

RESPONSE TO QUERIES FROM SGX

The Board of Directors of Hiap Seng Industries Limited (the “**Company**” or together with its subsidiaries, the “**Group**”), refers to the queries raised by the Singapore Exchange Regulation Pte. Ltd. (“SGX RegCo”) on 24 July 2024 in relation to the Company’s Annual Report for the financial year ended 31 March 2024 (“FY2024 Annual Report”) released on 16 July 2024.

The Company wishes to provide below its response to the queries raised by SGX RegCo:

SGX Query (1)

Please disclose how the Company has complied with Rule 710A(2) of the Listing Manual which provides that an issuer must describe in its annual report its board diversity policy, including the following:

- (a) the issuer’s targets to achieve diversity on its board;
- (b) the issuer’s accompanying plans and timelines for achieving the targets;
- (c) the issuer’s progress towards achieving the targets within the timelines; and
- (d) a description of how the combination of skills, talents, experience and diversity of its directors serves the needs and plans of the issuer.

Company’s response

Please refer to Page 110 under Provision 2.4 (Board composition and diversity) in the Corporate Governance Report of the FY2024 Annual Report which is reproduced below:

“The Board has adopted a Board Diversity Policy and works towards implementing the objectives of a diverse Board to foster an inclusive and diverse board that contributes to long-term success. Having a diverse Board enhances decision-making process of the Board and avoid groupthink while fostering constructive debate.

The current Board comprised directors from a wide range of age. Diversity in terms of age brings together Directors with complementary abilities, skills, information and networks which can offer better decision-making and fresh perspectives. As the Company looks out for development, investment, and diversification opportunities that will contribute positively towards profitability, while exercising caution, the diversity in age could contribute to long-term success of the Company.

With guiding principles for inclusivity, merit-based and transparency, the goals over time is to consider and achieve diversity such as gender, skills and business experiences and other distinctive qualities of the Directors. The NC will intentionally include female candidates in the search for board candidate and is committed to advance female candidates who meet the required skills and experiences for appointment as a Director, final selection will be made in a fair and non-discriminatory manner.”

The target over time is to achieve diversity such as age, gender, skills and business experiences. The NC will intentionally include female candidates in a fair and non-discriminatory manner based on her skills and experiences and the review will be done annually. While the Company looks for development, investment, and diversification opportunities, it will bear in mind diversity should contribute towards long-term success of the Company.

The current directors (except for Mr Khua Kian Hua) were appointed to the Board on 16 February 2024 and comprised directors from a wide range of age. Diversity in terms of age brings together Directors with complementary abilities, skills, information and networks which can offer better decision-making and fresh perspectives. The combination or diversity in age, skills and experiences compliments the plans of the Company for development, investment, and diversification opportunities.

SGX Query (2)

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. We note that the Company had not complied with Provision 8.1 of the Code with regards to the disclosure of remuneration, and there were no explanations provided for in your FY2024 annual report on how it is consistent with the intent of Principle 8 of the Code.

Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company’s remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Company’s response

The Company had disclosed the names, amounts and breakdown of remuneration of each individual director and the CEO as well as two key management personnel under Provision 8.1 (Disclosure of remuneration) of the Corporate Governance Report in the FY2024 Annual Report. Due to the number of two Key Management Personnel, the Company is not disclosing the aggregate remuneration paid to the two key management personnel to maintain confidentiality of remuneration matters and given the competitive conditions in the industry and poaching of employees from within the same industry. One of the two key management personnel is an immediate family member of a Director whose remuneration was disclosed in bands of S\$50,000. The aggregate remuneration for the two related employees was S\$335,000.

As mentioned in the second paragraph of Provision 8.1, compensations of both Mr Khua Kian Hua and Mr Tan Phuay Hung, Max consist of salary, bonus, and performance awards that are dependent on the performance of the Group. The performance-related awards form a significant portion of their compensation. Both Mr Khua Kian Hua and Mr Tan Phuay Hung, Max, have service contracts with the Company and each of them are also the substantial shareholders of the Company. Their interests are therefore in line with the Company’s interest.

The procedure for setting out the remuneration and relationships between remuneration, performance and value creation were disclosed in Provision 7.1 and 7.2 in the Corporate Governance Report. Please refer to Pages 116 and 117 of the FY2024 Annual Report. It includes explanation on the remuneration packages of Directors and Independent Non-Executive Directors.

BY ORDER OF THE BOARD
Khua Kian Hua
Executive Director

28 July 2024