



Response to Queries from the Singapore Exchange Securities Trading Limited (“SGX-ST”) on the Company’s Annual Report for the Financial Year Ended 31 December 2020

The Board of Directors (the "Board") of Bonvests Holdings Limited (the "Company") refers to the queries raised by the SGX-ST on 23 April 2021 and responds as follows:

a. Listing Rule 704 (5) states that an issuer must immediately announce if there is any 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 \$5,672,000 while the audited results state that the net cash flows provided by operating activities was \$9,099,000. 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).

Company’s Response 1

| | Audited | Unaudited | Variance |
|---|------------------|------------------|-----------------|
| | 31 Dec 20 | 31 Dec 20 | |
| | S\$’000 | S\$’000 | S\$’000 |
| Net cash flows generated from operating activities | 9,099 | 5,672 | 3,427 |
| Investing Activities: | | | |
| Net cash flows (used in) investing activities | (33,236) | (30,024) | (3,212) |

The differences are mainly due to reclassification and allocation upon audit, of the following items among operating and investing activities:

- i) Reclassification of retention sum payable and other creditors relating to Property, Plant and Equipment (PPE) included in cash flows from operating activities in the full year results announcement to acquisition of PPE in cash flows used in investing activities in the audited results, resulting in an increase in net cash flows generated from operating activities and a corresponding increase in net cash flows used in investing activities.
- ii) Allocation of currency translation differences reported under cash flows before working capital changes to acquisition of PPE and additions to investment properties under the net cash flows used in investing activities.

The Company has complied with Listing Rule 704(6) as the above differences are immaterial to the consolidated statement of cash flows of the Group since they were neither materially price-sensitive nor trade sensitive.

b. Listing Rule 907 requires issuers to disclose the aggregate value of interested person transactions entered into during the financial year under review in its annual report in the prescribed presentation format. Please disclose the interested party transactions of FY2020 in the prescribed presentation format.

Company's Response 2

| 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 shareholder's mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) ² |
|---------------------------|---|--|---|
| Allsland Pte Ltd | Associate of Mr Henry Ngo, Director and controlling shareholder | 419,196 | NA |
| Goldvein Holdings Pte Ltd | Associate of Mr Henry Ngo, Director and controlling shareholder | 9,201 ¹ | NA |

¹ while the amount is less than S\$100,000, the transactions with Allsland Pte Ltd and Goldvein Holdings Pte Ltd are aggregated and considered as under the same interested person group.

² The Company does not have a general mandate from shareholders for recurring interested person transactions.

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. We note that the Company will not be in compliance with Provision 2.4 of the Code as given that your chairman is not independent and Independent and non-executive directors do not make up a majority of the Board. Following Mr Yee's retirement, there will only be 2 independent directors (assuming that Mr Yeo and Mr Chew obtain shareholder approval under the two-tier vote). Independent directors and non-executive directors will make up less than 50% of the Board. There were no explanations provided for in your FY2020 annual report on how this is consistent with the intent of Principle 2 of the Code. Please clarify how the practices the Company had adopted 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 interest of the Company.

Company's Response 3

The Board intends to appoint a new independent director following the departure of Mr Tom Yee from the Board. It has started the process of seeking and identifying suitable candidates for the position of independent director, and will make the necessary announcement once a suitable candidate has been selected and appointed. With the appointment of a new independent director, the independent directors will make up half the Board.

With the incoming independent director, the Board will review the appointment of a new Lead Independent Director to replace Mr Yee as the outgoing Lead Independent Director and the re-constitution of the Board committees, namely the Audit, Remuneration and Nominating Committees to ensure compliance with the Code. Each of the Board committees is currently chaired by an independent chairman and the same for the re-constituted Board committees.

The Board is of the view that given the Board size of six, three Independent directors led by a Lead Independent Director provide a good balance of authority and power within the Board. In addition, the Board Committees assisting the Board in its functions will continue to be chaired by an independent director. The Board is of the view that there is a strong independence element within the Board which is consistent with Principle 2 of the Code.

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 2 requires an issuer to state the Company’s board diversity policy and progress made towards implementing the board diversity policy, including objectives. 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.

Company’s Response 4

As set out under Provision 2.4 of the Corporate Governance Statement in the Annual Report, “While the Board has not formalised its board diversity policy, the Board recognised the importance of having a Board comprising persons whose diverse skills, experience and attributes provide for effective direction for the Group. The Board also considers gender as an important aspect of diversity alongside factors such as the age, ethnicity and educational background of its members, as it believes that diversity in the Board’s composition contributes to the quality of its decision making. In its Board renewal process including the selection and appointment of new directors, the Board supports a policy of diversity and together with the NC will set the relevant objectives to promote diversity to ensure an appropriate balance of perspectives, skills and experience on the Board to support the long-term success of the Company.”

The Nominating Committee and the Board will continue to take into consideration the need for diversity on the Board in the appointment of new Directors and this is consistent with the intent of Principle 2 of the Code.

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.

Company's Response 5

On page 33 of the Annual Report, the Company's deviation from Provision 8.1 of the Code is explained as follows: "Directors' remuneration are disclosed on a named basis in bands of S\$250,000 each and not fully, in the interest of the Company to maintain confidentiality of its remuneration policies. Mr Henry Ngo is the Managing Director (CEO equivalent) and his remuneration is disclosed above. Mr Ngo does not receive any additional Directors' fees."

While the exact remuneration of the Directors is not given, the level and mix of remuneration in percentage terms of the individual Directors in bands of S\$250,000 are provided. The Company believes that such disclosure will provide shareholders with an adequate appreciation of the remuneration packages of the Directors and is consistent with the intent of Principle 8 of the Code.

f. 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 remuneration disclosures of at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000, in aggregate the total remuneration paid to these key management personnel, as well as disclose remuneration on named basis. We note the Company had declined to disclose the remuneration of its top five (5) KMP on a named basis. 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.

Company's Response 6

On page 34 of the Annual Report, the Company's deviation from Provision 8.1 of the Code is explained as follows: "The top 5 key management personnel comprise general managers and financial controllers in the Group's industrial division and in the Group's hotel operations across different jurisdictions. Under the foreign jurisdictions, there is no requirement for corporations to disclose the detailed remuneration of individual executives. The disclosure in Singapore would affect the confidentiality of their remuneration. The foreign subsidiaries would be put into a position of unequal treatment in governing the confidentiality of their employees' remuneration. Such foreign executives would be disadvantaged unfairly. Disclosure of the names of the key management personnel will give rise to pay comparisons when remuneration among them are not comparable as remuneration among jurisdictions vary according to different market conditions and cost and standard of living. In addition, given the highly competitive conditions in the local and foreign marketplace where poaching of executives is not uncommon, it is not in the interest of the Company to disclose the remuneration of individual executives. The Board is of the view that it would be disadvantageous to the Group to detail the remuneration of its top 5 key management personnel."

While the top 5 key management personnel (who are not directors or CEO) are not named, the level and mix of remuneration in percentage terms by bands of S\$250,000 is disclosed as well as their total remuneration. The Company believes that the disclosure provides a balance between the interest of the Company and provision of information to shareholders on the range of remuneration to each of the key management personnel and the percentage of fixed and variable component of their remuneration and is consistent with the intent of Principle 8 of the Code.

BY ORDER OF THE BOARD

Foo Soon Soo

Company Secretary

26 April 2021