

# Corporate Governance Statement

The Company recognises the importance of upholding a high standard of corporate governance to ensure the long-term sustainability of the Group's business and performance and accountability to protect shareholders' interests.

The SGX-ST Listing Manual requires an issuer to describe its corporate governance practices with specific reference to the principles and the provisions of the Code of Corporate Governance 2018 ("**the Code**") in its annual report, as well as disclose any deviation from any provision of the Code and explain how the practices it had adopted are consistent with the intent of the relevant principle.

This statement outlines the policies adopted and practised by the Group during FY2023 with specific reference to the relevant principles and provisions of the Code. The Company has generally adopted principles and practices of corporate governance in line with the recommendations of the Code, save as highlighted and explained in this report.

## BOARD MATTERS

### Principle 1: Board's Conduct of its Affairs

The board of Directors of the Company (the "**Board**") works with the senior management of the Group (the "**Management**") for the long-term success of the Company.

All Directors recognise that they have to discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company and hold Management accountable for performance, and the Board is accountable to shareholders through effective governance of the business.

### **Provision 1.1**

The Board has put in place a Code of Conduct to guide employee's compliance with internal controls, policies and procedures of the Group, and to guide their observance of ethics and integrity in the day-to-day conduct of the Group's business.

The Board's principal functions include:-

- (a) to provide leadership and set strategic objectives, and to ensure that the necessary financial and human resources are in place for the Group to meet its objectives. The Board will also, where appropriate, consider sustainability issues in respect of the Group's business and operations as part of its strategic formulation;
- (b) to establish a framework of internal controls for risk management;
- (c) to review Management's performance; and
- (d) to set the Group's values and standards (including ethical standards).

The Board has adopted a policy where Directors who are interested in any matter being considered, recuse themselves from deliberations and abstain from voting in relation to any such resolution(s) relating to such matter.

# Corporate Governance Statement (cont'd)

## *Continuous Training for Directors and Orientation for Incoming Directors*

Incoming Directors will receive a tailored induction on joining the Board, which would include his duties and obligations as a director, and an orientation program to provide information on the Company's business and governance practice. If the newly-appointed Director has no prior experience as a director of a SGX-ST listed company, they are also required to attend courses and training organised by institutions such as the Singapore Institute of Directors, the Accounting and Corporate Regulatory Authority ("ACRA") and the SGX-ST.

**Provision 1.2  
and  
Provision 4.5**

Mr Yasuhiko Watanabe was appointed to the Board on 1 November 2023. As Mr Yasuhiko Watanabe did not have prior experience as a director of a company listed on the SGX-ST at the time of his appointment to the Board, Mr Yasuhiko Watanabe will be attending the relevant training as prescribed by Practice Note 2.3 of the SGX-ST Listing Manual, within one year from the date of his appointment to the Board. Although Mr Ong Tiew Siam, Mr Lim Jun Xiong Steven and Mr Loo Cheng Guan were appointed to the Board on 1 December 2022, they were not required to attend similar training as they are already independent directors of other companies listed on the SGX-ST.

Directors are briefed by Management or, if necessary, by the appropriate professional advisers on salient industry trends or updates and changes or updates to relevant legal or regulatory or accounting requirements, where applicable. Directors are also encouraged to attend relevant training programmes, seminars and workshops organised by various professional bodies and organisations to equip themselves to effectively discharge their duties and to enhance their skills and knowledge, either as part of their own professional practice or skills upgrading, or through the Company. The Company will be responsible for arranging and funding the training of the Directors.

Except for Mr Yasuhiko Watanabe who was appointed to the Board on 1 November 2023, the Directors had attended various briefings, updates and training as part of their continuing professional development, including, *inter alia*, the "SID Environmental, Social and Governance Essentials" as required by the Singapore Exchange Regulation.

## *Matters Requiring Board Approval*

The Board has adopted a set of internal guidelines setting forth matters that require its approval. Matters which are specifically reserved to the Board for approval include but are not limited to the following:

**Provision 1.3**

- (a) any proposed acquisitions and disposal of any company or other entity, business, undertaking and/or assets of the Group which is not in the ordinary course of business of the Group;
- (b) any proposed changes in the capital of the Company;
- (c) any interested person transaction (as defined under Chapter 9 of the SGX-ST Listing Manual);
- (d) any recommendation or declaration or approval of an interim or final dividend (including a bonus or special dividend, if any), including the rate and amount of dividend per share and date of payment and other returns to shareholders; and
- (e) capital expenditure or commitment exceeding S\$1 million per transaction which is not considered to be in the ordinary course of business.

# Corporate Governance Statement (cont'd)

## Delegation of Authority to Board Committees

The Board is supported by three sub-committees, namely the Audit Committee, the Nominating Committee and the Remuneration Committee (collectively, the “**Board Committees**”), each with specific terms of reference where their powers, functions and duties as well as procedures governing their operation and decision-making are described.

**Provision 1.4**

## Meetings of Board and Board Committees

The Board and Board Committees meet regularly throughout the year. Ad hoc meetings and/or discussions (including via email correspondences) are convened when circumstances require. Details relating to the number of Board and Board Committees meetings held in respect of FY2023 and the attendance of the Directors are set out below:

**Provision 1.5**

Name	Number of Meetings <sup>2</sup>									
	Board Meetings		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings		General Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Tan Siok Chin	6	6	4	4	1	1 <sup>1</sup>	2	2 <sup>1</sup>	2	2
Jack Ong Tong Hai	6	6	4	4 <sup>1</sup>	1	1 <sup>1</sup>	2	2 <sup>1</sup>	2	2
Shiro Kanaya <sup>3</sup>	6	5	4	3 <sup>1</sup>	1	0	2	0	2	1
Yasuhiko Watanabe <sup>4</sup>	6	1	4	1 <sup>1</sup>	1	1	2	1	2	0
Ong Tiew Siam <sup>5</sup>	6	6	4	4	1	1	2	2 <sup>1</sup>	2	2
Hor Siew Fu	6	6	4	4	1	1 <sup>1</sup>	2	2 <sup>1</sup>	2	2
Lim Jun Xiong Steven <sup>5</sup>	6	6	4	4 <sup>1</sup>	1	1	2	2	2	2
Loo Cheng Guan <sup>5</sup>	6	6	4	4 <sup>1</sup>	1	1 <sup>1</sup>	2	2	2	2
Low Beng Tin <sup>6</sup>	6	0	4	0	1	0	2	0	2	0

### Notes:

- <sup>1</sup> The Directors are not members of the respective Board Committees but have attended the meetings by invitation.
- <sup>2</sup> Regular Board and Board Committee meetings comprise four Board meetings, four Audit Committee meetings, two Nominating Committee meeting and two Remuneration Committee meeting. Notwithstanding that the Company is not required to release its financial statements on a half yearly basis with effect from 7 February 2020, the Board and the Audit Committee continue to meet at least four times a year.
- <sup>3</sup> Mr Shiro Kanaya has resigned from the Board and ceased to be a Director on 1 November 2023.
- <sup>4</sup> Mr Yasuhiko Watanabe was appointed to the Board on 1 November 2023 following the resignation of Mr Shiro Kanaya on the same date.
- <sup>5</sup> Mr Ong Tiew Siam, Mr Lim Jun Xiong Steven and Mr Loo Cheng Guan were appointed to the Board on 1 December 2022.
- <sup>6</sup> Mr Low Beng Tin has resigned from the Board and ceased to be a Director on 1 December 2022.

## Multiple Board Representations

Directors with multiple board representations are to disclose such board representations and ensure that sufficient time and attention are given to the affairs of the Group. The Nominating Committee will review the multiple board representations held by the Directors on an annual basis to ensure that sufficient time and attention is given to the affairs of the Group.

# Corporate Governance Statement (cont'd)

## *Provision of Information to the Board and Board Committees*

Board papers for Board and Board Committees meetings are sent to Directors in advance in order for Directors to be adequately prepared for meetings including all relevant documents, materials, background or explanatory information relating to matters to be brought before the Board and Board Committees.

**Provision 1.6**

Management regularly puts up proposals or reports for the Board's consideration and approval (where appropriate), for instance, proposals on the annual budget of the Group, updates on any material variance between the budgeted and actual results, proposals relating to specific proposed transactions or general business direction or strategy of the Group, as well as regular reports or updates on the Group's inventory management and risk management. Directors, when presented with these proposals or reports for their consideration, evaluate the proposals or reports made by Management and Directors also review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance and, where appropriate, provide guidance to Management on relevant aspects of the Group's business and assist in the development of proposals on the Group's business strategy.

The Board was informed and its approval sought on the matters which require its approval under the internal guidelines set by the Board, including material events and transactions. Requests for other information by the Board were also dealt with promptly.

## *Access to Management, Company Secretary and Independent Professional Advice*

The Board, the Board Committees and the Directors have separate and independent access to Management and are entitled to request from Management such additional information or clarification as required.

**Provision 1.7**

The Company Secretary attends all Board and Board Committees meetings and is responsible for ensuring that Board procedures are followed and recording and the minutes of all Board and Board Committees meetings are recorded and circulated to the Board and the Board Committees and also advises the Board on all governance matters.

Under the direction of the Chairman, the Company Secretary facilitates the information flow within the Board and Board Committees and between Management and Non-Executive Directors. The Board has independent access to the Company Secretary. The appointment and the removal of the Company Secretary are decisions taken by the Board as a whole.

Professional advisors may be invited to advise the Board, or any of its members, if the Board or any individual member thereof needs independent professional advice.

## **Principle 2: Board Composition and Guidance**

The Board exercises objective judgment independently from Management on corporate affairs of the Group and no individual or small group of individuals dominate the decisions of the Board.

## *Board Composition and Degree of Independence of the Board*

As at the date of this Report, the Board comprises seven (7) Directors, four (4) of whom are independent directors ("**Independent Director**"), two (2) of whom (including the Chairman) are non-executive, non-independent directors ("**Non-Executive Non-Independent Director**") and one (1) is an executive director ("**Executive Director**"). The majority of the Board comprises Non-Executive Independent Directors.

**Provision 2.1,  
Provision 2.2,  
Provision 2.3  
and  
Provision 4.5**

# Corporate Governance Statement (cont'd)

The Directors in office at the date of this Report are:

Name of Director	Role undertaken	Board Committee Membership	Date of First Appointment	Date of last Re-appointment	Present directorships and chairmanships in other listed companies and other principal commitments	Directorships and chairmanships in other listed companies and other principal commitments over the preceding 3 years
Tan Siok Chin	Chairman & Non-Executive Non-Independent Director	Audit Committee	28 March 2007	28 January 2022	ACIES Law Corporation	Design Studio Group Ltd Valuetronics Holding Limited
Jack Ong Tong Hai	Chief Executive Officer & Executive Director	-	9 November 2005	31 January 2023	Kim Seng Huat Hardware Pte Ltd CosmoSteel (Australia) Pty Ltd	Nil
Yasuhiko Watanabe	Non- Executive Non-Independent Director	Nominating Committee Remuneration Committee	1 November 2023	-	Hanwa Co., Ltd <sup>1</sup>	Nil
Ong Tiew Siam	Lead Independent Director	Audit Committee (Chairman) Nominating Committee	1 December 2022	31 January 2023	CSC Holdings Limited	Design Studio Group Ltd Valuetronics Holdings Limited
Hor Siew Fu	Independent Director	Audit Committee	26 October 2018	31 January 2023	Edition Ltd Memiontec Holdings Limited Datapulse Technology Limited	Plastoform Holdings Limited
Lim Jun Xiong Steven	Independent Director	Nominating Committee (Chairman) Remuneration Committee	1 December 2022	31 January 2023	Bund Center Investment Ltd Sinarmas Land Limited Livingstone Health Holdings Limited Riverstone Holdings Limited Baker Technology Limited	Mirach Energy Limited Keong Hong Holdings Limited Emerging Towns & Cities Ltd Hong Fok Corporation Limited
Loo Cheng Guan	Independent Director	Remuneration Committee (Chairman)	1 December 2022	31 January 2023	Valuetronics Holdings Limited China First Capital Group Limited Vermilion Gate Pte Ltd King Tower Asset Management (S) Pte Ltd	Mirach Energy Limited Datapulse Technology Limited

**Note:**

<sup>1</sup> Mr Yasuhiko Watanabe is an Executive Officer in charge of Corporate Planning Division, Legal Division, Credit Division and Sustainability Promotion Office in the Tokyo office.

*Alternate Directors*

As of the date of this Report, the Company has not appointed any Alternate Directors.

# Corporate Governance Statement (cont'd)

## Composition and Size of the Board

The Board has adopted a policy and framework for promoting diversity on the Board and the Nominating Committee is responsible for ensuring that this policy is implemented in an effective and practical manner. The Nominating Committee will report to the Board periodically on the progress made in achieving the objectives set for promoting diversity.

### Provision 2.4

In designing, determining or assessing (as the case may be) the Board's composition, Board diversity has been considered from a wide range of aspects, including but not limited to skills, experience, educational background, length of service, gender, age and any other factors that the Board may consider relevant and applicable from time to time. High emphasis is placed on ensuring a balanced composition of skills and experience at the Board level in order to provide a range of core competences, knowledge, perspectives and insights that will enable the Board to discharge its duties and responsibilities effectively, support good decision making in view of the core businesses and strategy of the Company and the Group, and support succession planning and development of the Board.

The Nominating Committee conducts an annual review on the composition of the Board, including the diversity and balance of skills, gender, age, knowledge and experience on the Board (in particular, whether Directors may possess core competencies in areas such as accounting or finance, legal and regulatory matters, risk management, business or management experience and industry knowledge) and the size of the Board which would facilitate decision-making.

The Nominating Committee is of the view that given the nature and scope of the Group's operations, the present Board size of seven (7) members is appropriate to facilitate effective decision-making to meet the needs and demands of the Group's business.

The Nominating Committee also reviews the independence of the Independent Directors appointed to the Board annually in accordance with the guidelines on independence set out in the Code and the SGX-ST Listing Manual.

In addition, given the diverse qualifications, experience, background, gender and profile of the Directors, including the Independent Directors, a further breakdown of which is set out in the table below, the Nominating Committee is of the view that the current Board members as a group provides an appropriate balance and diversity of the relevant skills, experience and expertise required for effective management of the Group.

## Balance and Diversity of the Board

	Number of Directors	Proportion of Board (%)
<b>Core Competencies</b>		
Accounting or finance	4	57
Legal or corporate governance	5	71
Relevant industry knowledge or experience	2	29
Business Management/Strategic planning experience	7	100
Information Technology	-	-
Human Resource Management	1	14
<b>Gender</b>		
Male	6	86
Female	1	14

The Directors' profiles are set out in pages 12 to 13 of this Report.

# Corporate Governance Statement (cont'd)

## *Meetings without the presence of Management*

Non-Executive Non-Independent Directors and Independent Directors meet regularly without the presence of Management, in the meetings with the external auditors and internal auditors at least annually and on such other occasions as may be required and the chairman of such meetings provides feedback to the Board and/or the Chairman as appropriate.

**Provision 2.5**

## **Principle 3: Chairman and Chief Executive Officer**

### *Roles and Responsibilities of Chairman and CEO*

The Company adopts a dual-leadership structure. Following the resignation of Mr Low Beng Tin on 1 December 2022, Ms Tan Siok Chin was redesignated as the Chairman, and Mr Jack Ong Tong Hai is the Chief Executive Officer and Executive Director.

**Provision 3.1**

The Chief Executive Officer, Mr Jack Ong Tong Hai, assumes executive responsibilities for the Group's performance and the Group's business.

**Provision 3.2**

As the Chairman, Ms Tan Siok Chin leads the Board, ensures that the Directors receive accurate, timely and clear information, encourages constructive relations between the Board and Management, as well as between Board members, facilitates contributions from Board members, including Non-Executive Non-Independent Directors, ensures effective communication with shareholders and endeavours to promote a high standard of corporate governance. The Chairman also ensures that Board meetings are held regularly and on an ad hoc basis where required and, when necessary, sets the Board meeting agendas in consultation with the Management and the Company Secretary. The Chairman presides over each Board meeting and ensures full discussion of agenda items. Management staff, as well as external experts who can provide additional insights into the matters to be discussed, are invited when necessary, to attend at the relevant time during the Board meetings.

### *Lead Independent Director*

Following the appointment of Ms Tan Siok Chin as Chairman, the Company has appointed Mr Ong Tiew Siam as Lead Independent Director on 1 December 2022.

**Provision 3.3  
and Rule  
1207(10A)  
of the SGX-ST  
Listing Manual**

Mr Ong Tiew Siam responds to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management may be inappropriate or inadequate.

## **Principle 4: Board Membership**

### *Composition and Terms of Reference of Nominating Committee*

The Nominating Committee is governed by written terms of reference under which it is responsible for:

**Provision 4.1**

- (a) determining annually, and as and when circumstances require, whether a Director is independent, and providing its views to the Board in relation thereto for the Board's consideration;
- (b) where a Director or proposed Director has multiple board representations, deciding whether the Director is able to and has been adequately carrying out his duties as a Director, taking into consideration the Director's number of listed company board representations and other principal commitments;
- (c) where the appointment of an alternate Director to a Director is proposed, determining whether the alternate Director is familiar with the Company's affairs, appropriately qualified and (in the case of an alternate Director to an independent) whether the alternate Director would similarly qualify as an independent Director, and providing its views to the Board in relation thereto for the Board's consideration;

# Corporate Governance Statement (cont'd)

- (d) making recommendations to the Board on relevant matters relating to:
- (i) the review of board succession plans for Directors, in particular, the Chairman and for the CEO;
  - (ii) the development of a process and criteria for evaluation of the performance of the Board, its Board Committees and Directors;
  - (iii) the review of training and professional development programs for the Board; and
  - (iv) the appointment and re-appointment of Directors (including alternate Directors, if applicable).

The Nominating Committee comprises three (3) Directors, two (2) of whom are Independent Directors. As at the date of this Report, the members of the Nominating Committee are:

#### **Provision 4.2**

Mr Lim Jun Xiong Steven      Chairman  
Mr Ong Tiew Siam  
Mr Yasuhiko Watanabe

Mr Hor Siew Fu had stepped down from the Nominating Committee on 1 December 2022 following the appointment of Mr Lim Jun Xiong Steven and Mr Loo Cheng Guan to the Nominating Committee.

Mr Loo Cheng Guan had stepped down from the Nominating Committee on 22 December 2022 following the appointment of Mr Ong Tiew Siam to the Nominating Committee.

Mr Low Beng Tin had resigned from the Board and ceased to be a Director on 1 December 2022.

Mr Shiro Kanaya had resigned from the Board and ceased to be a Director on 1 November 2023.

Mr Yasuhiko Watanabe was appointed to the Nominating Committee on 1 November 2023 following the resignation of Mr Shiro Kanaya on the same date.

#### *Evaluation of the Board*

The Company has in place a process for selecting and appointing new Directors, and nominating existing Directors for re-appointment. Such process includes, in the case of a new Director to be appointed, *inter alia*, an evaluation of a candidate's qualifications and experience with due consideration being given to ensure that the Board consists of members who as a whole will collectively possess the relevant core competencies in areas such as accounting or finance, legal and regulatory matters, risk management, business or management experience and industry knowledge. The search for new Directors, if any, will, if considered necessary, be made through executive search companies, contacts and recommendations and shortlisted persons will be evaluated by the Nominating Committee before being recommended to the Board for consideration.

#### **Provision 4.3**

The Nominating Committee, working in conjunction with the Management, keeps a constant lookout for appropriate training and professional development programmes from time to time offered by professional bodies such as the Singapore Institute of Directors and external training institutes and service providers, and recommends them to Board members for attendance or participation. Individual Directors may from time to time attend separate training and professional development programmes, in connection with their own profession or work or other directorships which they may hold.



# Corporate Governance Statement (cont'd)

The Company's Constitution ("**Constitution**") require at least one-third of the Directors, or if their number is not a multiple of three, the number nearest to but not less than one-third of the Directors, to retire from office by rotation once every three years and shall then be eligible for re-election at the meeting at which he retires.

Existing Directors are put up for retirement and re-election in accordance with the foregoing requirement, and the Nominating Committee will recommend the nomination of a Director for re-election after considering, *inter alia*, the Director's competencies, commitment, contribution and performance, as well as the need for progressive renewal of the Board.

The Nominating Committee considers the need for Board renewal as and when necessary or appropriate, as part of succession planning. At Management's level, action plans and training programmes are in place to build-up the next level of management team to support senior management.

Each member of the Nominating Committee will abstain from voting on any resolution of the Nominating Committee or the Board (if applicable) in respect of the assessment of his/her performance or re-nomination as Director.

#### *Determining Directors' Independence*

The Nominating Committee determines on an annual basis whether or not a Director is independent. As and when circumstances require, the Nominating Committee will also assess and determine a Director's independence.

#### **Provision 4.4**

Each Independent Director completes a declaration to confirm his independence on an annual basis. The declaration is drawn up based on the guidelines provided in the SGX-ST Listing Manual and the Code.

The Nominating Committee carried out the review on the independence of each Independent Director in November 2023 taking into account the respective Directors' self-declarations and their actual performance on the Board and Board Committees, and is satisfied that the Independent Directors are able to act with independent judgment.

#### *Commitments of Directors Sitting on Multiple Boards*

Pursuant to the Board's policy on the maximum number of listed company board representations which any Director may hold, Directors should not have more than six (6) listed company board representations. The listed company directorships and principal commitments of each Director is set out above in page 60 of this Report. The Nominating Committee has reviewed each Director's other directorships and their principal commitments. Despite the multiple directorships of some Directors, the Nominating Committee was satisfied that such Directors spent adequate time on the Company's affairs and have carried out their responsibilities and duties as a Director of the Company.

#### **Provision 4.5**

The Nominating Committee took into account the results of the assessment of the effectiveness of the individual Director, the level of commitment required of the Director's other principal commitments, and the respective Directors' actual conduct and participation on the Board and Board Committees, including availability and attendance at regular scheduled meetings and ad-hoc meetings, in making the determination, and is satisfied that all the directors have been able to and have adequately carried out their duties as director notwithstanding their multiple listed board representations and other principal commitments.

# Corporate Governance Statement (cont'd)

## Principle 5: Board Performance

The Nominating Committee has, with the approval of the Board, established performance criteria and evaluation procedures for evaluation and assessment of the effectiveness and performance of the Board, the Board Committees and the Directors.

### Provision 5.1

The performance criteria which has been adopted include the adequacy and timeliness of information provided to the Board and the Board Committees, adequacy of process for monitoring and reviewing Management's performance, timeliness and adequacy of disclosures and communications with shareholders and other stakeholders. In addition, the Nominating Committee will have regard to whether a Director has adequate time and attention to devote to the Company, in the case of Directors with multiple board representations and other principal commitments.

In addition to evaluating the performance of the Board and the Board Committees as a whole, the performance of all Directors, including the Chairman, were individually reviewed by their fellow Directors, taking into consideration *inter alia*, the Director's competencies, commitment, contributions and performance at Board and Board Committees meetings and discussions, including attendance, preparedness, participation and candour.

### Provision 5.2

Each of the Directors has completed a Board Performance Evaluation Checklist, giving their individual assessment and evaluation of the Board's ability and Board Committees' ability to meet the relevant criteria stated in the Board Performance Evaluation Checklist. In addition, each of the Directors has completed an Individual Directors' Evaluation Checklist, giving their assessment and review of other Directors' performance.

The results of such assessment and evaluation were collated by the Company Secretary and reviewed and considered by the Nominating Committee, with the appropriate reports or recommendations (including on follow-up actions, if any) provided to the Board.

The Company does not engage an external facilitator in respect of the Board Performance Evaluation.

## Principle 6: Procedures for Developing Remuneration Policies

### *Composition and Terms of Reference of Remuneration Committee*

The Remuneration Committee is governed by written terms of reference under which it is responsible for:

### Provision 6.1 and Provision 6.3

- (a) reviewing and recommending to the Board, a general framework of remuneration for the Directors and key management personnel;
- (b) reviewing and recommending annually to the Board, the specific remuneration packages for each Director as well as for the key management personnel;
- (c) reviewing all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind;
- (d) reviewing annually the remuneration of employees who are substantial shareholders, immediate family members of a Director or the CEO or a substantial shareholder whose remuneration exceeds S\$100,000 during the year;
- (e) reviewing the Company's obligations arising in the event of termination of the Executive Director and key management personnel's contracts of service, to ensure that such arrangements are fair and reasonable and not overly generous;

# Corporate Governance Statement (cont'd)

- (f) ensuring that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants;
- (g) administering the employee share option scheme, share-incentive or award scheme from time to time established or implemented by the Company (collectively the “Schemes”) with powers to determine, *inter alia*, the following:-
  - (i) persons to be granted options, share incentives, awards and other benefits under the Schemes;
  - (ii) number of options, share incentives, awards and other benefits under the Schemes to be offered;
  - (iii) terms of such options, share incentives, awards and other benefits under the Schemes to be offered, including exercise price and vesting periods;
  - (iv) recommendations for modifications to the Schemes;
  - (v) generally, perform such other functions and duties as may be required by the relevant laws or provisions of the SGX-ST Listing Manual and the Code (as may be amended from time to time); and
- (h) reviewing whether the Executive Director, Non-Executive Non-Independent Director and Independent Directors and key management personnel should be eligible for options, share incentives, awards and other benefits under the Schemes.

There are currently no Schemes applicable to the Company.

The Company has established a Remuneration Committee which comprises three (3) Directors, all of whom are non-executive and two (2) of whom are Independent Directors.

**Provision 6.2**

As at the date of this Report, the Remuneration Committee members are:

Mr Loo Cheng Guan      Chairman  
Mr Lim Jun Xiong Steven  
Mr Yasuhiko Watanabe

Mr Hor Siew Fu had stepped down from the Remuneration Committee on 1 December 2022 following the appointment of Mr Lim Jun Xiong Steven and Mr Loo Cheng Guan to the Remuneration Committee.

Mr Low Beng Tin has resigned from the Board and ceased to be a Director on 1 December 2022.

Mr Shiro Kanaya has resigned from the Board and ceased to be a Director on 1 November 2023.

Mr Yasuhiko Watanabe was appointed to the Remuneration Committee on 1 November 2023 following the resignation of Mr Shiro Kanaya on the same date.

#### *Access to Remuneration Consultants*

The Remuneration Committee has access to the professional advice of external experts in the area of remuneration, where required.

**Provision 6.4**

No remuneration consultants were engaged by the Company in FY2023.

# Corporate Governance Statement (cont'd)

## Principle 7: Level and Mix of Remuneration

The Remuneration Committee sets the level and structure of remuneration for the Directors and key management personnel. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind (including any changes thereto) are subject to the review and approval of the Remuneration Committee for recommendation to the Board. If required, the Remuneration Committee will seek expert professional advice.

The Remuneration Committee's recommendations are submitted for approval by the Board. Each member of the Remuneration Committee will abstain from reviewing and voting on any Remuneration Committee resolution approving his own remuneration and the remuneration packages of persons related to him.

### *Remuneration Structure of Executive Director*

### **Provision 7.1**

The remuneration for the Executive Director is based on the terms of his service contract entered into with the Company. Part of the remuneration for the Executive Director under the terms of his service contract applicable for FY2023 included a discretionary annual bonus payable as determined and granted by the Remuneration Committee and the Board.

In addition, the remuneration for the CEO of the Company included an incentive bonus made available under a profit-sharing scheme ("**Profit Sharing Scheme**"), such incentive bonus to be calculated in the manner as further elaborated below.

For the Profit Sharing Scheme to be applicable, the Group must achieve an audited net profit before tax on a consolidated basis attributable directly to the Group's operations ("**NPBT**") of not less than S\$5 million ("**NPBT Threshold**") and in the event that the incentive bonus has been paid under the Profit Sharing Scheme, no discretionary annual bonus will be payable to the CEO of the Company.

	<b>NPBT Attained</b>	<b>Incentive Bonus (on a cumulative basis, subject to the NPBT Threshold being met)</b>
(i)	For the first S\$5 million	2.0% of the NPBT
(ii)	Greater than S\$5 million but up to and including S\$7 million	2.5% for the additional NPBT above S\$5 million
(iii)	Greater than S\$7 million but up to and including S\$10 million	3.0% for the additional NPBT above S\$7 million
(iv)	Greater than S\$10 million but up to and including S\$15 million	4.0% for the additional NPBT above S\$10 million
(v)	Greater than S\$15 million	5.0% for the additional NPBT above S\$15 million

The discretionary bonus payable to the eligible Executive Director is generally awarded based on a certain number of months of his basic monthly salary. It is intended as an additional remuneration tool, to recognise the efforts and contributions and performance of the Executive Director, in particular where such efforts and contributions and/or performance may not be directly or immediately reflected in or attributable to the financial performance of the Company and the Group.

Further details on the remuneration of the Executive Director are further disclosed below in page 69 of this Report.

# Corporate Governance Statement (cont'd)

## *Remuneration Structure of Key Management Personnel*

The remuneration of the key management personnel generally comprises primarily of a basic salary component and a variable component which is the bonuses, based on the performance of the Company and the Group as a whole and individual performance.

## *Contractual Provisions Protecting the Company's Interests*

The Company does not have any contractual provisions in the employment contracts with the Executive Director and key management personnel pursuant to which the Company may reclaim the variable components of remuneration from the Executive Director and key management personnel in exceptional circumstances, such as any misstatement of financial results, or misconduct resulting in financial loss to the Company and the Group. Notwithstanding the foregoing, the Executive Director owes a fiduciary duty to the Company and the Company should be able to avail itself of the relevant remedies at law against the Executive Director in the event of such breach of fiduciary duties.

## *Remuneration Structure of Independent Directors and Non-Executive Non-Independent Directors* **Provision 7.2**

The Independent Directors and Non-Executive Non-Independent Directors receive Directors' fees of varying amounts taking into account factors such as their respective roles and responsibilities, effort and time spent for serving on the Board and Board Committees.

The Company believes that the current remuneration of the Independent Directors and Non-Executive Non-Independent Directors are at a level that will not compromise the independence of the Directors.

The Board may, if it considers it necessary, consult experts on the remuneration of Independent Directors and Non-Executive Non-Independent Directors. Currently, the Independent Directors' fees and Non-Executive Non-Independent Directors' fees are determined based on the following fee structure:

Fee Structure for Independent Directors and Non-Executive Non-Independent Directors for FY2023:

	\$
Basic board fee	45,000
Board chair	20,000
Lead Independent Director and AC chair	10,000
RC and NC chair	5,000
AC member	5,000
RC and NC member	2,500
Attendance fee <sup>1</sup>	1,500

<sup>1</sup> The attendance fee is applicable for attendance at Board and Board Committees meetings other than the regular Board and Board Committees meetings comprising four (4) Board meetings, four (4) Audit Committee meetings, two (2) Nominating Committee meetings and two (2) Remuneration Committee meetings annually.

The payment of Directors' fees is subject to the approval of shareholders, and the Board will recommend the remuneration of the Independent Directors and the Non-Executive Non-Independent Directors for approval by shareholders at the AGM. The Executive Director does not receive Directors' fees.

# Corporate Governance Statement (cont'd)

## Remuneration Framework

The Board is of the view that the current remuneration structure for the Executive Director, Independent Directors, Non-Executive Non-Independent Directors and key management personnel are appropriate to attract, retain and motivate Directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long term.

**Provision 7.3**

## Principle 8: Disclosure of Remuneration

### Remuneration of Directors and Key Management Personnel

Details of the remuneration paid to the Directors for FY2023 are as follows:

**Provision 8.1  
and  
Provision 8.3**

Remuneration of Directors	Directors' Fees (%)	Salary <sup>2</sup> (%)	Bonus <sup>1,2</sup> (%)	Allowances and Others <sup>7</sup> (%)	Total Compensation (S\$)
<b>Executive Director</b>					
Mr Jack Ong Tong Hai	-	69.1	17.5	13.4	564,711
<b>Non-Executive Non-Independent Directors</b>					
Ms Tan Siok Chin	96.2	-	-	3.8	78,666
Mr Shiro Kanaya <sup>3</sup>	94.3	-	-	5.7	53,000
Mr Yasuhiko Watanabe <sup>4</sup>	-	-	-	-	-
<b>Independent Directors</b>					
Mr Hor Siew Fu	94.9	-	-	5.1	59,000
Mr Ong Tiew Siam <sup>5</sup>	94.7	-	-	5.3	56,917
Mr Lim Jun Xiong Steven <sup>5</sup>	94.0	-	-	6.0	49,750
Mr Loo Cheng Guan <sup>5</sup>	94.1	-	-	5.9	50,667
Mr Low Beng Tin <sup>6</sup>	-	-	-	-	-

### Notes:

- There was no Incentive Bonus payable to Mr Jack Ong Tong Hai for FY2023.
- Salary and bonus excludes Central Provident Fund Contributions which is included under Allowances and Others.
- Mr Shiro Kanaya has resigned from the Board and ceased to be a Director on 1 November 2023.
- Mr Yasuhiko Watanabe was appointed to the Board on 1 November 2023 following the resignation of Mr Shiro Kanaya on the same date.
- Mr Ong Tiew Siam, Mr Lim Jun Xiong Steven and Mr Loo Cheng Guan were appointed to the Board on 1 December 2022.
- Mr Low Beng Tin has resigned from the Board and ceased to be a Director on 1 December 2022.
- There was an additional fee of S\$3,000 paid to each Director other than the CEO and Executive Director in connection with their additional services rendered in relation to the Group's acquisition of the warehouse in Malaysia which was approved by Shareholders at an extraordinary general meeting held on 23 October 2023, which were in addition to and outside of the usual scope of duties of such Directors.

For the financial year ended 30 September 2023, the top four key management personnel (who are not also Directors) of the Group are Mr Andy Ong Tong Yang, Ms Chong Siew Kuen, Mr Lim Kim Seng, and Ms Tan Bee Kheng.

**Provision 8.1  
and  
Provision 8.3**

# Corporate Governance Statement (cont'd)

A breakdown of the remuneration of the top four key management personnel of the Group for the financial year ended 30 September 2023 is set out below:

<b>Remuneration of Top Four Key Management Personnel<sup>2</sup></b>	<b>Salary<sup>1</sup> (%)</b>	<b>Bonus<sup>1</sup> (%)</b>	<b>Allowances and Others (%)</b>	<b>Total Compensation (%)</b>
<b>Below S\$750,000</b>				
Mr Andy Ong Tong Yang	70.4	17.1	12.5	100.0
<b>Below S\$500,000</b>				
-				
<b>Below S\$250,000</b>				
Ms Chong Siew Kuen	68.5	8.6	22.9	100.0
Mr Lim Kim Seng	67.1	11.3	21.6	100.0
Ms Tan Bee Kheng	69.9	23.7	6.4	100.0

**Notes:**

- <sup>1</sup> Salary and bonus excludes Central Provident Fund Contributions which is included under Allowances and Others.
- <sup>2</sup> The Group only has four (4) key management personnel (who are not directors nor the CEO).

The annual aggregate remuneration paid to the top four key management personnel of the Group (who are not directors or the CEO) for FY2023 is S\$1,095,512.

The Company has not disclosed the specific remuneration of each of the top four (4) key management personnel for confidentiality reasons, and given the disclosure of the annual aggregate remuneration paid to the top four key management personnel of the Group (who are not directors or the CEO) as aforesaid.

*Remuneration of Employees who are Immediate Family Members of Directors, the CEO and/or Substantial Shareholders of the Company*

Mr Andy Ong Tong Yang, a substantial shareholder of the Company and the brother of Mr Jack Ong Tong Hai, the CEO of the Company, is an employee of the Group whose remuneration was more than S\$500,000 but less than S\$600,000 for FY2023. Further details of Mr Andy Ong Tong Yang's remuneration is further disclosed above.

**Provision 8.2**

*Employee Share Schemes*

The Company does not have any employee share schemes or any other short-term or long-term incentive schemes and will review the feasibility of having such schemes when appropriate.

**Provision 8.3**

**Principle 9: Risk Management and Internal Controls**

*Risk Management System*

The Board determines the nature and extent of significant risks which the Company is willing to take in achieving its strategic objectives and value creation by way of a framework of a series of identified risks or risk factors, as set out in a risk register ("**Risk Register**"). The Risk Register of the Group reviews the adequacy and effectiveness of the Company's risk management by setting out (i) the key risk factors that are faced by the Company and the Group in its business and operations and categorised according to compliance, financial, operational risks, and information technology including sanction-related risks; (ii) ranking of the risk factors in terms of their relative importance or implications for the Company and the Group should such risks materialise; and (iii) the risk mitigating practices (where applicable) which may be in place to address such risks.

**Provision 9.1**

# Corporate Governance Statement (cont'd)

A risk management team comprising members from Management (the "**Risk Management Team**") is responsible for the effective implementation of risk management strategy, policies and processes to facilitate the achievement of business plans and goals within the risk tolerance set by the Board. The Risk Management Team provides quarterly updates to the Audit Committee and the Board where there may be areas of concern arising in relation to any of the identified key risks factors, if any, which the Audit Committee and the Board should take note of. All members of the Risk Management Team are required to submit an Annual Statement of Compliance, confirming the Group's compliance with the policies and procedures in place.

## *Assistance from Internal Auditors*

The responsibility of overseeing the Company's risk management framework and policies is undertaken by the Audit Committee with the assistance of the internal auditors.

The Company has requested its internal auditors to take such risk factors into consideration in drawing up the annual internal audit plan, so that there is a system and process review on the identified key risk areas. In the event that the Company intends to enter into any new markets, business venture or business sector, the Company may, where necessary or appropriate, appoint and commission the appropriate professional parties to review or advise on, *inter alia*, any additional areas of risk factors to consider in connection with such forays.

## *Assurance from CEO and Chief Financial Officer/Financial Controller*

The Chief Executive Officer and Chief Financial Officer/Financial Controller have at the financial year-end provided a letter of assurance to the Audit Committee confirming, *inter alia*, that:-

### **Provision 9.2**

- (i) the financial statements of the Company for FY2023 give a true, accurate and complete view of the Group and the Company's operations and finances as at 30 September 2023;
- (ii) the accounting and other records required by the Act to be kept by the Company have been maintained in accordance with the provisions of the Act; and
- (iii) the Company and the Group have put in place and will continue to maintain an effective, and adequate system of risk management and internal controls (addressing financial, operational, compliance and information technology risks).

## *Board's Opinion on Internal Controls*

Based on the internal controls established and maintained by the Group, work performed by external auditors and internal auditors and reviews performed by Management, the various Board Committees and the Board, the Audit Committee and the Board are of the opinion, pursuant to Rule 1207(10) of the SGX-ST Listing Manual, that the Group's internal controls, (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective as at 30 September 2023.

### **Rule 1207(10) of the SGX-ST Listing Manual**

In addition, based, *inter alia*, on the current nature and scope of business and operations of the Group, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems to address and mitigate any sanctions-related risks, were adequate and effective as at 30 September 2023 and there has been no material change in the Company's risk of being subject to any sanctions-related laws or regulations since 30 September 2023.

The Board and the AC will be responsible for (a) monitoring the Company's risk of becoming subject to, or violating, any sanctions-related laws or regulations; and (b) ensuring timely and accurate disclosures to SGX and other relevant authorities.



# Corporate Governance Statement (cont'd)

The Board notes that the system of internal controls and risk management established by the Company provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

## **Principle 10: Audit Committee**

### *Composition and Terms of Reference of Audit Committee*

The Audit Committee is governed by written terms of reference under which is responsible for: **Provision 10.1**

- (a) reviewing the audit plan of the external auditors, including the nature and scope of the audit, before the audit commences;
- (b) reviewing the results of external audit, in particular:
  - (i) their audit report; and
  - (ii) their management letter and Management's response thereto;
- (c) reviewing the co-operation given by the Company's officers to the external auditors;
- (d) reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and the Group and any announcements relating to the Company's financial performance. The Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts. In this regard, the Audit Committee should focus particularly in: -
  - (i) major judgmental areas; and
  - (ii) significant adjustments resulting from audit,

and give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

- (e) reviewing the independence of the external auditors annually and where the external auditors also provide a substantial volume of non-audit services to the Company, keep the nature and extent of such service under review, seeking to maintain objectivity;
- (f) making recommendations to the Board on the proposals to shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of the engagement of the external auditors;
- (g) reviewing the policy and arrangements by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters (whistle-blowing policy);
- (h) reviewing and reporting to the Board at least annually, the adequacy and effectiveness of the Company's internal controls and risk management systems. Review of the Company's internal controls and risk management systems can be carried out with the assistance of externally appointed professionals;

# Corporate Governance Statement (cont'd)

- (i) reviewing and monitoring the Group's possible exposure or nexus (if applicable) to sanctions-related risks (including being subject to sanctions-related laws or regulations and/or financing or engaging in any sanctioned activity and/or having dealings with sanctioned subjects) and, where necessary, to consider obtaining independent legal advice or appointing a compliance adviser in relation to the sanctions-related risks applicable to the Company and continuous monitoring of the validity of the information provided to shareholders and SGX;
- (j) monitoring the establishment, appointments, staffing, qualifications and experience of the Company's internal audit function, including approval of the appointment and compensation terms of the head of the internal audit function, review of whether the internal audit function is adequately resourced, is independent of the activities it audits, and has appropriate standing within the Company. The internal audit function can either be in-house, outsourced to a reputable accounting/auditing firm, or performed by a major shareholder, holding company, parent company or controlling enterprise with an internal audit staff;
- (k) reviewing, at least annually, the adequacy and effectiveness of the Company's internal audit function;
- (l) meeting with (a) the external auditors, and (b) the internal auditors, if deemed necessary, without the presence of Management, at least annually;
- (m) to discuss problems and concerns, if any, arising from the internal and external audits, and any matters which the auditors may wish to discuss (in the absence of Management where necessary);
- (n) reviewing the assurance from the CEO and Chief Financial Officer/Financial Controller on the financial records and financial statements of the Company;
- (o) commissioning and reviewing the findings of internal investigations into matters where there is suspicion of fraud or irregularity or failure of internal controls or infringement of any Singapore law, rule or regulation, which has or is likely to have a material impact on the Company and the Group's operating results and/or financial position;
- (p) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on; and
- (q) generally, performing such other functions and duties as may be required by the relevant laws or provisions of the SGX-ST Listing Manual and the Code (as may be amended from time to time).

The duties and responsibilities of the Audit Committee in relation to interested person transactions shall be as follows:-

- (a) review, at least annually, any interested person transactions;
- (b) monitor that all disclosure, approval and other requirements on interested person transactions, including those required by prevailing legislation, the SGX-ST Listing Manual and accounting and financial reporting standards, are complied with;
- (c) monitor that the guidelines and procedures established to monitor interested person transactions have been complied with; and

# Corporate Governance Statement (cont'd)

- (d) review, from time to time, such guidelines and procedures established to monitor interested person transactions to determine if they are adequate and/or commercially practicable in ensuring that transactions between the Company and interested persons are conducted at arm's length and on normal commercial terms.

The Audit Committee has explicit authority to investigate any matter within its terms of reference and has full access to and co-operation from Management and has full discretion to invite any Director or executive officer to attend its meetings to enable it to discharge its functions properly.

In the event that a member of the Audit Committee is interested in any matter being considered by the Audit Committee, he will abstain from reviewing or voting on that particular resolution.

## *Continuing Development of the Audit Committee*

The Audit Committee is kept abreast by Management, the external and internal auditors on changes and updates to accounting standards, and other issues which could have a direct impact on the financial statements of the Group, if any. During the financial year in question, the Audit Committee has, *inter alia*, undertaken reviews of the financial statements, the results of the internal and external audit of the Company, and the Group, with particular focus on significant areas such as inventory policy and inventory management controls.

## *External Audit Function*

The Group's existing external auditors, Messrs RSM Chio Lim LLP, an audit firm registered with the ACRA, have been the auditors of the Group since 30 September 2006 and Mr Poh Chin Beng is the current audit partner in charge for the financial year ended 30 September 2023.

The Audit Committee has been briefed on the key audit matters of the Company for FY2023 and has reviewed, and is satisfied with, the measures taken by the Company to address such key audit matters.

The aggregate amount of fees paid to the external auditors of the Company for FY2023 is S\$209,800, of which S\$141,000 is paid for audit services and S\$68,800 is paid for non-audit services. The fees paid for non-audit services include non-recurring one-off fees paid for engaging the external auditors for tax-related services. The Audit Committee, having reviewed the nature, range and value of non-audit services performed by the external auditors, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

The Audit Committee has also reviewed and confirmed that Messrs RSM Chio Lim LLP is a suitable audit firm to meet the Company's audit obligations, having regards to the adequacy of resources and experience of the firm and the assigned audit engagement partner, other audit engagements, size and nature of the Group, number and experience of supervisory and professional staff assigned to the audit. Notwithstanding the aforesaid, as the external auditors are currently providing a range of non-audit services to the Group, the Audit Committee is keeping the nature and extent of such non-audit services under review, seeking to maintain objectivity.

The Audit Committee is satisfied that Rules 712 and 715 of the SGX-ST Listing Manual are complied with and has recommended to the Board that, Messrs RSM Chio Lim LLP be nominated for re-appointment as external auditors at the forthcoming AGM.

# Corporate Governance Statement (cont'd)

## *Whistle Blowing Policy*

The Company has put in place a whistle blowing policy and has implemented relevant procedures, as approved by the Audit Committee and adopted by the Board, for the purposes of handling complaints, concerns or issues relating to activities or affairs relating to the business, customers, suppliers, partners or associates, activities or affairs of the Group or conduct of any officer, Management or employee of the Group. Staff of the Group have access to the Company Secretary and may, in confidence, raise concerns about possible improprieties in any such corporate matters by sending an email or a letter in writing to the Company Secretary, who would re-direct and/or send such email or letter in writing to the Audit Committee (in the event such concerns relates to any of the Directors or the Chief Financial Officer/Financial Controller of the Company) or the whistle blowing committee (for all other concerns), as the case may be. During FY2023, there were no complaints, concerns or issues received.

The Audit Committee comprises three (3) Directors, all of whom are Non-Executive Directors. As at the date of this Report, the Audit Committee members are: **Provision 10.2**

Mr Ong Tiew Siam Chairman  
Ms Tan Siok Chin  
Mr Hor Siew Fu

The Audit Committee members bring with them professional expertise and experience in the accounting, business and legal domains and the Board is satisfied that the Audit Committee members are appropriately qualified to discharge their responsibilities.

The Audit Committee does not comprise former partners or directors of the Company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation. **Provision 10.3**

## *Internal Audit Function*

The Company has outsourced its internal audit function to CLA Global TS Risk Advisory Pte. Ltd. ("IA"). The IA is a corporate member of the Institute of Internal Auditors Singapore, and is staffed with professionals with relevant qualifications and experience. The IA's primary line of reporting would be to the Chairman of the Audit Committee, although the IA would also report administratively to the CEO. **Provision 10.4**

The IA performs the internal audit functions which are guided by the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. The IA carries out its internal audit functions based on a work plan agreed with the Audit Committee, where different aspects of internal controls are reviewed for each year, and also take into consideration key risk factors identified under the Risk Register. The IA have submitted a report dated 11 May 2023 to the Audit Committee, reporting, *inter alia*, that (i) having performed the system review procedures of the Company's internal controls and (ii) save for certain matters highlighted to the Company which have been duly noted by Management, based on their review of the adequacy and effectiveness of the Company's system of internal controls and measures, according to the approved work plan, there were no significant deficiencies nor non-compliance to established controls and measures implemented by Management.

The Company cooperates fully with the IA in terms of allowing unfettered access to all the Company's documents, records, properties and personnel, including access to the Audit Committee.

# Corporate Governance Statement (cont'd)

## *Meeting with External and Internal Auditors*

The Audit Committee meets with the external auditors of the Company without the presence of Management, at least once a year. The Audit Committee also meets with the internal auditors of the Company and, if deemed necessary, without the presence of Management at least once a year. **Provision 10.5**

The Audit Committee reviews the adequacy and effectiveness of the internal audit function (including whether it is adequately resourced and independent) on an annual basis and is satisfied with its independence, adequacy and effectiveness. The Audit Committee also reviews the internal audit reports as well as the remedial measures recommended by the Internal Auditor and adopted by Management to address any issue or inadequacy identified. **Rule 1207(10C) of the SGX-ST Listing Manual**

## **Principle 11: Shareholder Rights and Conduct of General Meetings**

### *Provision of Information to Shareholders*

Shareholders are informed of general meetings through annual reports and circulars sent to all shareholders in addition to notices published in the newspapers, the Company's announcements via SGXNET and the Company's website. The Company ensures that timely and adequate disclosure of information on matters of material impact on the Company are made to shareholders of the Company, in compliance with the requirements set out in the SGX-ST Listing Manual. In this respect, the Company announces its financial results to shareholders on a half-yearly basis. **Provision 11.1**

### *Proxies*

The Constitution allows all shareholders (who are not relevant intermediaries as set out in the Companies Act) to appoint up to two proxies to attend general meetings and vote on their behalf and the Companies Act allows relevant intermediaries such as the Central Provident Fund (CPF) agent bank nominees to appoint multiple proxies, and empower CPF investors to attend and vote at general meetings of the Company as their CPF agent banks' proxies.

In conjunction with the notices of general meetings, shareholders are provided with the proxy forms which include the instructions on voting.

### *Procedure of General Meetings*

The Company will also appoint a polling agent and an independent external party as scrutineer who will attend the AGM to ensure that the polling process is properly carried out. **Provision 11.2**

Prior to the AGM, the scrutineer will review the proxies and the poll voting system and attends to the proxy verification process to ensure that the proxy and poll voting information is compiled correctly.

### *Attendees at General Meetings*

The Board and Management are present at these meetings to address any questions that shareholders may have. The entire Board, including Mr Shiro Kanaya who had resigned on 1 November 2023 but excluding Mr Yasuhiko Watanabe who was appointed on 1 November 2023, was present at the AGM of the Company on 31 January 2023. The entire Board, except for Mr Shiro Kanaya who had resigned on 1 November 2023 and Mr Yasuhiko Watanabe who was appointed on 1 November 2023, was present at the date of the extraordinary general meeting of the Company held on 23 October 2023. **Provision 11.3**

# Corporate Governance Statement (cont'd)

## *Voting in Absentia*

The Constitution allows Directors, at their sole discretion, to approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow members who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile. **Provision 11.4**

## *Minutes of General Meetings*

Minutes of general meetings (including minutes of AGM), which include substantial comments or queries from shareholders and responses from the Board and Management will be published on the Company's website at [www.cosmosteel.com](http://www.cosmosteel.com) and via SGXNET within one (1) month from the date of the AGM. **Provision 11.5**

## *Dividend Policy*

The Company has formalised its dividend policy which aims to provide its shareholders with a target annual dividend payout of at least 10% of the net profit attributable to shareholders of the Company in any financial year, whether as interim and/or final dividends, provided always that such dividend payout for any financial year is subject to and conditional upon (a) the net profit attributable to shareholders of the Company for such financial year being equal to at least S\$3 million, and (b) if the net profit referred to in (a) is less than S\$3 million, the declaration and payment of dividends being determined at the sole discretion of the Board. **Provision 11.6**

The total dividend recommended, declared or paid in any financial year shall not exceed 50% of the total net profit attributable to shareholders, unless otherwise approved by the Board.

In proposing any dividend payout and/or determining the form, frequency and/or the amount of such dividend payout, the Board will also take into account, *inter alia*, the Group's financial position, retained earnings, results of operation and cash flow, the ability of the Company's subsidiaries to make dividend payments to the Company, the Group's expected working capital requirements, the Group's expected capital expenditure and future expansion and investment plans and other funding requirements, general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group.

The Board endeavours to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend policy. The Board will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy at any time.

To show the Company's appreciation for its shareholders' long term support, the Board is recommending a final dividend payout of S\$0.005 per share for FY2023, to be approved by shareholders in the forthcoming AGM.

# Corporate Governance Statement (cont'd)

## Principle 12: Engagement with Shareholders

### *Communication with Shareholders*

The Company communicates with shareholders and the investment community through timely release of announcements to the SGX-ST via SGXNET, including the Company's financial results announcements which are published through the SGXNET on a half-yearly basis. Financial results announcements and annual reports are announced or issued within the mandatory period prescribed. Notices of general meetings and all documents relating to the business of such general meetings (including the Annual Report) are published on SGXNET and the Company's website. **Provision 12.1**

General meetings have been and are still the principal forum for dialogue with shareholders. Shareholders' views are sought at general meetings, and shareholders are given the opportunity to air their views and ask Directors and Management questions regarding the Company and the Group. Management makes the relevant presentation slides available on SGXNET in conjunction with the release of the Group's half-year and full year financial results announcements.

Shareholders may also provide any feedback they may have about the Company to the Company's email at [ir@cosmosteel.com.sg](mailto:ir@cosmosteel.com.sg).

### *Investor Relations Policy*

The Company has adopted an investor relations policy to formalize the principles and practices that the Company applies to provide current and prospective investors with information necessary to make well-informed investment decisions and to ensure a level playing field. **Provision 12.2 and Provision 12.3**

The Company is committed to treating all shareholders fairly and equitably, and keep all shareholders and other stakeholders informed of its corporate activities, including changes in the Company or its business which would be likely to materially affect the price or value of its shares, on a timely basis.

The Company's Investor Relations Policy is published on the Company's corporate website and sets out the mechanism through which shareholders may contact the Company with questions and through which the Company may respond to such questions.

## Principle 13: Engagement with Stakeholders

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to secure the long-term future of the Company. The Company's efforts on sustainability are focused on creating sustainable value for our key stakeholders, which include communities, customers, staff, regulators, shareholders and vendors. **Provision 13.1 and Provision 13.2**

The Company maintains a corporate website at [www.cosmosteel.com](http://www.cosmosteel.com) to communicate and engage stakeholders. **Provision 13.3**

# Corporate Governance Statement (cont'd)

## DEALINGS IN SECURITIES

In line with the rules of the SGX-ST Listing Manual, the Company has adopted a policy prohibiting its Directors and officers from dealing in the Company's shares whilst they are in possession of unpublished material price sensitive information and during the period commencing one month before the announcement for each of its full year and half year financial statements.

**Rule 1207(19)  
(A) of the  
SGX-ST Listing  
Manual and  
Rule 1207(19)  
(C) of the  
SGX-ST Listing  
Manual**

Directors and employees are also discouraged from dealing in the Company's securities on short-term considerations.

**Rule 1207(19)  
(B) of the  
SGX-ST Listing  
Manual**

## MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts of the Company or any of its subsidiaries involving the interests of the Chief Executive Officer or any Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

**Rule 1207(8)  
of the SGX-ST  
Listing Manual**

## INTERESTED PERSON TRANSACTIONS

The Audit Committee reviews, on a quarterly basis, all interested person transactions, including transactions falling under the terms of the Company's general mandate (the "IPT Mandate") authorizing the Group to enter into certain interested person transactions with Hanwa Co., Ltd and its associates (the "Hanwa Group"), to ensure that the prevailing rules and regulations of the SGX-ST (in particular, Chapter 9 of the SGX-ST Listing Manual) are complied with. Interested person transactions which are not within the ambit of the IPT Mandate will be subject to Rules 905 and 906 of the SGX-ST Listing Manual.

**Rule 1207(17)  
of the SGX-ST  
Listing Manual**

The IPT Mandate covers the following categories of interested person transactions:

- (a) the purchase of materials and products by the Group from Hanwa Group;
- (b) the obtaining or engagement of Hanwa Group's services as a procurement agent or as a procurement source to procure materials, products and services on behalf of the Group; and
- (c) the sale of materials and products by the Group to Hanwa Group.

(collectively, the "Mandated Interested Person Transactions")

An interested person being a director, chief executive officer or controlling shareholder of the listed company or an associate of any such director, chief executive officer or controlling shareholder ("Interested Person").



# Corporate Governance Statement (cont'd)

## Guidelines and Review Procedures for the Mandated Interested Person Transactions

### (a) Review Procedures

To ensure that the Mandated Interested Person Transactions are carried out at arm's length, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Group has put in place the following procedures for the review and approval of interested person transactions under the IPT Mandate:-

- (i) The guiding principle is that all Mandated Interested Person Transactions shall be conducted in accordance with the Group's usual business practices and pricing policies, consistent with the usual profit margins or prices extended to or received by the Group for the same or substantially similar type of transactions between the Group and unrelated third parties, and the terms are not more favourable to the Interested Person compared to those extended to or received from unrelated third parties and/or are in accordance with published or prevailing rates/prices or applicable industry norms. The Company will use its reasonable endeavours to make comparisons with at least two other quotes from unrelated third parties, wherever possible for the same or substantially similar type of transactions;
- (ii) in relation to the purchase of materials and products by the Group from an Interested Person:-
  - (aa) subject to and in accordance with Paragraph (a)(i) above, the Company will make comparisons against the quotations obtained from at least two other comparative offers from unrelated third parties that are reasonably contemporaneous in time, to ensure that such purchase price is no less favourable to the Group. Comparisons will be made taking into consideration, *inter alia*, the purchase price, order quantity, product quality, standard of services, experience and expertise, customer requirements, product specifications, delivery schedule, track record, potential for future repeat business, contract duration, credit term and fluctuations in foreign exchange rates; and
  - (bb) in the event where it is impractical or impossible to obtain comparable prices of similar transactions reasonably contemporaneous in time due to the nature of the materials or products to be purchased, such transaction may only be entered into with approval from the Executive Director of the Company with no interest, direct or indirect, in the proposed Mandated Interested Person Transaction. Such Executive Director will, subject to the approval thresholds as set out in Paragraph (b) below, evaluate and weigh the benefits of and rationale for transacting with the Interested Person to ensure that the terms of the transaction are in accordance with applicable industry norms and/or are not prejudicial to the Company, taking into account factors such as, but not limited to, the nature of the materials or products, order quantity, product quality, standard of services, experience and expertise, customer requirements, product specifications, delivery schedule, track record, contract duration, credit terms and fluctuations in foreign exchange rates.

# Corporate Governance Statement (cont'd)

- (iii) In relation to the engagement or utilisation of an Interested Person as a procurement source to procure materials, products and services on behalf of the Group:-
  - (aa) subject to and in accordance with Paragraph (a)(i) above, the mark-up or fee (where applicable) payable by the Group to the Interested Person shall be determined by the Executive Director of the Company with no interest, direct or indirect, in the proposed Mandated Interested Person Transaction; and
  - (bb) such Executive Director will, subject to the approval thresholds as set out in Paragraph (b) below, evaluate and weigh the benefits of and rationale for transacting with the Interested Person to ensure that the terms of the transaction are in accordance with applicable industry norms and/or are not prejudicial to the Company, taking into account factors such as, but not limited to, the nature of the materials, products or services procured, standard of services, experience and expertise, the price competitiveness of the Group's products and/or services (after incorporating such mark-up or fee), and the Group's profit margin from the transaction;
- (iv) In relation to the sale of materials and products by the Group to the Hanwa Group:-
  - (aa) subject to and in accordance with Paragraph (a)(i) above, in the case of the sale of materials and products in the ordinary course of business of the Group, the sale price and/or rates shall be no more favourable to the Interested Person than the usual commercial terms extended by the Group to unrelated third parties and/or in accordance with applicable industry norms, taking into account factors such as, but not limited to, the nature of the materials or products, order quantity, product quality, standard of services, experience and expertise, customer requirements, product specifications, delivery schedule, track record, credit standing, credit terms, potential for future repeat business, contract duration and fluctuations in foreign exchange rates, subject to the Group being able to obtain a positive gross profit margin from the transaction; and
  - (bb) in cases of adverse market conditions when the Group considers it necessary to enter into a transaction which will result in no or a negative gross profit margin, such transaction shall be subject to and in accordance with Paragraph (a)(i) above and may only be entered into with the approval from the Executive Director of the Company with no interest, direct or indirect, in the proposed Mandated Interested Person Transaction. Such Executive Director will, subject to the approval thresholds as set out in Paragraph (b) below, evaluate and weigh the benefits of and rationale for transacting with the Interested Person to ensure that the terms of the transaction are in accordance with applicable industry norms and/or are not prejudicial to the Company, taking into account factors such as, but not limited to, the nature of the materials or products, order quantity, product quality, standard of services, experience and expertise, customer requirements, product specifications, delivery schedule, track record, credit standing, credit terms, potential for future repeat business, contract duration and fluctuations in foreign exchange rates.

The considerations in Paragraphs (a)(i) to (a)(iv) above will allow for variations in prices and terms of the comparative offers or sales so long as the volume of trade, credit-worthiness of the buyer, differences in service, reliability or such other relevant factors justify such variations and so long as such comparative offer or sale incorporates modifications that account for volatility of the market for the goods and services in question.

# Corporate Governance Statement (cont'd)

## (b) Approval Threshold

In addition to the review procedures, the Group will review and approve the Mandated Interested Person Transactions as follows:-

- (i) any transactions amounting from S\$100,000 to 3% of the latest audited consolidated net tangible assets of the Company will be reviewed and approved by a Director or the Chief Financial Officer;
- (ii) any transactions amounting from above 3% to 10% of the latest audited consolidated net tangible assets of the Company will be reviewed and approved by the Audit Committee; and
- (iii) any transactions exceeding 10% of the latest audited consolidated net tangible assets of the Company will be reviewed and approved by the Board.

The above approval thresholds are adopted after taking into account, *inter alia*, the nature, volume, recurrent frequency and transaction size as well as the Group's day-to-day operations, administration and businesses. The approval thresholds act as an additional safeguard to supplement the review procedures to be implemented for the Mandated Interested Person Transactions.

Disclosure according to Rule 907 of the SGX-ST Listing Manual in respect of interested person transactions for FY2023 are stated in the following table:

<b>Name of Interested Person</b>	<b>Nature of Relationship</b>	<b>Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholder's mandate pursuant to Rule 920 of the SGX-ST Listing Manual) S\$'000</b>	<b>Aggregate value of all interested person transactions during the financial year conducted under shareholder's mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than S\$100,000) S\$'000</b>
Hanwa Co., Ltd <sup>1</sup>	Controlling Shareholder	-	4,713

**Note:**

1. Hanwa Co., Ltd and its subsidiaries, and (where applicable) its associated companies.