

**RESPONSES TO QUERIES
FROM SINGAPORE EXCHANGE TRADING LIMITED (THE “SGX-ST”)**

The Board of Directors (the “**Board**”) of Hoe Leong Corporation Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Company’s annual report for the financial year ended 31 December 2020 (“**Annual Report 2020**”) and wishes to provide its responses to the following queries raised by the SGX-ST.

Query (a):

Listing Rule 704 (5) states that an issuer must immediately announce if there is are material adjustments to the full year audited results and to disclose and explain the material adjustments via an SGXNET announcement. We note that it was stated in the release of full year financial results that the net cash flows generated from operating activities was \$3,064,000 while the audited results state that the net cash flows from operating activities was \$2,682,000. Given that no announcement was released on SGXNet for the above material adjustment, please explain this discrepancy as well as how the company is in compliance with Listing Rule 704 (5).

Response:

The difference of S\$382,000 relates mainly to the reclassification of interest expenses on discontinued operation (i.e. vessel chartering segment) from ‘Net cash used in financing activities’ to ‘Net cash from operating activities’. As the above reclassification did not have a material impact on the net cash flow of the Group and there was no change in the cash and cash equivalents balance, the Board is of the view that the Company is generally in compliance with Listing Rule 704(5). The Board is and will continue to remain vigilant of the requirements of Listing Rule 704(5) and in ensuring that the Company complies with it.

Query (b):

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the “Code”), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. Practice Guidance 2 requires an issuer to state the Company’s board diversity policy and progress made towards implementing the board diversity policy, including objectives. Please state if the Company has a formal board diversity policy and please confirm if the Company’s practices are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Response:

The Company has a formal Board diversity policy in place that set out the approach to achieve diversity for the Company’s board of directors and provides the Company with the flexibility to select from a wide and diverse talent pool when shortlisting candidates for Board appointment.

The Nominating Committee of the Company (the “**NC**”) will continue to review the Board diversity policy, as appropriate, to ensure its effectiveness, and will recommend appropriate revisions to the Board for consideration and approval. Any updates or progress made towards implementing the Board diversity policy will be disclosed in the Company’s Corporate Governance Report, as appropriate.

In order to gather and leverage on diverse perspectives, the Executive Chairman cultivates an inclusive environment where all directors are encouraged to speak up and participate in decision-

making. All directors of the Company have individually more than 20 or 25 years of professional and/or corporate experience, working with employers and clients spanning diverse industries.

The Company's practices are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Query (c):

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. Practice Guidance 2 requires an issuer to state if the Company has disclosed the rigorous review by the board, explaining why an Independent Director that has served for 9 years on the board should be considered independent. Please state if the Company has conducted a rigorous review on the Independence of Mr Ang Mong Seng and if the Company's practices are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence in its composition to enable it to make decisions in the best interests of the Company.

Response:

During the financial year ended 31 December 2019, the NC performed a rigorous review on the independence of Mr Ang Mong Seng who had served in the Board for more than 9 years and had determined that Mr Ang remained independent in character and judgement despite his length of service. The NC took into consideration that all long serving executive directors had stepped down in October 2019 and that the Board would benefit from Mr Ang's historical corporate knowledge of the Group. The Board concurred with the NC's view.

As part of this annual review by the NC in the following financial year, Mr Ang had subsequently expressed both to the NC and the Board with his wish to retire at the upcoming annual general meeting as disclosed on Pg. 30 of Annual Report 2020 and retired as independent director of the Company on 29 April 2021.

Given the Board's rigorous and independence review as set forth by the NC, Mr Wee Sung Leng was appointed as independent director of the Company on 29 April 2021. During the financial year ended 31 December 2020 and as at the date of this announcement, independent directors make up a majority of the Board.

As such, the Company's practices are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence in its composition to enable it to make decisions in the best interests of the Company

Query (d):

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. Practice Guidance 3 requires the separation of the role of the Chairman from that of the CEO to avoid concentration of power in one individual and ensure a degree of checks and balances. We note the Company's Chairman and CEO roles are filled by Mr Liew Yoke Pheng Joseph. Please explain and confirm if the Company's practices are consistent with the intent of Principle 3 of the Code, which requires the Company to have a separation of the role of the Chairman from that of the CEO to avoid concentration of power in one individual and ensure a degree of checks and balances.

Response:

As CEO of the Company, Mr Liew Yoke Pheng Joseph takes an active role in the management of the Group. As Executive Chairman, Mr Liew is responsible for the effectiveness of the Board.

As disclosed in the Corporate Governance Report on Pg. 32 of Annual Report 2020, the Board, after careful consideration, is of the opinion that it is not necessary, under current circumstances, to

separate the roles of the Executive Chairman and CEO. This is after taking into consideration the size, scope and nature of the operations of our Group and that majority of the board members are independent. The strong independent element on the Board ensures that decision-making is based on collective decision and that there is no concentration of power and authority vested in one individual. The Board also comprise a lead independent director to provide leadership in situations where the Executive Chairman may be conflicted.

As such, the Company's practices are consistent with the intent of Principle 3 of the Code, which requires clear division of responsibilities between the leadership of the Board and the management and to avoid concentration of power in one individual and ensure a degree of checks and balances.

Query (e):

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. Practice Guidance 8 of the Code states that appropriate remuneration disclosures for individual directors, CEO and KMP should be made to provide sufficient transparency and information to shareholders regarding remuneration matters. The remuneration disclosures for individual directors and the CEO should specify the names, amounts and breakdown of remuneration. We note that the Company declined to disclose each individual director and CEO's exact remuneration. Instead, the Company disclosed the remunerations in bands of S\$250,000. Please clarify if this disclosure provides sufficient transparency and information to shareholders and it is consistent with the intent of Principle 8 of the Code.

Response:

The Company had disclosed on Pg. 37 of Annual Report 2020 the policies and mechanics of the remuneration package of the CEO and its linkages to the performance of the Company. The remuneration of the CEO comprises fixed components (fixed basic salaries) and a variable component (incentive bonus based on the Group's audited profit before tax). Discretionary bonuses (if any) are determined based on, amongst other factors, individual performance.

Independent directors are remunerated according to the following structure:

	Basic fee as Board member S\$'000	Audit Committee S\$'000	Nominating Committee S\$'000	Remuneration Committee S\$'000
Chairman	-	30	10	10
Member	20	5	5	5

The Company has disclosed on Pg. 38 of Annual Report 2020 the breakdown of the remuneration of each director by types of compensation, in percentage terms and in bands of S\$250,000. While this practice varies from Provision 8.1 of the Code, the Board is of the view that full disclosure of the specific remuneration of the CEO is not in the best interest of the Company as this disclosure may hamper its ability to retain and nurture the Group's talent pool, given the sensitive nature of remuneration matter, Company's operating environment and the competition for talents. The Company believes that shareholders' interest will not be prejudiced as a result of such non-disclosure of the specific remuneration. The Company exercises sufficient transparency and information to the shareholders by disclosing the directors' and CEO's remuneration in bands of not wider than S\$250,000 to provide an insight into the level of remuneration paid to the directors and the CEO.

Notwithstanding the deviation, the Company is of the view that the practices the Company had adopted are consistent with the intent of Principle 8 of the Code.

By Order of the Board

Liew Yoke Pheng Joseph
Executive Chairman and CEO
3 September 2021