

HI-P INTERNATIONAL LIMITED
(Company Registration No.: 198004817H)
(Incorporated in the Republic of Singapore)

RESPONSE TO SGX QUERIES ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Board of Directors of Hi-P International Limited (the "**Company**", together with its subsidiary, the "**Group**") would like to state the following in response to the queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") regarding the disclosures in the Company's Annual Report for the financial year ended 31 December 2019 ("**Annual Report 2019**") issued on 9 April 2020.

Query:

Listing Rule 710 of the Listing Manual provides, *inter alia* that, where an issuer's practices vary from any provisions of the Code of Corporate Governance 2018 (the "**Code**"), it must explicitly state, in its annual report, the provision from which it has varied, explain the reason for variation, and explain how the practices it had adopted are consistent with the intent of the relevant principle.

Per page 14 of the Company's annual report for FY2019, we note that the Company had not complied with Provision 3.1 of the Code as the Company's Chairman and CEO position is filled by the same person.

As such, please explain the reason for variation, and explain how the practices adopted are consistent with the intent of Principle 3 in the Code, which requires a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision making.

Response:

As disclosed on pages 14 and 15 of the Corporate Governance Report in the Annual Report 2019:

Provision 3.1 has not been complied with as Mr. Yao Hsiao Tung is the Executive Chairman of the Board and Chief Executive Officer of the Company. The Board recognizes the Code's recommendation that the Chairman and the Chief Executive Officer should be separate persons to ensure an appropriate balance of power and authority, increased accountability, and greater capacity of the Board for independent decision making. However, the Board is also of the view that adopting a single leadership structure, i.e. where the Chief Executive Officer and the Chairman of the Board are the same person, brings certain benefits to the Company.

Mr. Yao is the founder of the Group and has played a key role in developing the Group's business. His deep industry knowledge has helped him to steer the Board's attention towards important strategic matters, and his familiarity with the Company's vision, mission and strategic projects has helped him ensure that the Board receives the right level and quantity of information to evaluate the Company's progress against its strategic objectives. Mr. Yao is responsible for providing guidance on the corporate and business direction of the Group, scheduling, setting agenda and chairing of Board meetings, monitoring the quality, quantity and timeliness of information flow between the Board and the Management, managing the day-to-day operations of the Group with the help of senior management and promoting high standards of corporate

governance. Through the Group's business development in the last few years, Mr. Yao has demonstrated his vision, strong leadership and enthusiasm in the Group's business.

With Mr. Yao's leadership, the Board has also maintained a consensus style of decision-making. Directors are encouraged to express any views and reservations they may have and issues brought before the Board are not forced prematurely to a vote. The Company respects all directors' separate and independent access to Management, although such is usually not needed because of Mr. Yao and the Management team's candidness towards the Board.

The majority of the Board members are Independent Directors and all the Board committees are chaired by the Independent Directors. The Board believes that there is a good balance of power and authority within the Board and no individual or small group can dominate the Board's decision-making process. Furthermore, Mr. Gerald Lim Thien Su has been appointed as the Lead Independent Director since 3 May 2018 and he is available to shareholders where they have concerns and for which contact through the normal channels of the chairman, the chief executive officer or the chief financial officer has failed to resolve or is inappropriate. Led by the Lead Independent Director, the Independent Directors met or discussed periodically without the presence of other Directors and senior management, and the Lead Independent Director provided feedback to the Chairman after such meetings.

The Board is thus of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decisions without any individual exercising any considerable concentration of power or influence.

Accordingly, in view of the above, the Company is of the view that practices it had adopted are consistent with the intent of the Principle 3 of the Code.

By Order of the Board

Yao Hsiao Tung
Executive Chairman and Chief Executive Officer

4 May 2020