

CORPORATE GOVERNANCE

Corporate governance refers to the processes and structure by which the business and affairs of a company are directed and managed, in order to enhance long-term shareholder value through enhancing corporate performance and accountability. Good corporate governance therefore embodies both enterprise (performance) and accountability (conformance).

Our Directors recognise the importance of corporate governance and the offering of high standards of accountability to our Shareholders and will endeavour to comply with the recommendations set out in the Code of Corporate Governance. Our Board has formed three (3) committees: (i) the Nominating Committee; (ii) the Remuneration Committee; and (iii) the Audit Committee.

Board Practices

Our Articles provide that subject to the Catalyst Rules, the number of Directors shall not be less than two (2). None of our Directors are appointed for any fixed term, but at least one-third of our Directors are required to retire at every annual general meeting of our Company. Hence, the maximum term for each Director is three (3) years. Directors who retire are eligible to stand for re-election.

Our Directors are appointed by our shareholders at a general meeting. One-third (or the number nearest one-third) of our Directors, are required to retire from office at each annual general meeting. Furthermore, all our Directors are required to retire from office at least once in every three (3) years. However, a retiring Director is eligible for re-election at the meeting at which he retires.

According to the Code of Corporate Governance, the chairman of the board and the chief executive officer or managing director of a company should be separate persons, to ensure an appropriate balance of power, increased accountability and greater capacity of the board of directors of the company for independent decision making. Our Group's Executive Chairman is also the CEO. The Board is of the view that it is not necessary to separate the roles of the Executive Chairman and the CEO after taking into consideration the size, scope and the nature of the operations of our Group. Thomas Lim is the founder of our Group and has played an instrumental role in developing our business since establishment. He has considerable industry experience and a wide business network and has also provided our Group with strong leadership and vision. The Board is of the view that it is in the interest of our Group to adopt a single leadership structure.

We have appointed Lim Teck Chai, Danny as our Lead Independent Director. Our Nominating Committee, Remuneration Committee and Audit Committee are all chaired by Independent Directors. The Board is of the view that there are sufficient safeguards and checks in place to ensure that the process of decision-making by the Directors is independent and based on collective decision-making without our Executive Chairman and CEO being able to exercise considerable power or influence.

Nominating Committee

Our Nominating Committee comprises Tan Soon Liang, Thomas Lim, Sho Kian Hin and Lim Teck Chai, Danny. The Chairman of our Nominating Committee is Tan Soon Liang. Our Nominating Committee will be responsible for:

- (a) reviewing and recommending the nomination or re-nomination of our Directors having regard to our Director's contribution and performance;
- (b) determining on an annual basis whether or not a Director is independent;
- (c) deciding whether or not a Director is able to and has been adequately carrying out his duties as a director; and
- (d) reviewing and approving any new employment of related persons and the proposed terms of their employment.

Our Nominating Committee will decide how our Board's performance is to be evaluated and propose objective performance criteria, subject to the approval of our Board, which addresses how our Board has enhanced long-term shareholders' value. Our Board will also implement a process to be carried out by our Nominating Committee for assessing the effectiveness of our Board as a whole and for assessing the contribution of each individual Director to the effectiveness of our Board. Each member of our Nominating Committee shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director.

Remuneration Committee

Our Remuneration Committee comprises Lim Teck Chai, Danny, Tan Soon Liang and Sho Kian Hin. The Chairman of our Remuneration Committee is Lim Teck Chai, Danny.

Our Remuneration Committee will recommend to our Board a framework of remuneration for our Directors and key executives, and determine specific remuneration packages for each Executive Director. The recommendations of our Remuneration Committee shall be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses and benefits-in-kind shall be covered by our Remuneration Committee.

Our Remuneration Committee will also perform an annual review of the remuneration of employees related to our Directors and/or Substantial Shareholders to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Each member of our Remuneration Committee shall abstain from voting on any resolutions in respect of his remuneration package or that of employees related to him.

Audit Committee

Our Audit Committee comprises Sho Kian Hin, Lim Teck Chai and Danny, Tan Soon Liang. The Chairman of our Audit Committee is Sho Kian Hin.

Our Audit Committee will assist our Board in discharging its responsibility to safeguard our assets, maintain adequate accounting records and develop and maintain effective systems of internal control, with the overall objective of ensuring that our management creates and maintains an effective control environment in our Group.

Our Audit Committee will provide a channel of communication between our Board, our management and our external auditors on matters relating to audit.

Our Audit Committee will meet periodically to perform the following functions:

- (a) review the audit plans of our external auditors and our internal auditors, including the results of our external and internal auditors' review and evaluation of our system of internal controls;
- (b) review the external auditors' report;
- (c) review with independent internal auditors the findings of their review report, internal control process and procedures, and make recommendations on the internal control processes and procedures to be adopted by our Group;
- (d) review the co-operation given by our management to our external auditors and our internal auditors, where applicable;
- (e) review the financial statements of our Company and our Group, and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with Singapore Financial Reporting Standards, concerns and issues arising from the audits including any matters which the auditors may wish to discuss in the absence of management, where necessary, before their submission to our Board for approval;

- (f) review and discuss with auditors any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our Group's operating results or financial position and our management's response;
- (g) review and approve interested person transactions and review procedures thereof;
- (h) review transactions falling within the scope of Chapter 9 and 10 of the Catalist Rules if any;
- (i) review any potential conflicts of interest and set out a framework to resolve or mitigate any potential conflicts of interests;
- (j) review the transactions between our Group and our major customers (if any) and major suppliers;
- (k) review our key financial risk areas, with a view to providing an independent oversight on our Group's financial reporting, the outcome of such review to be disclosed in the annual reports or, where the findings are material, announced immediately via SGXNET;
- (l) review the independence of the external auditors and recommend their appointment or re-appointment, remuneration and terms of engagement;
- (m) review and approve foreign exchange hedging policies implemented by our Group and conduct periodic review of foreign exchange transactions and hedging policies and procedures;
- (n) undertake such other reviews and projects as may be requested by our Board and report to our Board its findings from time to time on matters arising and requiring the attention of our Audit Committee;
- (o) review arrangements by which our staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that arrangements are in place for the independent investigations of such matter and for appropriate follow-up; and
- (p) undertake generally such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

Apart from the duties listed above, our Audit Committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or suspected infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our Group's operating results and/or financial position. In the event that a member of our Audit Committee is interested in any matter being considered by our Audit Committee, he will abstain from reviewing and deliberating on that particular transaction or voting on that particular resolution.

Our Audit Committee shall also commission an annual internal control audit until such time as our Audit Committee is satisfied that our Group's internal controls are robust and effective enough to mitigate our Group's internal control weaknesses (if any). Prior to the decommissioning of such an annual audit, our Board is required to report to the SGX-ST and the Sponsor on how the key internal control weaknesses have been rectified, and the basis for the decision to decommission the annual internal control audit. Thereafter, such audits may be initiated by our Audit Committee as and when it deems fit to satisfy itself that our Group's internal controls remain robust and effective. Upon completion of the internal control audit, appropriate disclosure will be made via SGXNET of any material, price-sensitive internal control weaknesses and any follow-up actions to be taken by our Board.

Currently, based on the internal controls established and maintained by our Group, work performed by the internal and external auditors, and reviews performed by our management and our Board, our Board, to the best of its knowledge and belief, with the concurrence of our Audit Committee, is of the opinion that the internal controls of our Group are adequate to address financial, operational and compliance risks of our Group.