

# CORPORATE GOVERNANCE REPORT

Hotung Investment Holdings Limited (“Company”) and its subsidiaries (together, “Group”) believe that good corporate governance practices are the foundation for a well-managed and efficient organization. The Board of Directors (“Board”) remains committed to the principles of good corporate governance and to achieving a high standard of business integrity in compliance with the Code of Corporate Governance of 6 August 2018 (“Code”) in managing the business and affairs of the Company, to protect shareholders’ interests and to improve shareholders’ value as well as corporate transparency. The Board will continue its efforts and invest further resources as would be appropriate to enhance its corporate governance. This report sets out the practices and activities of the Group during the financial year ended 31 December 2021, with specific references made to the Code.

## 1 BOARD MATTERS

### **The Board’s Conduct of Affairs**

#### **Principle 1:**

#### *Principal Duties of the Board*

The primary role of the Board is to set the overall strategy and direction to the Group, and to enhance the long-term shareholder value. The Board has put in place ethics policies with the Group, which set out a code of conduct and ethical standards for the Group’s employees to adhere to.

The Board’s principal functions are as follows:

- (a) guiding the Group’s business strategies;
- (b) approving annual budgets and targets;
- (c) monitoring the performance and proper conduct of the Group’s business;
- (d) establishing and maintaining a sound risk management framework to effectively monitor and manage risks, and to achieve an appropriate balance between risks and Group’s performance;
- (e) identifying the key stakeholder groups and ensure transparency and accountability to key stakeholder groups;
- (f) setting the Group’s values and standards (including ethical standards);
- (g) overseeing the processes for evaluating the adequacy of internal control, risk management, financial reporting and compliance;
- (h) considering sustainability issues; and
- (i) appointing directors (“Directors”) to Nominating, Audit and Remuneration Committees and senior management and receiving reports of these Committees.

All Directors are expected to objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Group.

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## *Delegation of Duties by the Board*

In order to assist in the execution of the Board's responsibilities, the Board has established 3 Board Committees, namely, Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"), which would submit their recommendations or decisions to the Board. These 3 Board Committees function within clearly defined terms of reference setting out their compositions, authorities and duties, which are reviewed on a regular basis. The matrix of the Directors' appointments on the Board and their participation in various Board Committees is as follows:

Board Members	Board Committee Membership		
	AC	NC	RC
<b>Tsui-Hui Huang</b>		M	
<b>Andy C.W. Chen</b>	M		
<b>Ng-Chee Tan</b>	C	M	M
<b>Philip N. Pillai</b>	M		
<b>Chang-Pang Chang</b>		C	C
<b>Kung-Wha Ding</b>			M
<b>Kenichi Shimomoto</b>			
<b>Chun-Chen Tsou</b>			
<b>Shih-Ping Chen</b>			
<b>Pi-Tien Chen<sup>3</sup></b>			
<b>Su-Mei Lin<sup>4</sup></b>			

### Note(s) :

1. "C" : Chairman of the relevant Board Committee
2. "M" : Member of the relevant Board Committee
3. Ms. Pi-Tien Chen is a newly-appointed Director with effect from 17 February 2022.
4. Ms. Su-Mei Lin was a Director since 8 August 2019. She tendered her resignation as Director with effect from 16 February 2022.

Details for further information on the activities of the AC, NC and RC are set out below:

1. Nominating Committee (Principle 4)
2. Remuneration Committee (Principle 6)
3. Audit Committee (Principle 10)

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## *Attendance at Board and Board Committee Meetings*

The Board meets at least four times a year. In accordance with the Bye-laws of the Company, Directors may participate in any meeting of the Board by means of such telephone, electronic or other communications facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously. Details of Directors' attendance at the Board and Board Committee meetings held in year 2021 are summarized as follows:

Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended
<b>Tsui-Hui Huang</b>	4	4	-	-	1	1	-	-
<b>Andy C.W. Chen</b>	4	4	4	4	-	-	-	-
<b>Ng-Chee Tan</b>	4	4	4	4	1	1	3	3
<b>Philip N. Pillai</b>	4	3	4	3	-	-	-	-
<b>Chang-Pang Chang</b>	4	4	-	-	1	1	3	3
<b>Kung-Wha Ding</b>	4	4	-	-	-	-	3	3
<b>Kenichi Shimomoto</b>	4	4	-	-	-	-	-	-
<b>Chun-Chen Tsou</b>	4	4	-	-	-	-	-	-
<b>Shih-Ping Chen</b>	4	4	-	-	-	-	-	-
<b>Pi-Tien Chen<sup>1</sup></b>	-	-	-	-	-	-	-	-
<b>Su-Mei Lin<sup>2</sup></b>	4	4	-	-	-	-	-	-

### Note(s):

1. Ms. Pi-Tien Chen is a newly-appointed Director with effect from 17 February 2022.
2. Ms. Su-Mei Lin was a Director since 8 August 2019. She tendered her resignation as Director with effect from 16 February 2022.

## *Matters Requiring Board Approval*

Matters requiring the Board's decision and approval include the following:

- (a) the annual and half-yearly financial reports;
- (b) matters in relation to the share buy-backs undertaken by the Company;
- (c) matters in relation to the declaration of dividends;
- (d) matters in relation to the holding of the Company's annual general meeting ("AGM"), including its related agenda;
- (e) matters in relation to major corporate actions (e.g. share consolidation);
- (f) the annual budgets and targets of the Group;

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- (g) the appointment and re-appointment of Directors, including remuneration packages;
- (h) matters in relation to the Directors' and Officers' Insurance;
- (i) matters in relation to the appointment of Company Secretary;
- (j) the appointment and re-appointment of external auditors and its remuneration;
- (k) matters in relation to the Board's opinion on the adequacy and effectiveness of the Group's risk management and internal controls; and
- (l) the receipt of the announcements released to the Singapore Exchange Securities Trading Limited ("SGX-ST").

Pursuant to the Bye-laws of the Company, where a Director is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, he/she shall declare the nature of his/her interest at the meeting of the Board setting out the details of his/her interest and conflict, and recuse himself/herself from voting on this matter.

## ***Board Orientation and Training***

A formal letter is sent to newly-appointed Directors upon their appointments comprising director's roles and responsibilities. In addition, the new Directors who have no prior experience as a director of an issuer listed on the SGX-ST must undergo mandatory training run by Singapore Institute of Directors within one year from the date of his/her appointment to the Board at the Company's expense as prescribed by the SGX-ST to ensure that they are familiar with the duties and roles as being a Director.

When there are significant and important changes to laws, regulations, policies and accounting standards in areas concerning director's duties and responsibilities, Directors are provided with briefings and updates from outside professionals. In the event of any major developments in areas of accounting and governance standards, relevant sessions are conducted by external auditors of the Company to assist Directors in performing their duties and responsibilities. In addition, Directors are encouraged to attend other appropriate courses, conferences and seminars at the Company's expense, such as programs run by the Singapore Institute of Directors.

## ***Access to Complete, Adequate and Timely Information***

To ensure that the Board would fulfill its responsibilities, the Directors are provided with complete, adequate and timely information quarterly including financial position and performance of the Company and the Group prior to the Board meetings and as and when the need arises. Board papers are circulated to the Board as early as practicable so that members of the Board may better understand and discussions could be focused on the questions set out in the agenda. Any additional material or information requested by the Directors is promptly furnished. Information provided to the Board includes Board papers and related materials, background or explanatory information relating to matters to be brought before the Board, and copies of disclosure documents, budgets, forecasts and quarterly financial statements. In respect of budgets, any material variances between the projections and actual results are disclosed and explained. The yearly and half-yearly financial statements of the Company are reviewed and discussed at the AC and thereafter recommended to the Board for its approval.

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In addition, the management of the Group (“Management”) is required to attend meetings of the Board to provide insight in relation to the matters being discussed and to respond to any questions that the Directors may have. Directors also have unrestricted access to the Company Secretary and Management at all times. Directors are entitled to request from Management and are provided with such additional information as needed to make informed and timely decisions.

## ***Independent Professional Advice***

In furtherance of the discharge of their duties, the Directors may take independent professional advice, where necessary, at the Company’s expense.

## ***Company Secretary***

Each Director has separate and independent access to the Company Secretary. The Company Secretary is responsible for ensuring that Board procedures are observed and the applicable rules and regulations are complied with. The Company Secretary assists the Chairman in ensuring good information flow within the Board and Board Committees and between the Management. The Company Secretary attends all Board and Board Committees meetings. The appointment and the removal of the Company Secretary are subject to the Board’s approval.

## **Board Composition and Guidance**

### **Principle 2:**

## ***Board Size and Board Composition***

The Board comprises 10 Directors, of whom 9 are non-executive. Of these non-executive Directors, 5 are considered by the NC to be independent of the Company’s management and substantial shareholders, in compliance with Rule 210(5)(c) of the Listing Manual of the SGX-ST (“Listing Manual”) which came into effect from 1 January 2022 and which requires independent Directors to make up at least one third of the Board. Notwithstanding the requirement in Provision 2.2 of the Code that the independent Directors should make up a majority of the Board where the Chairman is not independent when, among others, the Chairman is also the Chief Executive Officer (“CEO”), the Board is of the view that as half of the Board comprises independent Directors, there is presently an appropriate level of independence and diversity of thought and background in the Board composition to enable the Board to make decisions in the best interests of the Company.

The NC constantly examines the size of the Board and Board Committees, with a view to determine their impact of the number upon their effectiveness, decided what are considered appropriate size for the Board and Board Committees, which facilitates effective decision-making and ensures a strong and independent element on the Board. The NC, in concurrence of the Board, is of the view that, given the scope and nature of the Group’s operations, the current Board and Board Committees are of appropriate size; provided however that, the NC may make recommendations to the Board on the appointment of additional independent Directors as and when it deems necessary and appropriate so as to fully comply with the Code’s requirement that the independent Directors should make up a majority of the Board where the Chairman of the Board is not independent.

All Board Committees are chaired by independent Directors.

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The Lead Independent Director or other independent Director may, as and when he/she deems necessary and appropriate, call and lead meetings without the presence of Management, and the chairman of such meetings would provide feedback to the Board and/or Chairman as appropriate.

## ***Board Independence***

The NC determines, on an annual basis, whether or not a Director is independent by taking into account the definition of “independent director” under Provision 2.1 of the Code, Rules 210(5)(d)(i) and 210(5)(d)(ii) of the Listing Manual which came into effect from 1 January 2019 and Rule 210(5)(d)(iii) of the Listing Manual which came into effect from 1 January 2022. The Directors complete an annual declaration of independence, whereby they are required to assess their independence considering the aforesaid requirements, which is then put to the NC for review. The Directors, who are determined to be independent by the NC, do not have such relationships or circumstances as set forth in Provision 2.1 of the Code, Rules 210(5)(d)(i) and 210(5)(d)(ii) of Listing Manual which may affect the independence of a Director.

Pursuant to Rule 210(5)(d)(iii) of the Listing Manual which came into effect from 1 January 2022, a director will not be independent if he has been a director for an aggregate period of more than 9 years (whether before or after listing) and his continued appointment as an independent director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) shareholders, excluding the directors and the chief executive officer of the issuer, and associates of such directors and chief executive officer (“Two-Tier Voting”). Such resolutions may remain in force until the earlier of the following:- (X) the retirement or resignation of the director; or (Y) the conclusion of the third annual general meeting of the Company following the passing of the resolutions.

The independence of Dr. Ng-Chee Tan, Mr. Chang-Pang Chang, and Dr. Philip N. Pillai, each of whom has served on the Board for an aggregate period of more than 9 years, had been subjected to a rigorous review by the NC and the Board, and each of Dr. Ng-Chee Tan, Mr. Chang-Pang Chang, and Dr. Philip N. Pillai had abstained from all deliberations and discussion on matters relating to his own independence. The Board, in concurrence with the NC, having reviewed their continued active engagement, challenges and contributions to the deliberations of the Board, AC, NC, and RC, where applicable, and taking into account the following factors, regard each of them to be an independent Director, notwithstanding that each of them has been on the Board for an aggregate period of more than 9 years:

- (a) each of them has continued to demonstrate strong independence in character and judgement in the discharge of their respective responsibilities as a Director and has contributed effectively as an independent Director by providing impartial and autonomous views;
- (b) each of them and/or their respective associates have not entered into any interested person transactions with the Group since their respective first appointments as a Director to the Board; and
- (c) there have been various new members appointed to the Board during the course of the past 9 years, which reflects that the Board as a whole has undergone a healthy gradual refresh of its members during the aforesaid period.

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Taking into account the above, the Board had recommended that the approval of the shareholders be sought and obtained through a Two-Tier Voting process at the AGM held on 16 April 2021 (“2021 AGM”) for the continuation of office of Dr. Ng-Chee Tan, Mr. Chang-Pang Chang, and Dr. Philip N. Pillai, each of whom has served as an independent Director for an aggregate term of more than 9 years on and from 1 January 2022, as an independent Director, and approval of the shareholders of the Company for the same had been duly obtained through a Two-Tier Voting process at the 2021 AGM.

Please refer to the “Board of Directors” section in the Annual Report for the independence of each Director.

## ***Board Diversity***

The Company recognizes the benefits of diversity on the Board, and views diversity and independence of thought and background in the composition of the Board as an essential element in ensuring that the Company has the opportunity to benefit from all available talent and perspectives so as to make decisions in the best interests of the Company. The current Board comprises 10 members who are professionals with varied backgrounds, expertise and experience including in management, business, investment, legal, finance, accounting and banking.

The terms of reference of the NC provides that, in reviewing Board composition, appointments to the Board and the continuation of those appointments, the NC will take into account all aspects of diversity, including skills, knowledge, experience, educational background, core competencies, gender, age and other relevant factors, so as to avoid groupthink and foster constructive debate. The Board, taking into account the views of the NC, will consider whether Directors meet the criteria of diversity under the terms of reference of the NC.

Female representation is also considered an important aspect of diversity. In relation to the gender diversity, 30% of the Board, i.e. 3 out of 10 Board members, are female, one of whom is the Chairman, CEO and NC member of the Company.

## **Chairman and CEO**

### **Principle 3:**

#### ***Chairman and CEO***

The Chairman and CEO of the Company is the same person, Ms. Tsui-Hui Huang. The principal roles and responsibilities of Ms. Tsui-Hui Huang include but not limited to the following:

- (a) leading the Board to ensure its effectiveness on all aspects of its role;
- (b) setting the agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- (c) ensuring that the Directors receive complete, adequate and timely information;
- (d) encouraging constructive relationships within the Board and between the Board and the Management;  
and
- (e) promoting high standards of corporate governance.

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As the Chairman and CEO of the Company for over 10 years, Ms. Tsui-Hui Huang has demonstrated her ability to lead the Board in an effective and strategic manner. She has, as Chairman and CEO, played a pivotal and instrumental role in developing the Group's businesses, allowing the Company to effectively plan and execute business strategies and deal with the Group's strategic challenges, while ensuring and upholding high standards of corporate governance. Given her continued, demonstrated track record as Chairman and CEO, the Board considers it to be in the Group's best interest for Ms. Tsui-Hui Huang to continue leading as Chairman and CEO. In view that Ms. Tsui-Hui Huang is both the Chairman and CEO, the Company has in place the following arrangements and appointment to ensure that no one individual has unfettered powers of decision-making:

- (a) as disclosed under Principle 2 on Page 29, all Board Committees are chaired by independent Directors, and all or a majority of the members of each Board Committee are independent Directors. The Lead Independent Director or other independent Director may, as and when he/she deems necessary and appropriate, call and lead meetings without the presence of Management, and the chairman of such meetings would provide feedback to the Board and/or Chairman as appropriate;
- (b) all independent Directors are actively engaged in deliberating on Board agenda and debates and promoting a high level of corporate governance relating to all material corporate actions (including in relation to operational, financial or compliance matters);
- (c) as disclosed under Principle 1 on Page 27, the Board conducts regular scheduled meetings on a quarterly basis to keep the Board updated on the Group's financial position and business activities, and the overall business environment in which the Group engages. Where the Board or the Board Committees' approval is required for important and critical matters concerning the Group, the inputs and approval of all Directors or Board Committee members (as the case may be) would be sought, whether through meetings held by electronic means or the passing of Board resolutions. The Management performs its duties diligently based on the decisions of and approvals obtained from the Board and Board Committees; and
- (d) the Chairman and CEO's performance and appointment to the Board and remuneration package is reviewed periodically by the NC and the RC respectively.

Notwithstanding the requirement in Provision 3.1 of the Code that the Chairman and CEO are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making, the Board believes that, in view of the above, there are sufficient strong and independent elements on the Board, and adequate safeguards in place such that no one individual has unfettered powers of decision-making and is of the view that the existing practices adopted by the Company are consistent with the intent of Principle 3 of the Code.

## ***Lead Independent Director***

Having regard to the nature of business and the structure of the Board and the Management, Dr. Ng-Chee Tan was appointed the Lead Independent Director on 11 November 2010. Please refer to Principle 2 in this report on the basis of the Board's and the NC's determination on the continuing independence of, *inter alia*, Dr. Ng-Chee Tan. The shareholders are welcomed to contact the Lead Independent Director where they have concerns and for which contact through the normal channels of the Management are inappropriate or inadequate. The Lead Independent Director also assists the Chairman and the Board to assure effective corporate governance in managing the affairs of the Board and the Company.



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## **Board Membership**

### **Principle 4:**

#### ***Nominating Committee***

The NC was established in 2002. The majority of the NC members, including the Chairman, are independent Directors. The members of NC are as follows:

Mr. Chang-Pang Chang (Chairman)

Ms. Tsui-Hui Huang

Dr. Ng-Chee Tan

The NC meets at least once a year. The NC's roles and responsibilities are set out in its written terms of reference. The NC reviews and makes recommendations to the Board on the appointment, re-appointment and/or replacement of Directors as well as members of Board Committees, the CEO and key management personnel, develops the process and criteria for evaluation of the performance of the Board, Board Committees and Directors, reviews and makes recommendations to the Board on the training and professional development programmes for the Board and the Directors, and reviews the Board composition and efficiency of the Board and Board Committee meetings. In addition, the NC constantly bears in mind whether the diversity of the Board members is sufficient, and would, at the appropriate juncture, propose new members to the Board to enhance the competence of the Group.

The NC is of the view that the current size of the Board is appropriate, given the current nature and scope of the Company's operations. The diverse entrepreneurial, professional, financial and technical background and profile of the Directors as a group ensures a balance of representative skills, experience, gender and views in the Board, as well as the necessary core competencies in areas relevant to the Group's business, such as management, finance, technology and international experience.

#### ***Rotation of Directors***

Subject to Rule 720(5) of the Listing Manual which came into effect from 1 January 2019 and requires all directors to submit themselves for re-nomination and re-appointment at least once every three years, pursuant to the Company's Bye-laws, at each AGM, one-third of the Directors shall retire from office by rotation as part of Board renewal. For the avoidance of doubt, in accordance with the Listing Manual and the Company's Bye-laws, each Director shall forthwith retire at least once every three years. New Directors appointed by the Board shall hold office only until the next AGM and shall then be eligible for re-election. The NC makes recommendations to the Board as to whether the Board should support the re-appointment /re-election of a Director who is retiring. In making recommendations, the NC undertakes a process of review of the retiring Directors' performance during the period in which the Director has been a member of the Board. Information on the candidates for election or re-election as required in Appendix 7.4.1 of the Listing Manual will be provided to shareholders in the notice of AGM, in accordance with Rule 720(6) of the Listing Manual.

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## ***Process for Selection and Nomination of New Directors***

With respect to the process for appointment of new Directors, the NC reviews and evaluates the profession, knowledge and experience of the candidates, and meets with the candidates to assess suitability and to ensure that the candidates are aware of the expectations and the level of commitment required after sourcing the candidates through an extensive network of contacts. If the NC is satisfied with the candidate's capability of being a Director, the NC will make recommendations accordingly to the Board for approval.

## ***Continuous Review of Directors' Independence***

The NC reviews annually the independence of each Director. Please refer to Principle 2 in this report on the basis of the NC's determination as to whether a Director should or should not be deemed independent.

## ***Multiple Directorships***

Each Director is required to complete the questionnaire on a half-yearly basis for the Director's board representations in other public companies. After the NC assesses each Director's contribution and devotion of time and attention to the affairs of the Company, the NC determines that each Director is able to and has been accurately carrying out his/her duties as a Director. The Board is of the opinion that to fix the maximum number of listed company board representations which a Director may hold is not necessary considering the existing Directors' time commitment and contributions to the Company.

## ***Alternate Directors***

The Board does not appoint alternate directors.

## ***Key Information on Directors***

Key information regarding Directors, such as academic and professional qualifications, Board Committees served on (as a member or chairman), date of first appointment and last appointment as a Director, directorships or chairmanships in other listed companies, and other principal commitments, are disclosed in the "Board of Directors" section in the Annual Report. The names of Directors proposed for appointment or re-appointment, as well as the information required in Appendix 7.4.1 of the Listing Manual, are set out in the notice of AGM in accordance with Rule 720(6) of the Listing Manual, and any other information or details of such Directors will also be made available to shareholders during the AGM (where requested), to enable shareholders to make informed decisions.

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## **Board Performance**

### **Principle 5:**

#### ***Board Evaluation Process***

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that the Board comprises persons who represent the principal strategic shareholders of the Company as well as independent Directors who enhance governance in the interests of all shareholders and the Company. The NC has established a formal evaluation process to assess the effectiveness of the Board and each Board Committee separately. The process includes having Directors complete a questionnaire for their views on various aspects of Board and Board Committees' performance at the end of each financial year. The Company Secretary compiles the Directors' responses to the questionnaire into a consolidated report, which is reviewed and discussed during the NC meeting. The result of the Board assessment conducted by the NC is reported to the Board thereafter by the Chairman of the NC.

The performance criteria for the Board evaluation, which are not changed from year to year, are in respect of Board composition, Board meeting process, Board performance in relation to discharging its principal functions, including the review of the Company's budget and strategic plans and the monitoring of the progress throughout the year.

#### ***Individual Director Evaluation***

In addition, the NC reviews and evaluates the performance of each Director in groups annually, especially those who are subject to retirement at the forthcoming AGM and further decides whether to recommend such Directors to be re-elected at the AGM. Performance criteria include factors such as Director's participation and contribution at the Board and Board Committee meetings, industry and business knowledge, functional expertise, and dedication.

## **2 REMUNERATION MATTERS**

### **Procedures for Developing Remuneration Policies**

#### **Principle 6:**

#### ***Remuneration Committee***

The RC was established in 2002. Current members are entirely non-executive and independent Directors. The members of RC are as follows:

Mr. Chang-Pang Chang (Chairman)  
Dr. Ng-Chee Tan  
Mr. Kung-Wha Ding

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The RC's roles and responsibilities are set out in its written terms of reference. The objective of the RC is to establish a formal, transparent and objective procedure for fixing the remuneration packages of each Director and key management personnel. To achieve this objective, the key function of RC is to review and recommend to the Board a framework of remuneration for the Board and key management personnel considering their contributions to the Board and taking into account comparability of standards within the industry and with other companies. The RC assists the Board to ensure that remuneration policies are able to attract, retain and motivate Directors without being excessive, and thereby maximize the shareholders' value. The RC also reviews the specific remuneration packages for each Director, including but not limited to Director's fees, basic salaries, allowances, bonuses, share options and benefits in kind, and submits for endorsement by the entire Board.

In discharging their duties, the RC members may seek advice from external consultants, where necessary. Market practices and standards are taken into account to ensure that the remuneration packages remain competitive.

## **Level and Mix of Remuneration**

### **Principle 7:**

The RC in determining the level and structure of remuneration of the Directors and key management personnel will ensure that they are appropriate and proportionate to the sustained performance and value creation of the Group. Executive Director's remuneration is earned through base/fixed salary and variable or performance related income/bonuses. Directors fees proposed to be paid to Directors are subject to approval of shareholders at the AGM. Non-executive Directors are not over-compensated to the extent that their independence may be compromised. The Company does not currently have any contractual provisions to allow the reclaiming of incentive components of remuneration from executive Directors and key management personnel. Nonetheless, the RC, together with the Board, will monitor and re-assess at the appropriate juncture whether such contractual provisions should be implemented. The remuneration framework for Directors and key management personnel is aligned with the interest of shareholders and relevant stakeholders and appropriate to attract, retain and motivate them for the long-term success of the Group.

## **Disclosure on Remuneration**

### **Principle 8:**

#### ***Disclosure on Directors' Remuneration***

Under the terms of the service agreement and as approved by both the RC and the Board, the executive Director, Ms. Tsui-Hui Huang is entitled in aggregate, to an incentive bonus equivalent to 1.5% of the Group's audited profit after tax and non-controlling interests with effect from FY2021.

The remuneration of Directors in bands of S\$250,000 with breakdown of salaries/fees and bonuses in percentage of each Director for the financial year ended 31 December 2021 is set out as below. The Board believes that it is not in the best interests of the Company to fully disclose the specific amount of each Director's remuneration given the highly competitive industry conditions in venture capital business.

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Remuneration Bands and Name of Directors	Salaries/Fees %	Bonuses %	Total* %
<b>S\$1,000,000 to S\$1,249,999</b>			
Tsui-Hui Huang	56	44	100
<b>Below S\$250,000</b>			
Andy C.W. Chen	100		100
Ng-Chee Tan	100		100
Philip N. Pillai	100		100
Chang-Pang Chang	100		100
Kung-Wha Ding	100		100
Kenichi Shimomoto	100		100
Chun-Chen Tsou	100		100
Shih-Ping Chen	100		100
Pi-Tien Chen <sup>2</sup>	-	-	-
<b>Su-Mei Lin<sup>3</sup></b>	<b>100</b>		<b>100</b>

**Note(s):**

1. This includes all forms of remuneration and other payments and benefits paid by the Group to Directors.
2. Ms. Pi-Tien Chen is a newly-appointed Director with effect from 17 February 2022. No remuneration was paid to Ms. Pi-Tien Chen for the financial year ended 31 December 2021.
3. Ms. Su-Mei Lin was a Director since 8 August 2019. She tendered her resignation as Director with effect from 16 February 2022.

There are no termination, retirement and post-employment benefits that may be granted to Directors, CEO and key management personnel currently.

## **Disclosure on Key Management Personnel's Remuneration**

The breakdown of salaries and bonuses in percentage of the total remuneration paid to the Company's key management personnel (who are not Directors or the CEO of the Company) in aggregate for the financial year ended 31 December 2021 is set out as below. Notwithstanding the requirement in Provision 8.1(b) of the Code to disclose the remuneration of the Company's top five key management personnel (who are not the directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to such key management personnel, the Board believes that the disclosure below provides sufficient overview of the remuneration of the Company's key management personnel considering the confidentiality of remuneration matters and such disclosure is made in the best interests of the Company given the highly competitive conditions in the venture capital business.

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Name of Key Management Personnel	Aggregate Salaries %	Aggregate Bonuses %	Total* %
Felicia Hsu	62	38	100
Hsin-Chieh Chung			

**Note:**

This includes all forms of remuneration and other payments and benefits paid by the Group to key management personnel.

Save for the persons mentioned above, there are no other persons whom the Company considers to be key management personnel of the Company (who are not Directors or the CEO of the Company).

### ***Disclosure on Remuneration of Employees who are Directors' Immediate Family Member***

No employees of the Company or any of its principal subsidiaries are substantial shareholders of the Company or immediate family member of Directors or substantial shareholders of the Company; thus, no disclosure is required for employee whose remuneration exceeds S\$100,000 per annum for the financial year ended 31 December 2021.

### ***Employee Share Schemes***

At present, the Company does not have any employee share option scheme.

## **3 ACCOUNTABILITY AND AUDIT**

### **Risk Management and Internal Controls**

#### **Principle 9:**

The Company believes that it is crucial to put in place a system of internal control of the Group's procedures and processes to safeguard the interests of the Group and shareholders, and to manage risks in the areas of financial, operational, legal/compliance, etc.

The Group has established an integrated risk identification and management framework. Within the Group, risks are proactively identified and addressed. The ownership of these risks lies with the respective business and corporate heads with stewardship residing with the Board. The Board ensures that Management maintains a sound system of internal controls, and is assisted by the AC which conducts reviews of the adequacy and effectiveness of the Group's material internal controls and risk assessment annually.

During the year, the Group, with the participation of the business and corporate heads, carried out an exercise to consolidate and review the Group's risk register which identifies the key risks faced by the Group and the internal controls in place to manage or mitigate those risks. The internal auditor was also involved in testing the effectiveness of certain material internal control systems. Material deficiencies (if any) and the consequent remedial action were reviewed by the AC and reported to the Board.

# CORPORATE GOVERNANCE REPORT

Based on the Company's above described risk identification and management framework, regular reviews performed by Management, and assurances from the CEO and the Chief Financial Officer ("CFO") that its risk management and internal control systems are adequate and effective, the Board, with the concurrence of the AC, is of the opinion that the Group's systems of risk management and internal controls are adequate and effective in addressing the financial, operational, compliance and information technology risks faced by the Group.

The Board notes that the systems of risk management and internal controls provide reasonable, but not absolute, assurance that the Group will not be adversely affected by events that might be reasonably foreseen as it works 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.

## ***Financial Risk Management***

The Group has documented a financial risk management policy, which is founded on the Group's overall business strategies and its risks management philosophy. The Group is exposed to a variety of financial risks, primarily changes in equity market prices and/or foreign currencies exchange rates in relation to its investment portfolios.

### Market Risks

The changes in equity market prices and/or foreign currencies exchange rates have significant impact on the Group's investment portfolios. In general, the Group assumes lesser interest rates risk on the deposits placed with banks and financial institutions. The Group manages market risks by close monitoring of the investment portfolios and regular reviews of the performance of each of the investments. The control procedures are in place to manage and control market risks exposures within acceptable parameters, while optimizing returns on investments.

### Liquidity Risks

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the Management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

### Credit Risks

The Group places surplus funds in banks with reputable financial standing. The credit risk on liquid funds is limited because the counterparties are reputable banks with high credit-ratings assigned by international credit-rating agencies.

Please refer to "Financial Risk Management" of Notes to Financial Statements in the Annual Report for more details.

# CORPORATE GOVERNANCE REPORT

## ***Operational Risk Management***

Each department management team reviews its control procedure periodically and conducts risk self-assessment exercise on a regular basis. The internal auditor and external auditors are also involved in the review of such self-assessment exercise. Any material deficiency together with remedial action are reviewed by the AC and reported to the Board.

The internal control system comprises all the procedures, which combine to give the Board reasonable assurance of:

- (a) the maintenance of proper accounting records and reliability of financial information used within or published by the Group;
- (b) the safeguarding and proper documentation of the Group's assets; and
- (c) the compliance with applicable legislation, regulation and best practices.

The Board has received assurance from the CEO and the CFO as well as the internal auditor that:

- (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) the Company's risk management and internal control systems were adequate and effective.

Considering the business scale of the Company, the Board's responsibility of overseeing the Group's internal control is delegated to the AC. The AC's oversight and supervision of the Group's internal controls are complemented by the work of the internal auditor and legal counsel, whose roles are to oversee various aspects of financial and legal control and risk management of the Group. The Company's external auditors, KPMG LLP carry out in the course of their statutory audit, a review of the effectiveness of the Company's key internal controls annually to the extent of their scope as laid out in their audit plan. Material internal control weaknesses noted during the audit, and the auditors' recommendations to address such weaknesses, are reported to the AC.

## **Audit Committee**

### **Principle 10:**

## ***Audit Committee***

The AC was established in 1997. Current members are entirely non-executive Directors, with the majority including the Chairman of AC being independent Directors:

Dr. Ng-Chee Tan (Chairman)  
Mr. Andy C.W. Chen  
Dr. Philip N. Pillai



# CORPORATE GOVERNANCE REPORT

The NC is of the view that the members of the AC have sufficient financial, legal and management expertise and experience to discharge the AC's functions. To enable the AC to discharge its functions properly, the AC has the authority to invite CEO, CFO and the Management to attend its meetings to respond to any questions that the AC may have.

The AC performs the following functions:

- (a) reviewing with the external auditors their audit plan and evaluates and advising on accounting controls, audit reports and any matters which the external auditors raise to the AC;
- (b) reviewing with the internal auditor, the scope and the results of internal audit procedures and his evaluation of the overall internal control system;
- (c) commissioning an independent audit on internal control for its assurance, or where it is not satisfied with the system of internal control;
- (d) reviewing the adequacy and effectiveness of the Company's internal controls;
- (e) reviewing the adequacy, effectiveness, independence, scope and results of the internal audit function;
- (f) reviewing the scope, results and effectiveness of the external audit, and the independence and objectivity of the external auditor annually, and the nature and extent of non-audit services supplied by the external auditors so as to maintain objectivity;
- (g) reviewing the half-yearly and annual financial statements, including announcements to shareholders and the SGX-ST prior to submission to the Board;
- (h) reviewing the quarterly financial results, in particular, the financial result for the 1st or 3rd financial quarter for the relevant financial year, as the case may be;
- (i) reviewing any significant findings of internal investigations;
- (j) reviewing the Company's whistle-blowing policy, and ensuring that arrangements are in place for concerns about possible improprieties to be raised and independently investigated, and for appropriate follow-up action to be taken;
- (k) making recommendations to the Board on the appointment of external auditors, the audit fee and any questions of their resignation or dismissal;
- (l) reviewing and approving the appointment, replacement, reassignment or dismissal of the internal auditor;
- (m) reviewing the assistance given by the Company's officers to the external and internal auditors; and
- (n) reviewing interested person transactions to ensure that internal control procedures are adhered to.

# CORPORATE GOVERNANCE REPORT

The AC currently meets the external and internal auditors quarterly or half-yearly, as the case may be, in order to ensure that the external auditors and internal auditor have full and free opportunities to raise concerns with the AC and to have complete access to information that auditors may require. In addition, the AC has its own discretion to meet with the external and internal auditors, whenever the AC deems necessary, without the presence of Management.

## ***External Auditors***

The AC has undertaken a review of non-audit services provided by the external auditors annually and they would not, in the opinion of the AC, affect the independence of the external auditors. Details of the aggregate amount of fees paid to the external auditors for financial year ended 31 December 2021, and a breakdown of the fees paid in total for audit and non-audit services, respectively can be found on Page 104. The Company has complied with Rules 712 and 715 of the Listing Manual in relation to the appointment of its external auditors.

## ***Whistle-blowing Policy***

The Group has in place a whistle-blowing policy, which sets out the procedures for a whistleblower to make a report to the Company on any misconduct or wrongdoing relating to the Company and its officers and the process for independent investigation of any reported incidents and appropriate follow-up actions. The Company is committed to ensuring protection of whistleblowers who have acted in good faith against reprisal, or detrimental or unfair treatment. The Company will ensure that the identity of whistleblowers will be kept confidential as far as practicable.

The AC is responsible for the overall oversight and monitoring of the whistle-blowing policy and its implementation. The Company has designated an independent function to investigate whistleblowing reports made in good faith, where the Chairman of the AC will evaluate all whistleblowing reports received, and may direct further investigation to the internal auditor and such other independent external advisors as may be appropriate. The outcome of each investigation shall be reported to the AC. The AC reviews the whistle-blowing policy from time to time.

The whistle-blowing policy was announced and made available to all the Directors and employees of the Group since its adoption. The Company has also publicly disclosed the purpose, scope, reporting procedures and communication channels of the whistle-blowing policy on its website.

## ***Summary of AC's Activities During the Financial Year Ended 31 December 2021***

The AC reviewed the half-yearly and full-year financial reports before submitting to the Board for its approval, reviewed the 1st and 3rd quarter financial results, the annual auditing plan of the external and internal auditors and assessed the results of audits performed by them, recommended the re-appointment of external auditors to be approved by the shareholders at the AGM, reviewed the adequacy, effectiveness, independence, scope and results of the internal audit and external audit functions, and confirmed the adequacy and effectiveness of the Group's risk management and internal controls in addressing financial, operational, compliance and information technology risks of the Group.

The AC has taken measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements.

None of the AC members is a former partner of the Group's existing auditing firm.

# CORPORATE GOVERNANCE REPORT

## **Internal Audit**

The internal auditor reports directly to the AC on audit matters. The AC reviews the internal auditor's report and its activities on a quarterly basis. The AC also reviews and approves the annual internal audit plans and resources to ensure that the internal auditor has the resources to adequately, effectively and independently perform its functions. The internal auditor has full access to all the Group's documents, records, properties and personnel, including access to the AC.

The internal audit is an in-house function within the Company staffed with person with relevant qualifications and experience. The internal auditor carries out its duties according to the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors and the Auditor's Handbook approved by the AC, which sets out the scope of auditing of internal controls designed and implemented to assure the integrity of the operations and management of the Company.

The AC is satisfied that the Group's internal audit function is independent, effective and adequately resourced.

## **4 SHAREHOLDER RIGHTS AND ENGAGEMENT**

### **Shareholder Rights and Conduct of General Meetings**

#### **Principle 11:**

#### **Engagement with Shareholders**

#### **Principle 12:**

#### **Engagement with Stakeholders**

#### **Principle 13:**

### ***Shareholder Rights***

To facilitate shareholders' ownership rights, the Company releases all material information, to its best knowledge, through the SGXNet to keep all shareholders sufficiently informed.

For the 2021 AGM, given the COVID-19 pandemic situation and in compliance with applicable SGX-ST Rules, all shareholders of the Company were sent a notice of the AGM, proxy form and a request form which set out the procedures for the shareholders to request for printed copies of the Annual Report and the Appendix to the notice of the AGM and details on how the aforesaid documents may be accessed online. The Annual Report and all relevant documents for the 2021 AGM were released through SGXNet and also available on the Company's website. The simplified version of the 2021 AGM notice was additionally advertised in the Singapore newspapers. Shareholders were accorded the opportunity to submit questions to the Board and/or Management prior to the 2021 AGM. Substantive questions were addressed at the 2021 AGM. Shareholders who were unable to attend the 2021 AGM in person, were able to observe the proceedings by audio or audio-visual means. Shareholders were required to appoint the Chairman of the 2021 AGM as their proxy to vote on their behalf. The results of the proxy votes for, against or abstained were announced at the 2021 AGM and the results of the 2021 AGM were released on the SGXNet on the same date.

# CORPORATE GOVERNANCE REPORT

## Conduct of Shareholder Meetings

The Company supports the principle of encouraging shareholder participation and voting at the AGM. At the AGM, shareholders are encouraged to communicate their views and discuss with the Board and Management on matters affecting the Company. In respect of the 2021 AGM, given the COVID-19 pandemic situation, shareholders were given the opportunity to submit their questions to the Board and/or Management prior to the 2021 AGM, and substantial and relevant questions raised by shareholders were addressed at the 2021 AGM. The 2021 AGM was conducted in accordance with the SGX-ST's guidance on conduct of general meetings during the COVID-19 pandemic period, and the Chairman of the Board, Ms. Tsui-Hui Huang, the Directors, Mr. Andy C.W. Chen, Dr. Ng-Chee Tan, Dr. Philip N. Pillai, Mr. Chang-Pang Chang, Mr. Kung-Wha Ding, Mr. Kenichi Shimomoto, Mr. Chun-Chen Tsou, Ms. Shih-Ping Chen, and Ms. Su-Mei Lin, Company Secretary, external auditors and the Company's Singapore legal counsel were in attendance at the 2021 AGM held on 16 April 2021.

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at the AGM. All the resolutions are put to vote by poll. The Company has been conducting electronic poll voting for all the resolutions passed at the AGM for greater transparency in the voting process. An independent external consultant is also appointed as scrutineer for the electronic poll voting process. Prior to the general meeting, the scrutineer will review the proxies and the electronic poll voting system, and attends at the proxy verification process, to ensure that the proxy and poll voting information is compiled correctly. Votes cast for, or against, each resolution will be tallied and displayed live-on-screen to shareholders or their appointed proxies immediately after each poll conducted at the AGM. A timely announcement showing total number of shares represented by votes for and against each resolution and the respective percentage are released through SGXNet after the AGM.

Minutes of the AGM which include substantial and relevant comments or queries from shareholders in relation to the agenda of the AGM and responses from the Board and Management are released through SGXNet and also available on the Company's website.

In light of the COVID-19 pandemic situation, shareholders will not be able to attend the AGM for the financial year ended 31 December 2021 ("2022 AGM") in person, but they may observe the proceedings of the 2022 AGM by audio or audio-visual means. Shareholders must appoint the Chairman of the 2022 AGM as proxy to vote on their behalf at the 2022 AGM. Shareholders may submit questions relating to the business of the 2022 AGM in advance in the manner and before the deadline set out in the notice of the 2022 AGM. The 2022 AGM will be conducted in accordance with relevant requirements of the SGX-ST as may be published from time to time. Please refer to the notice of the 2022 AGM and announcement dated 1 April 2022 for further information.

## Communication with Shareholders

The Company endeavors to keep all its shareholders informed of the performance and changes in the Group by making timely and adequate announcement through SGXNet. The Company had adopted quarterly reporting of its financial results from 2003 to 2019. Pursuant to Rule 705(2) and 705(3)(b) of the Listing Manual in force from 7 February 2020, the Company has adopted half-yearly reporting of its financial results commencing from financial year 2020. Half-yearly and annual financial results are published through the SGXNet. All information on the Company's new initiatives will be first disseminated via SGXNet.

# CORPORATE GOVERNANCE REPORT

The Company does not practice selective disclosure. Price sensitive information is first publicly released before the Management meets with any group of investors or analysts or simultaneously with such meetings. Results and annual reports are announced or issued within the mandatory period.

The Company reviews the dividend policy annually depending on the Group's cash and operational needs. Annual dividend proposed for the financial year ended 31 December 2021 is shown on Page 101, which is subject to the approval of the shareholders at the 2022 AGM.

## **Managing Stakeholder Relationships**

The Board adopts a balanced approach towards the needs and interests of key stakeholders, taking into account the best interests of the Company. The Group engages its stakeholders, including employees and investee companies, on a regular basis in order to gain better understanding of their concerns and expectations, and these interactions facilitate continuous improvements in all areas of the Group's operations.

The Group has put in place several investment management policies which set out the process and mechanism to engage its key stakeholders, investee companies, including meeting with them regularly. In order to safeguard the reputation and interest of the Group, the ethics policies of the Group set out the policies and procedures dealing with various issues such as conflicts of interests, the maintenance of records and reports, equal employment opportunities and sexual harassment. The Company also maintains a current corporate website, [www.hihl.com.sg](http://www.hihl.com.sg), to communicate and engage with stakeholders.

## **ADDITIONAL INFORMATION**

### **Securities Transactions**

The Company has issued a policy on dealings in the securities of the Company and its subsidiaries to its Directors and senior executives setting out the implications of insider trading and guidance on such dealings, including the prohibition on dealings with the Company's securities on short-term considerations. It has followed Rule 1207(19) of the Listing Manual which provides guidance on the principles and best practices with regard to dealings by the Company and its officers in the Company's securities. In line with the said Listing Rule, the Company Secretary issues circulars to its Directors and officers informing that the Company and its officers must not deal in listed securities of the Company one month before the release of half-year and full-year results (and, if any quarterly financial statements for the 1st and 3rd financial quarter are released, within 2 weeks before the release of such statements). Directors and executives are required to report to the Company Secretary whenever they deal in the Company's shares.

### **Financial Risk and Capital Risk Management**

The Board oversees the Group's financial risk and capital risk management policies. Where there are significant risks in respect of the Group's operations, appropriate risk management practices will be put in place to address these risks.

# CORPORATE GOVERNANCE REPORT

## Interested Person Transactions Policy

The Company has adopted an internal policy in respect of any transactions with interested persons that set out the procedures for review and approval of the Company's interested person transactions.

The Group's interested person transactions for the financial year ended 31 December 2021 are disclosed in the table below:

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Tai Lung Capital Inc.	Controlling shareholder of the Company	NT\$6,125,496*	-

**Note:**

Rental income received by Tai Lung Capital Inc. from Hotung International Company Limited and Hotung Venture Capital Corporation. The value of NT\$6,125,496 refers to the total contract sums for the financial year under review.