terms of reference, which has been approved by the Board.

The ARMC has explicit authority to investigate any matter within its terms of reference. It has full 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 and auditors, to enable it to discharge its responsibilities properly.

The ARMC met three times in the financial year ended 31 December 2021. The executive directors and CEO 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 judgment 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 so as to ensure the integrity and fairness of the financial statements.

Matters considered	Action
Valuation of biological assets - \$7.9 million (10.5% of Group's total assets)	<p>In order to satisfy that the carrying value of the biological assets, in the form of brooder stocks, was not materially misstated, the Audit Committee obtained assurance from the management that detailed impairment testing had been undertaken using appropriate methodology and assumptions. The primary inputs into the impairment testing are estimates of the projected cash flows derived from the expected production yield of the brooder stocks and the budgeted revenue growth of the breeder stocks (offspring of the brooder stocks), with the application of an appropriate interest rate in discounting these cash flows.</p> <p>In considering this matter, the Committee reviewed the impairment computations and the sensitivity analysis performed on the key assumptions. In addition, the Committee discussed with the external auditors on their review of the reasonableness and relevance of the assumptions used in the impairment assessment and the sensitivity analysis performed.</p> <p>Following these discussions, the Committee noted that the impairment review is sensitive to the changes in the key assumptions underlying the assessment, notwithstanding the estimated recoverable amounts of the brooder stocks exceeded the carrying value. Nonetheless, the Committee concurred with the management's conclusion that no impairment loss was recognised for brooder stocks as at 31 December 2021 and that the disclosures in the financial statements were appropriate.</p>
Valuation of amount due from subsidiaries (Company level) - \$17.1 million	<p>Included in the amount due from subsidiaries balance as at 31 December 2021 was significant long outstanding amount due from Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd ("GZQH") amounted to approximately \$9.2 million representing 54.1% of the amount due from subsidiaries balances.</p> <p>The Audit Committee assessed the reasonableness of the recoverability of the above amount and the repayment plans as stipulated by GZQH. The Committee also considered the observations and findings presented by the external auditors with reference to the payment track records and on-going business relationship with GZQH.</p> <p>The above procedures provided the Committee with the assurance and concurred with the management's conclusion that no allowance for impairment on the above amount due from subsidiaries balance is required as at 31 December 2021 and that the disclosures in the financial statements were appropriate.</p>
Impairment of Goodwill - \$4.0 million (5.4% of Group's total assets)	<p>The goodwill arising from the acquisition of GZQH during the financial year was tested for impairment by estimating the recoverable amount of the cash-generating-unit ("CGU"), whereby the management applied the value-in-use (discounted cash flow) method to determine the recoverable amount of the CGU.</p> <p>The Audit Committee discussed with the external auditors on the robustness of the methodology used and reviewed the value-in-use computations, incorporating reasonably possible changes to the key assumptions, and evaluated the outcome of the sensitivity analysis prepared by management. The Committee has also deliberated the management's view on the future prospects and business outlook of GZQH.</p> <p>As a result of the above procedures, the Committee concurred with the management's conclusion that no impairment charge was required as at 31 December 2021 and that the valuation of goodwill and the disclosures in the financial statements were appropriate.</p>

**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 CFO on the financial records and financial statements.

**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 undertook the review of the independence and objectivity of the external auditors, KPMG LLP ("KPMG"), through discussions with the external auditors as well as reviewing the non-audit services provided and the fees paid to them. During FY 2021, there was no non-audit related work carried out by the external auditors; hence, there was no fee paid in this respect. 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 audit.

The fees payable to auditors is set out on page 146 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. The re-appointment of the external auditors is always subject to shareholders' approval at the AGM of the Company.

In reviewing the nomination of KPMG for re-appointment for the financial year ending 31 December 2022, the ARMC has considered the adequacy of the resources, experience and competence of KPMG, and has taken

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into account the Accounting and Corporate Regulatory Authority's (ACRA) Audit Quality Indicators 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 cooperative manner with Management whilst maintaining integrity and objectivity and its ability to deliver their services professionally and within agreed timelines.

On the basis of 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 at the forthcoming AGM of the Company.

The Company has complied with Rules 712 and Rule 715 (read with Rule 716) of the Listing Manual of the SGX-ST in relation to the appointments of its external auditors. The ARMC and the Board are 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 assurance of the internal auditors in specific areas of concerns.

The internal audit function of the Group is out-sourced to EisnerAmper PAC Singapore (formerly known as Saw Meng Tee & Partners PAC) since financial year ended 31 December 2013. The internal auditors report primarily to the Chairman of the ARMC and has 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 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 Dr Ling Kai Huat, Chairman of the RC. Details of the whistle blowing policies, together with the dedicated whistle blowing communication channels (such as emails 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 were no reported incident pertaining to whistle blowing during FY 2021 and until the date of this Annual Report.

## **PROVISION 10.3**

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

## **PROVISION 10.5**

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### **Meeting Auditors without the 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.

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## 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.

In order to provide ample time for the shareholders to review, the notice of AGM, together with the Annual Report 2021, is distributed to all shareholders 28 days before the scheduled AGM date.

Pursuant to Rule 730A(2) of the Listing Manual, all resolutions proposed at the AGMs and at any adjournment thereof 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. 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 are announced via SGXNET after the AGM.

The resolutions tabled at the general meetings are on each substantially separate issue, including treating

the election or re-election of each director as a separate subject matter. Detailed information on each item in the AGM agenda is provided in the explanatory notes to the Notice of AGM in the Annual Report.

#### AGM – March 2021

In view of the COVID-19 situation, the AGM in respect of FY 2020 was convened and held by electronic means on 29 March 2021 ("AGM 2021") pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "Order"). Alternative arrangements relating to attendance at the AGM 2021 via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions prior to the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, were put in place for the AGM.

#### AGM – March 2022

Shareholders will again not be able to attend the forthcoming AGM ("AGM 2022") in person because of the ongoing COVID-19 situation and, like last year, the AGM 2022 will be held by way of electronic means pursuant to the Order. The same alternative arrangements for the AGM will be put in place. Details of the steps for pre-registration, submission of questions and voting at the AGM 2022 by shareholders, including CPF and SRS investors, are set out in a separate announcement released on SGXNET on 1 March 2022.

#### PROVISION 11.3

#### Interaction with Shareholders

At general meetings of the Company, shareholders present 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.

In light of the COVID-19 pandemic whereby the AGM 2021 was held by way of electronic means, the shareholders were invited to submit their questions for the AGM in advance of the meeting, and the Company provided its responses via SGXNET and the corporate website on 26 March 2021 prior to the commencement of the AGM on 29 March 2021.

The Executive Chairman, all the directors (including the Chairpersons of the ARMC, RC and NC), CEO and the external auditors, KPMG LLP, were present virtually at the Company's AGM held on 29 March 2021. They will endeavour to be present at the forthcoming virtual AGM to be held on 30 March 2022.

#### 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 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 for 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(s) 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.

# CORPORATE GOVERNANCE REPORT

(Cont'd)

## 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 inputs. 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 three 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 condition, 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 the event that no dividend is declared, the reasons for such will be disclosed in accordance with the Listing Manual of the SGX-ST.

The Board of directors has declared a final dividend of 0.3 Singapore cents per ordinary share for the financial year ended 31 December 2021 (FY 2020: 0.2 Singapore cents per ordinary share).

## **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 to 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 FY 2020, 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 16 July 2021) and 15 days (on 12 January 2022) 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. There was no media and analysts briefing held in conjunction with the release of the Company's FY 2021 financial results on 12 January 2022 due to the ongoing safe management measures amidst the COVID-19 situation.

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.

### **Investor Relations Practices**

The Company has a team of investor relations (IR) personnel who focus on facilitating the communications with all stakeholders – shareholders, regulators, analysts and media, etc – on a regular basis, to attend to their queries or concerns as well as 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 page 56 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.*

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## PROVISION 13.1

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## PROVISION 13.2

### **Stakeholders' Engagement**

Since FY 2011, Qian Hu has started a sustainability framework that outline our sustainability efforts. In FY 2021, the Group has reported sustainability performance in accordance with the SGX Sustainability Report Guide, with reference to the core option of the Global Reporting Initiatives (GRI) framework.

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 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 environmental, social and governance (ESG) issues which are important to these stakeholders. These issues form the materiality matrix upon which targets, performance and progress are reviewed and endorsed by the Board annually.

More details on Qian Hu's approach to stakeholder engagement and materiality assessment are disclosed on pages 37 and 38 of this Annual Report.

Having identified the stakeholders and the material issues, it 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 34 to 86 of this Annual Report for further details.

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## 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](http://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.

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## **VI. OTHER CORPORATE GOVERNANCE MATTERS**

### **DEALING IN SECURITIES - Listing Manual Rule 1207(19)**

In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST on best practices in respect of dealing in securities, the Group has in place an internal compliance policy which prohibits the directors, key management personnel 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, key management personnel 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 Board's approval before trading in the Company's shares and are also required to notify the Company Secretary of any change in his interest in the Company's shares within two business days of the change.

During FY 2021, 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 Listing Manual of the SGX-ST, 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 ended 31 December 2021.

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 Listing Manual of the SGX-ST, the ARMC, as well as the Board, meets quarterly to review if the Company will be entering into any interested person transactions. If the Company is intending 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 Listing Manual of the SGX-ST. Disclosure of interested person transactions is set out on pages 149 and 150 of this Annual Report. There were no interested person transactions entered into by the Group in excess of \$100,000 during the financial year under review.

# CORPORATE GOVERNANCE REPORT

(Cont'd)

## 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 judgments 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 CFO 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 of 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 interests 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, 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 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.

## NOMINATING COMMITTEE

- Review the nominations and recommend to the Board the 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 independence of each director and to ensure that the Board comprises at least one-third independent directors. In this connection, the Nominating Committee should conduct particularly rigorous review of the independence of any director who has served on the Board beyond nine years from the date of his/her first appointment.
- 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 and the contribution of each 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.

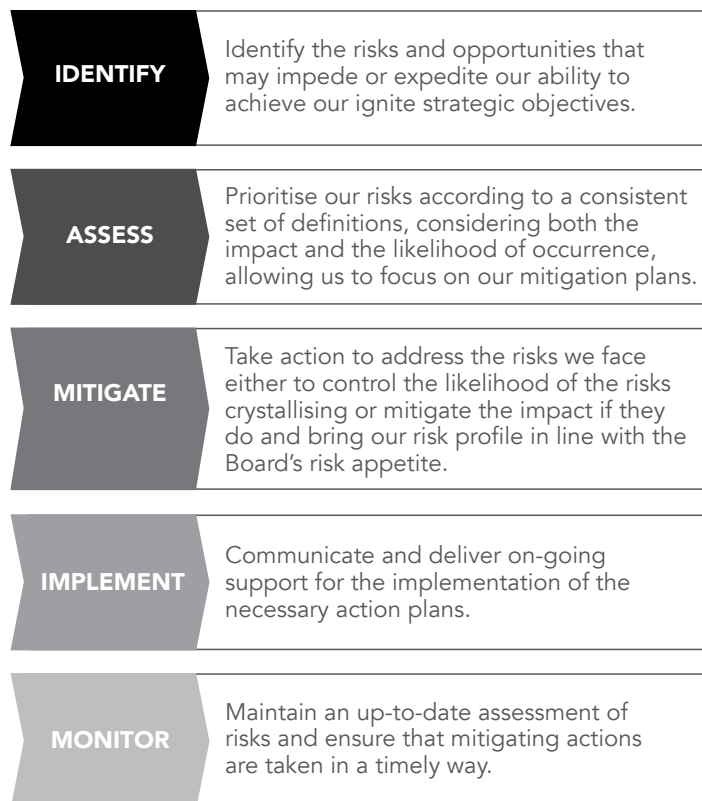
# RISK MANAGEMENT

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.



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, 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 MANAGE THE RISKS
<p><b>Strategy and investment risk</b></p> <ul style="list-style-type: none"> <li>The Group grows businesses through organic growth of its existing activities, development of new capabilities (e.g. product innovation) and through new ventures (e.g. aquaculture business) with business partners; hence, 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.</li> <li>The investment timeframe and the budgets for such expansion plans will be exceeded and that the parameters set will not be achieved.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>All business proposals are reviewed by the senior management before obtaining final Board approval.</li> <li>Investments are monitored to ensure that they are on track in meeting the Group's strategic intent, investment objectives and returns.</li> </ul>
<p><b>Market and political risk</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>The Group's business operations are exposed to economic uncertainties that continue to affect the global economy and international capital markets.</li> </ul>	<ul style="list-style-type: none"> <li>Consistently keep up-to-date 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.</li> <li>As at 31 December 2021, approximately 36% of the Group's assets are located overseas, while revenue from its overseas' customers constitute approximately 70% of the total revenue in FY 2021. 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.</li> </ul>
<p><b>Regulatory risk</b></p> <ul style="list-style-type: none"> <li>The Group's operations are subject to changes in prevailing laws and regulations in their respective jurisdictions, particularly in areas of corporate law, environment law, and possible local government interventions impacting the industry.</li> </ul>	<ul style="list-style-type: none"> <li>Maintain close working relationships with respective local authorities and business partners so as to keep abreast with any changes and/or material regulatory development.</li> <li>All necessary certificates and licences are obtained and renewed on a timely basis in accordance with applicable laws and regulations.</li> </ul>
<p><b>Competition risk</b></p> <ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Strive to strengthen competitiveness through product differentiation, market positioning, and leveraging on brand name while consistently monitoring and responding to market dynamics.</li> <li>Conscientious efforts are made in attaining high quality products and services while sustaining operational efficiency to improve its competitiveness, productivity and profitability.</li> <li>Invest perpetually in research and development activities to develop more innovative accessories products with in-house proprietary technology so as to enhance its market competitiveness.</li> </ul>

# RISK MANAGEMENT

(Cont'd)

DESCRIPTION OF RISKS WE FACE	WHAT WE DO TO MANAGE THE RISKS
<b>Reputation risk</b> <ul style="list-style-type: none"><li>The Group may face negative publicity or diminution in public confidence if there are mishandling of transactions or events.</li></ul>	<ul style="list-style-type: none"><li>Instill an open communication programme to ensure timely and effective communication of key information with its stakeholders (such as customers, public media, regulators, investor community, etc). The Group has a proven track record and reputation associated with its investor relations efforts which has won itself many awards in various aspects.</li><li>Clear corporate mission statements and guiding principles are in place and communicated to all employees within the Group so as to uphold the reputation of the Group.</li></ul>

<b>Business continuity risk</b> <ul style="list-style-type: none"><li>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.</li></ul>	<ul style="list-style-type: none"><li>Focus on refining its business continuity management, including the setting up of an operational prevention and recovery framework, so as to ensure that it can continue to maintain its competitive advantage, maximise value for its stakeholders, as well as minimise any disruptions to its critical business activities, people and assets.</li><li>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.</li><li>Implemented business continuity plans to minimise disruptions to the operations and supply chain while the full impact of the COVID-19 outbreak is still unfolding. The Group will continue to assess and respond to the evolving situation with proactive implementing measures to mitigate the impact.</li></ul>
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## 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 MANAGE THE RISKS
<b>Operational processes risk</b> <ul style="list-style-type: none"><li>Possible breakdown in internal process, deficiencies in people and management, or operational failure arising from external events could result in potential loss to the Group.</li></ul>	<ul style="list-style-type: none"><li>Minimise unexpected losses and manage expected losses through a series of quality and people management programs, as well as through business continuity planning.</li><li>Operating manuals, standard operating procedures and the delegation of authority matrix are in place.</li><li>On-going efforts to streamline business processes and adopt ISO standards and certifications to achieve standardisation of processes and best practices.</li><li>Conduct regular reviews of policies and authority limits to ensure its relevance in meeting changing business environment.</li></ul>

## Product risk

<ul style="list-style-type: none"><li>Ornamental fish, like other livestock, is susceptible to disease and infection.</li><li>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.</li></ul>	<ul style="list-style-type: none"><li>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.</li><li>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. Currently, all domestic and overseas fish operations have attained ISO certifications, including the breeding of Dragon Fish.</li><li>Integrated in-house R&amp;D team to focus on research of Dragon Fish 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.</li><li>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.</li></ul>
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DESCRIPTION OF RISKS WE FACE	WHAT WE DO TO MANAGE THE RISKS
<p><b>People risk</b></p> <ul style="list-style-type: none"> <li>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, could result in business interruptions and a loss in shareholders' confidence.</li> <li>Succession plan execution is a challenge given the size of the Group.</li> </ul>	<ul style="list-style-type: none"> <li>Benchmark and review the competitiveness of the remuneration package on a periodic basis.</li> <li>Provide a cohesive environment under which employees could develop their potential and career path so as to ensure that human capital is nurtured and retained.</li> <li>Set up a non-discriminatory reward framework linked to individual performance.</li> <li>Has since put in place a structured succession planning program to identify and develop a team of potential employees based on their merit, who can take Qian Hu to the next lap of growth. 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.</li> </ul>
<p><b>Climate change and environmental risk</b></p> <ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Embark on strategic reviews on key areas, such as infrastructure and logistics, to minimise the business impact of untoward events.</li> <li>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.</li> <li>Develop more proactive measures and environmental practices and continue to embrace and leverage on technology to improve processes.</li> </ul>

## 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 MANAGE THE RISKS
<p><b>Credit risk</b></p> <ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Standard 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.</li> <li>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.</li> <li>While the Group faces the normal business risks associated with ageing collections, it has adopted a prudent accounting policy of making provisions once trade receivables are deemed not collectible. Major collectible issues are highlighted to all concerned.</li> </ul>
<p><b>Interest rate risk</b></p> <ul style="list-style-type: none"> <li>The Group is exposed to interest rate fluctuations from external borrowings.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>Cash balances are placed with reputable banks and financial institutions. For financing obtained through bank borrowings and finance lease arrangements, it is the Group's policy to obtain the most favourable interest rates available without increasing its foreign currency exposure.</li> </ul>

# RISK MANAGEMENT

(Cont'd)

DESCRIPTION OF RISKS WE FACE	WHAT WE DO TO MANAGE THE RISKS
<b>Liquidity risk</b>	
<ul style="list-style-type: none"><li>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.</li></ul>	<ul style="list-style-type: none"><li>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.</li><li>Cash flow projections and available bank facilities are reviewed regularly to ensure efficient management of liquidity position.</li><li>Enhance ability to generate cash from operating activities so as to improve the Group's cash position; hence, reducing liquidity risk.</li></ul>
<b>Foreign exchange risk</b>	
<ul style="list-style-type: none"><li>The foreign exchange risk of the Group arises from sales, purchases and borrowings that are denominated in currencies other than Singapore dollars.</li><li>Exchange gain or loss may also arise when the assets and liabilities in foreign currencies are translated into Singapore dollars for financial reporting purposes.</li></ul>	<ul style="list-style-type: none"><li>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.</li><li>Natural hedging is used extensively, including the matching of sales and purchases of the same currency and amount where practicable.</li><li>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.</li><li>Currency translation risk (especially for reporting purposes), which is inherent for operations outside Singapore, is non-cash in nature and therefore not hedged.</li></ul>
<b>Capital structure risk</b>	
<ul style="list-style-type: none"><li>Insufficient capital structure could impact the Group's ability to provide appropriate returns to the shareholders.</li></ul>	<ul style="list-style-type: none"><li>The capital structure of the Group consists of loans and borrowings, issued share capital and retained earnings. Regular review are 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.</li><li>In order to maintain or achieve an optimal capital structure, the Group may issue new shares, obtain new bank borrowings, sell its assets to reduce external borrowings, adjust the amount of dividend payout or return a portion of capital to its shareholders.</li></ul>
<b>Financial management risk</b>	
<ul style="list-style-type: none"><li>Reliance 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.</li><li>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.</li></ul>	<ul style="list-style-type: none"><li>Formalise operating manuals and standard operating procedures.</li><li>Internal controls over financial reporting are reviewed regularly to ensure proper financial discipline and compliance with established Group's policies and guidelines.</li><li>External and internal audit reviews carried out annually on the controls and procedures in place also serves as a platform to highlight any irregularities.</li></ul>
<b>Derivative financial instrument risk</b>	
<ul style="list-style-type: none"><li>Market conditions may move against the Group's assumptions at the time of hedging the transactions.</li></ul>	<ul style="list-style-type: none"><li>The Group does not hold or issue derivative financial instruments for trading purposes.</li></ul>

## 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 MANAGE THE RISKS
<p><b>Compliance risk</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>Fraud or deliberate wrongful act committed within the Group can result in financial loss.</li> </ul>	<ul style="list-style-type: none"> <li>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 monitor the level of compliance so as to minimise the level of lapses.</li> <li>Establish internal guidelines (Code of Business Ethics and Conduct) and anti-corruption polices have been defined and put into practice for which employees are accountable for compliance.</li> <li>Align our policies and procedures as reasonable and practical with the requirements of best practice accredited framework, systems and industry standards.</li> <li>Maintain effective whistle blowing and well-defined communication channels, whereby employees and other stakeholders could raise concerns on any unethical, fraudulent, or corrupt practices, in good faith, without fear of retaliation, for investigation and action subject to applicable laws.</li> </ul>
<p><b>Data protection and privacy risk</b></p> <ul style="list-style-type: none"> <li>Data privacy breaches may undermine customer confidence and result in litigation from customers and/or regulatory fines and penalties.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure compliance with applicable data protection laws and perform regular reviews to refine practices.</li> <li>Implement security policies, procedures, technologies and tools designed to minimise the risk of privacy breaches. <i>(For more information on the management of personal data, please refer to the data privacy policy on the Qian Hu website)</i></li> <li>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.</li> <li>Establish an escalation process for incident management to ensure timely response, internally or externally, to minimise impact.</li> </ul>

## 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 MANAGE THE RISKS
<p><b>Cyber security risk</b></p> <ul style="list-style-type: none"> <li>The Group is imperiled to a full range risks, presented in various forms, associated with its IT system, including disruptions to the network.</li> <li>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.</li> <li>Cyber-attacks can disrupt operations and the resulted cyber thefts of sensitive and confidential information could lead to litigations and financial losses.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>Conduct regular training for users to educate and heighten awareness of cyber threats.</li> </ul>

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