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 2019, 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 2019 (“FY 2019”), 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

Principal 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 2019, as was in the past years, besides carried out its statutory responsibilities, the Board performed the following role:

• establish and oversee the processes of evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
• review and approve 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 40 to 91 of this Annual Report); and
• assume responsibility for corporate governance.

Independent Judgement

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.

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 abstain from voting in relation to the conflict-related matters.

The Board has no dissenting view on the “Letter from the Chairman” to the shareholders for the financial year under review as set out on pages 6 to 8 of this Annual Report.

PROVISION 1.2

Directors’ Orientation and Training

A formal letter of appointment is furnished to every newly-appointed director upon their appointment explaining among other matters, the roles, obligations, duties and responsibilities as a member of the Board.

When the directors were appointed, the Company conducted a comprehensive orientation programme, which was presented by the CEO, to provide them with 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 orientation 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. Directors with no prior experience as a director were encouraged to attend the Listed Company Director Programme conducted by the Singapore Institute of Directors.

The Board as a whole is kept up-to-date 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 training attended by directors in FY 2019

The details of update sessions, seminars, conferences and training programmes attended by the directors collectively in FY 2019 include:

- the external auditors, KPMG LLP, briefed the AC and the Board 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
- Transfer Pricing University (Singapore) 2019 edition, conducted by EY
- Introduction to Blockchain Technology for Accounting and Finance Professionals, conducted by the Institute of Singapore Chartered Accountants (“ISCA”)
- SID Directors Conference 2019: Transformation: From Ordinary to Extraordinary, organised by Singapore Institute of Directors (“SID”)
- PAIB Conference 2019: Opportunities Amidst Transformations, organised by ISCA
- Sustainability Reporting: Progress and Challenges, co-organised by Singapore Exchange Regulation (“SGX RegCo”) and the Centre for Governance, Institutions and Organisations (“CGIO”) at the National University of Singapore (“NUS”) Business School

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 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 Singapore Exchange Securities Trading Limited’s (“SGX-ST”) interested person transaction policy; and
- announcement of the Group’s quarterly, 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 Committee (“AC”), Remuneration Committee (“RC”), Nominating Committee (“NC”) and Risk Management Committee (“RMC”) 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.

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.
# Corporate Governance Report (Cont’d)

## COMPOSITION OF BOARD AND BOARD COMMITTEES

<table>
<thead>
<tr>
<th>Name of director</th>
<th>Executive Management Committee</th>
<th>Audit Committee</th>
<th>Nominating Committee</th>
<th>Remuneration Committee</th>
<th>Risk Management Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenny Yap Kim Lee (Executive / Non-independent)</td>
<td>Chairman</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Member</td>
</tr>
<tr>
<td>Alvin Yap Ah Seng (Executive / Non-independent)</td>
<td>Member</td>
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<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Lai Chin Yee (Executive / Non-independent)</td>
<td>Member</td>
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<td>-</td>
<td>Member</td>
</tr>
<tr>
<td>Tan Tow Ee (Non-executive / Independent)</td>
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<td>Chairman</td>
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<td>-</td>
<td>Member</td>
</tr>
<tr>
<td>Chang Weng Leong (Non-executive / Independent)</td>
<td>-</td>
<td>Member</td>
<td>Member</td>
<td>Chairman</td>
<td>-</td>
</tr>
<tr>
<td>Sharon Yeoh Kar Choo (Non-executive / Independent)</td>
<td>-</td>
<td>Member</td>
<td>Chairman</td>
<td>Member</td>
<td>-</td>
</tr>
<tr>
<td>Ling Kai Huat (Non-executive / Independent)</td>
<td>-</td>
<td>Member</td>
<td>-</td>
<td>Member</td>
<td>Chairman</td>
</tr>
</tbody>
</table>

## 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 2019 is set out below:

<table>
<thead>
<tr>
<th>Name of director</th>
<th>Board</th>
<th>Executive Management Committee</th>
<th>Audit Committee</th>
<th>Nominating Committee</th>
<th>Remuneration Committee</th>
<th>Risk Management Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenny Yap Kim Lee</td>
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<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Alvin Yap Ah Seng</td>
<td>4</td>
<td>12</td>
<td>4*</td>
<td>1*</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Lai Chin Yee</td>
<td>4</td>
<td>12</td>
<td>4*</td>
<td>1*</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tan Tow Ee</td>
<td>4</td>
<td>-</td>
<td>4</td>
<td>1</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Chang Weng Leong</td>
<td>4</td>
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<td>3</td>
<td>1</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Sharon Yeoh Kar Choo</td>
<td>4</td>
<td>-</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Ling Kai Huat</td>
<td>4</td>
<td>-</td>
<td>4</td>
<td>1*</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

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

The Board held four scheduled meetings in the financial year ended 31 December 2019 at regular intervals. Besides the scheduled Board meetings, the Board meets on an ad-hoc basis as warranted by particular 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 2019.

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 four to 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
Corporate Governance Report (Cont’d)

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.

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

Independent Professional Advice

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

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

PROVISION 2.1

Board Independence

Currently, the Board consists of seven directors, of whom four 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 judgement in the interest of the Group.

Each independent director is required to complete a Director’s Independence Checklist annually to confirm his 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.

During the financial year, the Company received professional services rendered from Alchemy Business Consultants which Mr Chang Weng Leong has an interest. The NC is of the view that the value of the said services was not material and the business relationship with Alchemy Business Consultants has not interfered with the exercise of independent business judgement in the best interest of the Company by Mr Chang in the discharge of his duties as directors. As such, Mr Chang is considered to be independent. Accordingly, the NC has determined that all the four non-executive directors are independent.

SGX Mainboard Rule 210(5)

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.

As at the end of FY 2019, Mr Chang Weng Leong and Mr Tan Tow Ee have served on the Board beyond nine years from the date of their first appointment. The Board has subjected their independence to a particularly rigorous review by all the other fellow directors (with both Messrs Chang and Tan abstaining from the review), before deciding if they should continue with the appointment.

After due consideration and with the concurrence of the NC, the Board is of the view that Mr Chang Weng Leong and Mr Tan Tow Ee have demonstrated strong independence character and judgement over the years in discharging their duties and responsibilities as independent directors of the Company with the utmost commitment in upholding the interest of the non-controlling shareholders. They have expressed individual viewpoints, debated issues and objectively scrutinized and challenged Management. They have sought clarification and amplification as they 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 their independence status and resolved that Mr Chang and Mr Tan continue to be considered independent directors, notwithstanding they have served on the Board beyond nine years from the date of their first appointment.

Nonetheless, in view of the amendments to the SGX Listing Rules, which will come into effect from 1 January 2022, requires the re-appointment of directors who have served the Board beyond nine years from the date of their first appointment to be subjected to a two-tier shareholders voting, the Company has its directorship renewal process underway. Mr Chang Weng Leong, who is due for retirement from the Board, will not seek for re-election. A new non-executive independent director will be appointed after the AGM.
Proportion of non-executive independent directors

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

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 between five to eight members as appropriate.

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

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, meet 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 two female directors, representing 28.5% of total Board membership. Ms Lai Chin Yee and Ms Sharon Yeoh Kar Choo have been members of the Board since November 2004 and September 2011 respectively. In addition, it consists of directors with ages ranging from fifties to more than 70 years old, who have served on the Board for different tenures. The members of the Board 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.

Details of the Board composition are as follows:

**Board Independence**

- Non-Independence Directors: 3
- Independence Directors: 4

**Board Gender Diversity**

- Male Directors: 5
- Female Directors: 2

**Directors’ Length of Service**

- Served > 15 years: 2
- Served < 15 years: 5

**Directors’ Citizenship**

- Singaporean Citizen: 7
- Foreigner: 0

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Governance

Corporate Governance Report (Cont’d)

PROVISION 2.5

Meeting of Independent Directors without Management

The independent directors, led by the lead independent director, has a meeting amongst themselves 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.

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 Board is of the view that, at this point in time, it is in the best interests of the Group to adopt a single leadership structure, whereby the Chairman of the Board and the CEO is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

All major proposals and decisions made by the Executive Chairman and CEO are discussed and reviewed by the AC. His performance and appointment to the Board is reviewed periodically by the NC and his remuneration package is reviewed periodically by the RC. As the AC, 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 an uneven concentration of power and authority in a single individual.

The Board will take into consideration the separation of the role of the Chairman and the CEO as stipulated as part of the on-going succession planning and Board renewal process, which should materialise in the near future.

PROVISION 3.2

Role of Executive Chairman and CEO

The Group’s Executive Chairman and CEO, 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. 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 and CEO, he, with the assistance of the Company Secretary, schedules Board meetings as and when required and prepares the agenda for Board meetings and ensures sufficient allocation of time for thorough discussion of each agenda item, in particular strategic issues. He promotes an open environment for debate, and ensures 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 Company’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.

PROVISION 3.3

Appointment of Lead Independent Director

Taking cognisance that the Chairman of the Board is also the CEO, the Board has appointed Mr Tan Tow Ee as the lead independent non-executive director to co-ordinate and to lead the independent directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the principal liaison on Board issues between the independent directors and the Executive Chairman. He is available to shareholders where they have concerns which contact through the normal channels of the Executive Chairman/CEO or the Management has failed to resolve or for which such contact is inappropriate or inadequate.

There were no query or request on any matters which requires the lead independent director’s attention received in FY 2019.

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 80 of this Annual Report.

PROVISION 4.1

PROVISION 4.3

Board Renewal & Succession Planning

The responsibilities of the NC are, among other things, to make recommendations to the Board on all
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 and re-appointment 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 CEO, 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 for re-appointment at the next AGM following his appointment. Thereafter, he is subject to be re-appointed at least once every three years at the Company’s AGM.

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 be able to retain the services of the directors as necessary.

**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 2019.

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.
Corporate Governance Report (Cont’d)

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 review process to assess the performance and effectiveness of the Board as a whole and the contribution by individual directors to the effectiveness of the Board.

During the financial year, all directors are requested to complete a Board Evaluation Questionnaire designed to seek their view on the various aspects of the Board performance so as to assess the overall effectiveness of the Board. 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 Board effectiveness. Following the review in FY 2019, the Board is of the view that the Board and its Board Committees operate effectively and each director is contributing to the overall effectiveness of the Board.

There was no external consultant involved in the Board evaluation process in FY 2019.

**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 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 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 to ensure 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.

II. REMUNERATION MATTERS

**Procedures for Developing Remuneration Policies**

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

**PROVISION 6.2**

**RC Composition and Role**

The Board established the RC in July 2002 which comprises three non-executive directors, all of whom, including the 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 81 of this Annual Report.

PROVISION 6.1

PROVISION 6.3

PROVISION 6.4

Remuneration Framework

The RC is responsible for ensuring that a formal and transparent procedure is in place for developing policy and for determining the remuneration packages of individual directors and key management personnel (KMP). The RC recommends for the Board’s endorsement, a framework of remuneration 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.

On an annual basis, the RC reviews and approves the annual increments, variable bonus to be granted to the Executive Directors and the KMPs which are within specific mandates sought from the Board.

The RC also reviews the Company’s obligations arising in the event of termination 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 2019.

Level and Mix of Remuneration

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

PROVISION 7.1

PROVISION 7.3

Remuneration of Executive Directors and KMPs

The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the Executive Directors and KMPs commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO (together with other KMPs) is reviewed periodically by the RC and the Board. In structuring the compensation framework, the RC also takes into account 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 comprises a fixed component (basic salary) and a variable component (cash-based annual bonus) that 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 so as 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.

PROVISION 7.2

Remuneration of Non-Executive Directors

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 Committees and the frequency of Board and Committee meetings.

Each of the non-executive directors receives a base director’s fee. Directors who serve on the various Committees also receive additional fees in respect of each 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 Committees.
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 (base salary), a variable component (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 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 Company based on its short and long term objectives.

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

Disclosure of Remuneration

REMUNERATION TABLE

i) Remuneration of directors

The breakdown of the total remuneration of the directors of the Company for the year ended 31 December 2019 is set out below:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Salary</th>
<th>Bonus</th>
<th>Director’s fees</th>
<th>Total remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenny Yap Kim Lee</td>
<td>306,240</td>
<td>28,665</td>
<td>-</td>
<td>334,905</td>
</tr>
<tr>
<td>Alvin Yap Ah Seng</td>
<td>276,240</td>
<td>25,740</td>
<td>-</td>
<td>301,980</td>
</tr>
<tr>
<td>Lai Chin Yee</td>
<td>276,240</td>
<td>25,740</td>
<td>-</td>
<td>301,980</td>
</tr>
<tr>
<td>Tan Tow Ee</td>
<td>-</td>
<td>-</td>
<td>30,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Chang Weng Leong</td>
<td>-</td>
<td>-</td>
<td>26,000</td>
<td>26,000</td>
</tr>
<tr>
<td>Sharon Yeoh Kar Choo</td>
<td>-</td>
<td>-</td>
<td>26,000</td>
<td>26,000</td>
</tr>
<tr>
<td>Ling Kai Huat</td>
<td>-</td>
<td>-</td>
<td>26,000</td>
<td>26,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>858,720</strong></td>
<td><strong>80,145</strong></td>
<td><strong>108,000</strong></td>
<td><strong>1,046,865</strong></td>
</tr>
</tbody>
</table>

- The salary and bonus amounts shown are inclusive of Singapore Central Provident Fund contributions.
- The Company has no share-based compensation scheme or any long-term incentive scheme involving the offer of shares or options in place.
- 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 2019 is set out below:

<table>
<thead>
<tr>
<th>Name of management personnel</th>
<th>Salary</th>
<th>Bonus</th>
<th>Allowances &amp; benefits</th>
<th>Total remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andy Yap Ah Siong *</td>
<td>276,240</td>
<td>25,740</td>
<td>-</td>
<td>301,980</td>
</tr>
<tr>
<td>Jimmy Tan Boon Kim</td>
<td>230,640</td>
<td>21,294</td>
<td>-</td>
<td>251,934</td>
</tr>
<tr>
<td>Yap Kim Choon **</td>
<td>189,360</td>
<td>-</td>
<td>-</td>
<td>189,360</td>
</tr>
<tr>
<td>Lee Kim Hwat</td>
<td>168,528</td>
<td>19,695</td>
<td>-</td>
<td>188,223</td>
</tr>
<tr>
<td>Low Eng Hua</td>
<td>150,240</td>
<td>13,455</td>
<td>-</td>
<td>163,695</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,015,008</td>
<td>80,184</td>
<td></td>
<td>1,095,192</td>
</tr>
</tbody>
</table>

* Mr Andy Yap Ah Siong is the brother of Mr Alvin Yap Ah Seng, an Executive Director and cousin of Mr Kenny Yap Kim Lee, the Executive Chairman & CEO.

** Mr Yap Kim Choon is the brother of Mr Kenny Yap Kim Lee, the Executive Chairman & CEO and cousin of Mr Alvin Yap Ah Seng, an Executive Director.

- The salary and bonus amounts shown are inclusive of Singapore Central Provident Fund contributions.
- The Company has no share-based compensation scheme or any long-term incentive scheme involving the offer of shares or options in place.

iii) Remuneration of immediate family members of CEO and Executive Directors

(remuneration amounts exceed $100,000 per annum)

The breakdown of total remuneration of employees who are immediate family members of the CEO and the Executive Directors whose remuneration exceed $100,000 per annum for the year ended 31 December 2019 is set out below:

<table>
<thead>
<tr>
<th>Name of management personnel</th>
<th>Salary</th>
<th>Bonus</th>
<th>Allowances &amp; benefits</th>
<th>Total remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andy Yap Ah Siong *</td>
<td>276,240</td>
<td>-</td>
<td>-</td>
<td>276,240</td>
</tr>
<tr>
<td>Jimmy Tan Boon Kim</td>
<td>230,640</td>
<td>-</td>
<td>-</td>
<td>230,640</td>
</tr>
<tr>
<td>Yap Kim Choon **</td>
<td>189,360</td>
<td>-</td>
<td>-</td>
<td>189,360</td>
</tr>
<tr>
<td>Lee Kim Hwat</td>
<td>168,528</td>
<td>-</td>
<td>-</td>
<td>168,528</td>
</tr>
<tr>
<td>Low Eng Hua</td>
<td>150,240</td>
<td>-</td>
<td>-</td>
<td>150,240</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,015,008</td>
<td>-</td>
<td></td>
<td>1,015,008</td>
</tr>
</tbody>
</table>

* Mr Yap Ping Heng, Mr Yap Hock Huat and Mr Yap Kim Chuan are brothers of Kenny Yap Kim Lee, the Executive Chairman & CEO and cousins of Mr Alvin Yap Ah Seng, an Executive Director.

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 long-term incentive plan 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**

**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.

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 Risk Management Committee (“RMC”) 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 to the achievement of the Group’s strategic objectives, 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 ongoing 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 82 to 88 of this Annual Report.

**RMC Composition and Role**

The Board established the RMC in FY 2013 as part of the Group’s efforts to strengthen its risk management processes and framework, in overseeing the formulation, update and maintenance of an adequate and effective risk management and internal control systems.

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

The key written terms of reference of the RMC are set out on page 81 of this Annual Report.

**PROVISION 9.2**

**Assurance from the CEO, CFO and KMPs**

The RMC 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 in the context of the current scope of the Group’s business operations.

Based on the Group’s framework of management controls in place, the internal control policies and procedures established and maintained by the Group, as well as the reviews performed by the external and internal auditors, the Board, with the concurrence of the AC, 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 2019 to address the risks that the Group considers relevant and material to its operations.

Management will continue to review and strengthen the Group’s control environment and devote resources and expertise towards improving its internal policies and procedures to maintain a high level of governance and internal controls.

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

The key written terms of reference of the AC are set out on page 80 of this Annual Report.

The Board considers Mr Tan Tow Ee, who has extensive and practical financial management knowledge and experience, is well qualified to chair the AC.

The Board is satisfy that the AC members, collectively, have relevant accounting and related financial management expertise or experience and are appropriately qualified to discharge their responsibilities.

The AC 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 AC has adequate resources, including access to external consultants and auditors, to enable it to discharge its responsibilities properly.

The AC met four times in the financial year ended 31 December 2019 and all the Executive Directors are invited to attend the meetings.

**Audit Committee**

**Principle 10: The Board has an Audit Committee (“AC”) which discharge its duties objectively.**

**PROVISION 10.2**

**AC Composition and Role**

The Board established the AC in July 2000 which comprises four non-executive directors, all of whom including the Chairman of the AC are independent.
**Financial Reporting Matters**

The AC meets on a quarterly basis to review the quarterly and the audited annual financial statements, SGXNET announcements and all related disclosures to shareholders before submission to the Board for approval. In the process, the AC 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 of the financial statements.

The following areas are the key risks of misstatement of the Group’s financial statements and how these matters were addressed:

<table>
<thead>
<tr>
<th>Matters considered</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation of biological assets - $10.3 million (12.9% of Group’s total assets)</td>
<td>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. 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. 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 breeder 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 2019 and that the disclosures in the financial statements were appropriate.</td>
</tr>
<tr>
<td>Valuation of amount due from subsidiaries (Company level) - $18.6 million</td>
<td>Included in the amount due from subsidiaries balance as at 31 December 2019 was significant long outstanding amount due from Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd (“GZQH”) amounted to approximately $10.3 million representing 55.5% of the amount due from subsidiaries balances, of which the recoverability of approximately $7.2 million was guaranteed by a major shareholder of the Company and a director of the Company. The Audit Committee assessed the reasonableness of the recoverability of the above amount, which premised on the financial strengths of the guarantor 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. 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 2019 and that the disclosures in the financial statements were appropriate.</td>
</tr>
<tr>
<td>Impairment of Goodwill - $4.0 million (5.1% of Group’s total assets)</td>
<td>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. 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. 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 2019 and that the valuation of goodwill and the disclosures in the financial statements were appropriate.</td>
</tr>
</tbody>
</table>

**Internal Controls & Regulatory Compliance**

The AC 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 AC reviews the assurance from the CEO and the CFO on the financial records and financial statements.

**External Audit**

The AC 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 AC 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 2019, 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 AC 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 page154 of this Annual Report.

The AC 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, 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 2019, 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 AC 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 page154 of this Annual Report.

The AC 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 2020, the AC has considered the adequacy
of the resources, experience and competence of KPMG, and has taken into account the Audit Quality Indicators 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 AC also considered the audit team’s ability to work in a co-operative manner with Management whilst maintaining integrity and objectivity and to deliver their services professionally and within agreed timelines.

On the basis of the above, the AC 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 715 read with 716 of the Listing Manual of the SGX-ST in relation to the appointments of its external auditors. The AC 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 AC 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 AC and has unrestricted access to the documents, records, properties and personnel of the Company and of the Group.

The AC 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 AC 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 Business Ethics and Conduct that sets the principles of the code of business ethics and conduct 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 AC, 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 Mr Chang Weng Leong, Chairman of the RC. Details of the whistle blowing policies and arrangements 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 AC reports to the Board on such matters at the Board meetings. Should the AC receive reports relating to serious offences and/or criminal activities in the Group, the AC 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 2019 and until the date of this Annual Report.

PROVISION 10.3

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

PROVISION 10.5

Meeting Auditors without the Management

The AC 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 AC.
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 share- holders’ 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 2019, is distributed to all shareholders 28 days before the scheduled AGM date. Shareholders are invited to attend the general meetings to put forth any questions they may have on the motions to be debated and decided upon.

All shareholders are entitled to vote in accordance with the established voting rules and procedures at the AGM. Each share is entitled to one vote. In support of greater transparency and to allow for a more efficient voting process, the company has been conducting electronic poll voting since the 2016 AGM and will continue to do so in respect of all the resolutions tabled at the 2020 AGM. The detailed procedures for the electronic poll voting is explained at the AGM. An external firm is appointed as scrutineers for the AGM voting process, which is independent of the firm appointed to undertake the electronic poll voting process.

Through the service provider’s poll voting system, the total number of votes cast for and against and the respective percentages on each resolution are tallied and instantaneously displayed on the screen after each poll conducted during 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.

PROVISION 11.3

Interaction with Shareholders

At general meetings of the Company, shareholders are given the opportunity to communicate their views and are encouraged to ask the directors and the Management questions regarding matters affecting the Company. The Executive Chairman and the Chairpersons of the AC, NC and RMC were present at the last AGM. Although Mr Chang Weng Leong, the Chairman of the RC could not attend the last AGM, the other members of the RC were present at the AGM. All directors will endeavour to be present at the Company’s forthcoming 2020 AGM to address shareholders’ questions relating to the work of these Committees.

The Company’s external auditors, KPMG, are also present at the AGM and are available to assist the directors in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of the auditors’ report.

PROVISION 11.4

Shareholders’ Participation

The Company supports active shareholder participation at general meetings. Annual reports are distributed to all shareholders 28 days before the scheduled general meeting date. All shareholders are encouraged to attend the general meetings to ensure 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.

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 the Group’s website, electronic mail or facsimile, for shareholders who are not able to attend the AGM to contribute their feedback and inputs. The Company prepares 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 SGX website (www.sgx.com) and the Company’s website within three working days from the date of the meeting.
Corporate Governance Report (Cont’d)

PROVISION 11.6

Dividend Policy

Qian Hu has formalised its dividend policy to provide a return to shareholders at least once a year through the payment of dividends. It aims to pay a sustainable and growing dividend over time, consistent with long-term growth prospects. The form, frequency and amount of dividends declared each year will take into consideration the Group’s financial performance, cash position, cash flow generated from operations, projected capital requirements for business growth, general global economic conditions and other factors as the Board may deem appropriate.

The Board of directors has declared a final dividend of 0.3 Singapore cents per ordinary share for the financial year ended 31 December 2019 (31 December 2018: 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 disclosed 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. Unaudited results for the first three quarters are released to shareholders no later than 20 days from the end of the quarter. Audited full-year results are released within 15 days from the financial year end. Each quarterly announcement is accompanied by a press release in both the English and Chinese languages. Joint briefings for media and analysts, with a PowerPoint presentation, are held in conjunction with the release of the Company’s half-year and full year results, with the presence of the CEO, CFO and all the Executive Directors to answer the relevant questions which the media and analysts may have.

Outside of the financial announcement periods, when necessary and appropriate, the CEO will meet analysts and fund managers who like to seek a better understanding of the Group’s operations. The CEO also engages 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 CEO conducts 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 5 of this Annual Report as well as on the Company’s website. The IR personnel have procedures in place for following up and responding to stakeholders queries as soon as applicable.

Full details of the Group’s investor relations (IR) initiatives are set out on page 60 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.

Stakeholders’ Engagement

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 the concerns so as to improve 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 are able to impact the Group’s business and operations. Six stakeholders groups have been identified through an assessment of their significance to the business operations. They are namely, suppliers, customers, employees, community, investors and regulators.

Qian Hu has 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 42 and 43 of this Annual Report.

Having identified the stakeholders and the material issues, the Company has mapped out the key areas of focus in relation to the management of the respective stakeholder relationships.

Please refer to the Sustainability Report on pages 40 to 91 of this Annual Report for further details.

PROVISION 13.3

Corporate Website

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 website. The Company does not practice selective disclosure of material information. All materials on the quarterly, half-yearly and full year financial results are available on the Company’s website – www.qianhu.com. The comprehensive website, which is updated regularly, contains various information on the Group and the Company which serves as an important resource for investors and all stakeholders.

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 two weeks and one month immediately preceding the announcement of the Company’s quarterly and full-year results respectively, 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 2019, 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 2019. 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 AC, 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 AC 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 157 and 158 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.
Governance

Corporate Governance Report (Cont’d)

APPENDIX – BOARD COMMITTEES’ – DUTIES AND RESPONSIBILITIES

AUDIT 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.
• Investigate any matters within the Audit 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 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 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 COMMITTEE

- 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.
- Assist the AC in forming the opinion on the adequacy and effectiveness of the Group’s risk management systems by providing insight and outcome of review and discussion of the RMC.
- Perform such other functions as the Board may determine.