

CORPORATE GOVERNANCE STATEMENT

Tat Seng Packaging Group Ltd (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) are committed to setting and maintaining high standards of corporate governance as well as promoting corporate transparency by adhering closely to the principles and guidelines set out in the Code of Corporate Governance 2012 Code (“**2012 Code**”). Whilst the Company is not yet required to comply with the revised Code of Corporate Governance 2018 (“**2018 Code**”), the Company has, where possible, taken steps to adhere to its intent.

This Statement describes the practices the Company has undertaken with respect to each of the principles and guidelines and the extent of its compliance with the 2012 Code and should be read as a whole, instead of being read separately under the different principles of the 2012 Code. The Company has complied in all material aspects with the principles and guidelines set out in the 2012 Code and any deviations are explained in this report.

1 BOARD MATTERS

The Board’s Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

1.1 Role of the Board

The Company is headed by an effective Board, comprising individuals with diversified backgrounds and who collectively brings with them a wide range of experience, to lead and control the Group. The Board is responsible for the overall management and success of the Group. The primary role of the Board is to oversee the Group’s business performance and affairs, and to protect and enhance long-term shareholder value. To fulfil this, apart from its statutory responsibilities, the Board performs the following roles and functions:

- providing entrepreneurial leadership and setting strategic directions and objectives of the Group;
- approving major funding proposals, investment and divestment proposals of the Group;
- reviewing the performance of management by establishing management’s goals and monitoring the achievement of such goals;
- reviewing and endorsing the remuneration framework as may be recommended by the Remuneration Committee;
- supervising management in ensuring that the Company has the necessary resources to meet its goals and establish a framework of prudent and effective controls to assess and manage risks;
- overseeing the processes of risk management, financial reporting and compliance and evaluating the adequacy of internal controls;
- considering sustainability issues, such as environmental and social factors, as and when necessary, as part of its strategic formulation; and
- assuming the responsibilities for corporate governance.

All Directors discharge their duties and responsibilities objectively at all times as fiduciaries in the interests of the Company.

CORPORATE GOVERNANCE STATEMENT

1.2 Board Processes

To ensure that specific issues are subject to considerations and review before the Board makes its decision, the Board has established a number of Board Committees to assist the Board in carrying out more effectively its oversight function. These Board Committees consist of Audit Committee (“**AC**”), Nominating Committee (“**NC**”), Remuneration Committee (“**RC**”) and Risk Management Committee (“**RMC**”) (collectively the “**Board Committees**”).

The composition of the Board Committees for 2018 are as follows:

Directors	Audit Committee	Nominating Committee	Remuneration Committee	Risk Management Committee
John Chen Seow Phun	Member	Chairman	Chairman	–
Lien Kait Long	Chairman	Member	Member	Chairman
Lee Po On Mark	Member	Member	Member	–
Loh See Moon	–	–	–	Member
Cheong Poh Hua	–	–	–	Member

These Board Committees function within clear Board-approved written terms of reference. Such terms of reference will be reviewed by the Board and Board Committees on a regular basis to ensure their continued relevance and to enhance the effectiveness of these Board Committees. The minutes of all Board and Board Committees meetings which provide a fair and accurate record of the discussion and key deliberations and decisions taken during the meeting, are circulated and available to the Board and Board Committees.

The roles and responsibilities of these Board Committees are set out in the subsequent sections of this Corporate Governance Statement of the Company.

1.3 Board and Board Committees Meetings held in Financial Year 2018

The attendance of the Directors at scheduled meetings of the Board and Board Committees during financial year 2018 is disclosed below:

	Board	Board Committees			
		Audit	Nominating	Remuneration	Risk Management
Number of scheduled meetings held	2	2	1	1	1
Directors	Attendance				
Allan Yap	1	–	–	–	–
Loh See Moon	2	2*	–	1*	1
Tang Cheuk Chee	2	2*	–	–	–
Cheong Poh Hua	2	2*	–	1*	1
John Chen Seow Phun	2	2	1	1	–
Lien Kait Long	2	2	1	1	1
Lee Po On Mark	2	2	1	1	–

* Attendance by invitation of the relevant committee

CORPORATE GOVERNANCE STATEMENT

The schedules of the Board and Board Committees meetings are given to all Directors well in advance. The Board meets at least twice a year. Besides the scheduled half-yearly Board meetings, the Board also meets on an ad-hoc basis as warranted by circumstances. Board meetings will be convened when they are deemed necessary, to review the Group's business operations, conduct strategic review of the business affairs and address other specific significant matters that arise.

The Company's Constitution provides for the convening of the Board meetings by way of telephonic, video conferencing or other similar means of electronic communication. The Board also approves material and/or significant transactions by way of written resolutions which are circulated to the Directors together with all relevant and supporting information.

The agendas for meetings are prepared in consultation with the Executive Chairman, Managing Director/Chief Executive Officer, the Executive Director and/or the Chairman of the respective Board Committee. The agendas and meeting materials are circulated in advance of the scheduled meetings to the members of the Board and/or Board Committees.

The Directors were appointed based on their experience, stature and potential to contribute to the proper guidance of the Group and its businesses. As such, we believe that each individual Director's contributions can be reflected in ways other than the reporting of attendances at Board meetings and/or Board Committees meetings.

1.4 Matters Requiring Board Approval

The Directors have identified a few areas for which the Board has direct responsibility for decision making (which are embodied in its internal guidelines) such as the following:

- annual budgets and financial plans of the Group;
- approval of the annual and half-yearly results announcements;
- approval of the annual report and financial statements;
- declaration of interim dividends and proposal of final dividends;
- convening of shareholders' meetings;
- approval of corporate strategy;
- authorisation of major transactions;
- approval of Board's changes and appointments to Board Committees;
- investments and divestments decisions including the Group's capital commitments; and
- commitments to term loans and lines of credit from banks and financial institutions by the Company.

While matters relating in particular to the Company's objectives, strategies and policies require the Board's direction and approval, Management is responsible for the day to day operation and administration of the Company in accordance with the objectives, strategies and policies set by the Board.

CORPORATE GOVERNANCE STATEMENT

1.5 Board Development and Training

Our Directors are provided with extensive background information about our Group's history, mission, values and business operations. The NC ensures all Directors are equipped with the appropriate skills and relevant industry knowledge to perform their roles on the Board and Board Committees effectively.

The Directors also have the opportunity to visit the Group's operations facilities and meet with Management for further explanations, briefings or discussions on key aspects, to gain insight for a better understanding of the Group's business and operations.

The Company will prepare appointment letters setting out Directors' duties and obligations. Newly appointed Directors are also briefed on the business and organisational structure of the Group and its strategic directions and are encouraged to go for site visits of the Group's operating units to familiarise themselves with the Group's business practices.

Directors are updated periodically on industry trends and development of sustainability issues, relevant laws, regulations, accounting standards and changing business risks during Board meetings/Board Committees meetings or at specifically-convened sessions to enable them to properly discharge their duties effectively. In the year under review, the Board has been briefed by the Company's external consultant on the compliance and disclosure requirements of Sustainability Reporting prescribed by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the revision to 2018 Code and amendments to SGX-ST Listing Rules.

The Company Secretary regularly informs the Directors of any upcoming conferences, training and seminars relevant to their roles as Directors of the Company. The external auditors would update the AC and the Board on new and revised accounting standards that are applicable to the Company or the Group annually.

The Directors and officer(s) of the Company are encouraged to attend relevant training programmes, courses, conference and seminars on new laws, regulations and updates on commercial areas conducted by relevant professional organisation from time to time. Changes to regulations and accounting standards are monitored closely by the Management. In order to keep pace with such laws and regulatory changes, the Company will provide and fund the appropriate trainings and development programmes for the Directors and/or officer(s) of the Company, where relevant.

1.6 Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

During the financial year, the NC has reviewed the Board structure, size and composition of the Company. The present Board of the Company consists of seven (7) members comprising the Executive Chairman, Managing Director/Chief Executive Officer ("**CEO**"), two (2) Executive Directors and three (3) Non-Executive and Independent Directors. All Directors exercise independent judgement and make decisions objectively in the best interest of the Company.

CORPORATE GOVERNANCE STATEMENT

Subsequent to the financial year ended 31 December 2018, Mr Lee Po On Mark (“**Mr Mark Lee**”) has expressed his intention to retire from the Board by not seeking for re-election pursuant to Regulation 91 of the Constitution of the Company at the forthcoming Annual General Meeting (“**AGM**”) to be held on 26 April 2019. Having considered the impending implementation of 2018 Code (albeit the Company has not adopted 2018 Code), NC and the Board have taken steps to prepare the Company in advance by identifying and evaluating potential candidates with the right caliber, qualification, soft skills and working experience to be appointed as independent directors of the Company. In February 2019, the NC reviewed several candidates’ capabilities, their suitability as well as assessing their degree of independence from management, business and substantial shareholders based on the principles and guidelines prescribed pursuant to 2012 Code that is still applicable for purposes of this Corporate Governance Statement. The NC had interviewed the candidates and assess them based on objective criteria approved by the Board such as integrity, independent mindedness, possession of the relevant skills required or skills needed to complement the existing Board members, ability to commit the time and effort to carry out their responsibilities, good decision making track record, relevant experience and financial literacy before recommending the same to the Board the following candidates for appointment as Non-Executive and Independent Directors:

Kong WeiLi
Siu Wai Kam
Goh Yang Jun, Jasper

The abovenamed were appointed by the Board as Non-Executive and Independent Directors of the Company on 1 March 2019 and each of whom was appointed as a member of the AC, NC, RC and RMC respectively. The Company has arranged for these incoming directors to receive comprehensive and tailored induction on joining the Board. The induction programme includes separate in-house briefing on their duties as directors, how to discharge these duties, and an orientation program to ensure that they are familiar with the Company’s business and governance practices. In addition, the Company will send these directors for relevant training, where appropriate.

CORPORATE GOVERNANCE STATEMENT

As at the date of this report, the Board comprises ten (10) suitably qualified members:

<u>Name of Director</u>	<u>Functions</u>	<u>Date of First Appointment as Director</u>	<u>Date of last re-election as Director</u>	<u>Present Directorships in other listed companies</u>	<u>Past Directorships in listed companies held over the preceding three years</u>
Allan Yap	Executive Chairman	21 Nov 2005	21 Apr 2017	<ul style="list-style-type: none"> China Enterprises Limited (Chairman, CEO and Director) Master Glory Group Limited (Chairman and Executive Director) Rosedale Hotel Holdings Limited (Chairman and Executive Director) Hanwell Holdings Limited (Executive Chairman) 	<ul style="list-style-type: none"> Burcon NutraScience Corporation (Chairman, CEO and Director)
John Chen Seow Phun	<ul style="list-style-type: none"> Deputy Chairman, Non-Executive and Independent Director Chairman of Nominating and Remuneration Committees Member of Audit Committee 	21 Nov 2005	20 Apr 2018	<ul style="list-style-type: none"> Fu Yu Corporation Limited (Non-Executive Chairman and Independent Director) Hiap Seng Engineering Ltd (Independent Director) HLH Group Limited (Independent Director) Matex International Limited (Non-Executive Chairman and Independent Director) OKP Holdings Limited (Lead Independent Director) Pavillon Holdings Ltd (Executive Chairman) Hanwell Holdings Limited (Deputy Chairman, Non-Executive and Independent Director) 	
Loh See Moon	<ul style="list-style-type: none"> Managing Director/CEO Member of Risk Management Committee 	Date of appointment as Director: 22 Dec 1977 Date of appointment as Managing Director/CEO: 21 Nov 2005	–	–	–
Tang Cheuk Chee	<ul style="list-style-type: none"> Executive Director 	01 Oct 2011	20 April 2018	<ul style="list-style-type: none"> Hanwell Holdings Limited (Executive Director) 	–
Cheong Poh Hua	<ul style="list-style-type: none"> Executive Director Member of Risk Management Committee 	01 Jul 2002	21 April 2017	–	–

CORPORATE GOVERNANCE STATEMENT

<u>Name of Director</u>	<u>Functions</u>	<u>Date of First Appointment as Director</u>	<u>Date of last re-election as Director</u>	<u>Present Directorships in other listed companies</u>	<u>Past Directorships in listed companies held over the preceding three years</u>
Lien Kait Long	<ul style="list-style-type: none"> • Non-Executive and Lead Independent Director • Chairman of Audit and Risk Management Committees • Member of Nominating and Remuneration Committees 	24 Nov 2005	22 April 2016	<ul style="list-style-type: none"> • China Enterprises Limited • China Real Estate Grp Ltd (Director) • China Jishan Holdings Limited (Lead Independent Director) • Falcon Energy Group Limited (Lead Independent Director) • Renewable Energy Asia Group Limited (Independent Director) 	<ul style="list-style-type: none"> • Viking Offshore and Marine Limited (Independent Director) • Pacific Healthcare Holdings Ltd (Non-Independent Non-Executive Director) • 8Telecom International Holdings Co., Ltd (Lead Independent Director) • Hanwell Holdings Limited (Lead Independent Director) • IPC Corporation Limited (Independent Director)
Lee Po On Mark	<ul style="list-style-type: none"> • Non-Executive and Independent Director • Member of Audit, Nominating and Remuneration Committees 	22 April 2016	21 April 2017	<ul style="list-style-type: none"> • Hanwell Holdings Limited (Non-Executive and Independent Director) • Television Broadcasts Limited (Executive Director and Group Chief Executive Officer) 	–
Kong WeiLi	<ul style="list-style-type: none"> • Non-Executive and Independent Director • Member of Audit, Nominating, Remuneration and Risk Management Committees 	1 March 2019	NA	<ul style="list-style-type: none"> • Hanwell Holdings Limited (Non-Executive and Independent Director) 	–
Siu Wai Kam	<ul style="list-style-type: none"> • Non-Executive and Independent Director • Member of Audit, Nominating, Remuneration and Risk Management Committees 	1 March 2019	NA	<ul style="list-style-type: none"> • Hanwell Holdings Limited (Non-Executive and Independent Director) 	–
Goh Yang Jun, Jasper	<ul style="list-style-type: none"> • Non-Executive and Independent Director • Member of Audit, Nominating, Remuneration and Risk Management Committees 	1 March 2019	NA	<ul style="list-style-type: none"> • Hanwell Holdings Limited (Non-Executive and Independent Director) 	–

CORPORATE GOVERNANCE STATEMENT

Profiles of the Directors are found in the “Board of Directors” section of the Annual Report.

The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience to enable Management to benefit from a diverse perspective of issues that are brought before the Board. The Board also regularly examines its size and, with a view to determine the impact of its number upon effectiveness, decides on what is considered an appropriate size taking into account the scope and nature of the Company’s operations. The NC is of the view that the Board comprises Directors with diverse expertise and experience in business and management, accounting and financial and are capable of exercising objective judgement on the corporate affairs of the Company independently of management are appropriate.

When a vacancy exists, the NC, in consultation with the Board, determines the selection criteria for the position based on the skills and knowledge deemed necessary for the Board to best carry out its responsibilities. Candidates may be suggested by Directors or Management or sourced from external sources. The NC will interview the candidates and assess them based on objective criteria approved by the Board such as integrity, independent mindedness, possession of the relevant skills required or skills needed to complement the existing Board members, ability to commit the time and effort to carry out their responsibilities, good decision making track record, relevant experience and financial literacy. The NC will make a recommendation to the Board on the appointment. The Board then appoints the most suitable candidate who must stand for re-election at the next AGM of shareholders. Particulars of interests of Directors who held office at the end of the financial year in shares in the capital of the Company and in related corporations (other than wholly-owned subsidiaries) are set out in the Directors’ Statement.

1.7 Independent Members of the Board of Directors

Currently, the Board consists of ten (10) Directors, six (6) of whom are Non-Executive and Independent Directors, which represent more than half of the Board. Having considered the impending retirement of Mr Mark Lee at the forthcoming AGM to be held on 26 April 2019, the Company is in compliance of 2012 Code. There is no individual or small group of individuals that dominate the Board’s decision-making process and matters requiring the Board’s approval are discussed and deliberated with participation from each member of the Board. The Board recognised the need to embrace tenets of good corporate governance that includes refreshing the composition of the Board by appointing additional independent directors. The Company believes that such efforts are more likely to engender investor confidence and in achieving long term sustainable business performance. All major decisions are based on collective decisions of the Board.

The criteria for independence are based on the definition given in the 2012 Code, which considers an Independent Director as one who has no relationship (direct or indirect) with the Company, its related corporations, its ten percent (10%) shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director’s independent business judgement in the best interest of the Company. The independence of each Director is reviewed annually by the NC. Each Independent Director is required to complete a director’s independence checklist annually to confirm his independence based on the guidelines set out in the 2012 Code.

CORPORATE GOVERNANCE STATEMENT

The NC reviews annually, and as and when circumstances require, if a Director is independent. The independence of each Director is assessed based on their business relationships with the Group, relationships with members of Management, relationships with the Company's substantial shareholder as well as the Director's length of service. An independent professional consultant (the "**Consultant**") was engaged in 2016 to conduct a rigorous review of self-assessment as well as evaluation on the independence of Dr John Chen Seow Phun ("**Dr John Chen**") and Mr Lien Kait Long ("**Mr Lien**"), who have been on the Board for more than nine years. A similar review was carried out internally in 2017 as well as 2018 and the NC is satisfied that there has been no change to the circumstance since the findings and documents presented by the Consultant except for their personal directors' disclosures and unanimously agree and confirm that Dr John Chen and Mr Lien are independent. The factors that were taken into consideration in determining the independence of Dr John Chen and Mr Lien are set out under Principle 2 of the 2012 Code on page 17 of this report. Each member of the NC has abstained from voting on any resolution related to their re-election.

Dr John Chen, Mr Lien, Mr Mark Lee, and newly appointed directors on 1 March 2019 namely Mr Kong WeiLi ("**Mr Kong**"), Mr Siu Wai Kam ("**Mr Siu**") and Mr Goh Yang Jun, Jasper ("**Mr Jasper Goh**") are Independent Directors of Hanwell Holdings Limited ("**Hanwell**"), a controlling shareholder of the Company to which the Company has made payment to Hanwell for the provision of consultancy services of less than S\$50,000/- in FY2018. The Board believes that their directorships in Hanwell have not and will not interfere, or be reasonably perceived to interfere, with their ability to exercise independent judgement and act in the best interests of the Company. Furthermore, Mr Mark Lee has decided not to seek for re-election pursuant to Regulation 91 of the Constitution of the Company at the forthcoming AGM to be held on 26 April 2019.

Non-Executive and Independent Directors of the Board exercise no management functions but have equal responsibility for the performance of the Group. The role of the Non-Executive and Independent Directors is particularly important in ensuring that the strategies proposed by the Management are constructively challenged, taking into account the long-term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The Independent Directors also help to evaluate proposals on strategy, various policies and review the performance of the Management in meeting agreed goals and objectives of the Group.

The Non-Executive and Independent Directors meet periodically without the presence of Management to discuss and facilitate a more effective check on the Management. The Executive Chairman will act on the feedback, take necessary steps to advise Management on the way forward to improve and implement recommendations submitted by the Non-Executive and Independent Directors.

To-date, none of the Independent Directors of the Company has been appointed as director of the Company's principal subsidiaries.

CORPORATE GOVERNANCE STATEMENT

1.8 Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

There is a distinct separation of responsibilities between the Chairman and the Chief Executive Officer ("**CEO**"), which ensures that there is an appropriate balance of power and authority, increased accountability and greater capacity of the Board for independent decision-making. The position of Executive Chairman is held by Dr Allan Yap and Mr Loh See Moon ("**Mr Loh**") holds the position of the Managing Director/CEO.

The Executive Chairman, Dr Allan Yap is responsible to lead the Board and to ensure effective working of the Board including:

- with the assistance of the Company Secretary, scheduling of meetings to enable the Board to perform its duties while not interfering with the flow of the Group's operations;
- with the assistance of the Company Secretary, approving the meeting agenda of the Board and ensures adequate time is available for discussion of all agenda items;
- with the assistance of the Company Secretary, ensuring that Board meetings are held when necessary;
- facilitating effective contributions from the Non-Executive Directors and encouraging constructive relationships within the Board and between the Board and the Management;
- exercising control over the quality, quantity and timeliness of information flow from the Management to the Board, promoting effective communication with the Company's shareholders;
- ensuring, fostering constructive and effective communication with shareholders; and
- promoting high standards of corporate governance with full support of the Directors and the Management.

In view that the Executive Chairman and Dr Tang Cheuk Chee ("**Dr Tang**"), the Executive Director are immediate family members, the Board has appointed Mr Lien as the Lead Independent Director of the Company since February 2015 to lead and coordinate the meetings and activities of the Independent Directors. Hence, Mr Lien will contribute to a balance of views from the Board. He is the principal liaison on Board issues between the Independent Directors and the Chairman of the Board. The Lead Independent Director is available to Shareholders where they have concerns and where contact through the normal channels of the Executive Chairman or Managing Director/CEO, the Executive Directors or Chief Financial Officer ("**CFO**") has failed to resolve, or such contact is inappropriate. Currently, the function of the CFO is subsumed by Madam Cheong Poh Hua ("**Madam Cheong**"), an Executive Director of the Company.

CORPORATE GOVERNANCE STATEMENT

The Independent Directors, led by the Lead Independent Director, meet amongst themselves without the presence of the other Directors when required, and the Lead Independent Director will provide feedback to the Executive Chairman after such meetings. The Executive Chairman will act on the feedback and deal with the issues, where appropriate.

Members of the AC, NC and RC of the Company are all Independent and Non-Executive Directors. Major proposals and decisions made by the Board are subject to majority approval by the members of the Board and reviewed by the relevant Board Committee.

The NC conducts annual Board performance appraisal including review of any changes to the composition of the Board members. On the other hand, remuneration packages are reviewed periodically by the RC. The Board believes that there are adequate safeguards to ensure an appropriate balance of power and authority within the spirit of good corporate governance. In addition, all Directors take decisions objectively and in the interests of the Company.

1.9 Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

In appointing Directors, the Board considers the range of skills and experience required in the light of:

- geographical spread and diversity of the Group's businesses;
- the strategic direction and progress of the Group;
- the current composition of the Board; and
- the need for independence.

The Board has delegated to the NC the functions of developing and maintaining a transparent and formal process for the appointment and re-appointment of Directors, making recommendations for Directors who are due for retirement by rotation to seek re-election at a general meeting and determining the independent status of each Director.

As at the date of this report, the NC comprises six (6) members all of whom are Independent:

Dr John Chen Seow Phun (Chairman, Non-Executive and Independent Director)
Mr Lien Kait Long (Member, Non-Executive and Lead Independent Director)
Mr Lee Po On Mark (Member, Non-Executive and Independent Director)
Mr Kong WeiLi (Member, Non-Executive and Independent Director)
Mr Siu Wai Kam (Member, Non-Executive and Independent Director)
Mr Goh Yang Jun, Jasper (Member, Non-Executive and Independent Director)

The NC Chairman has no relationship (direct or indirect) with the Company, its related corporations, its ten percent (10%) shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent judgement in the best interest of the Company.

CORPORATE GOVERNANCE STATEMENT

The principal responsibilities of the NC are set out in the terms of reference and its key functions include:

- reviewing the Board structure, size and composition having regard to the scope and nature of the operations and the core competencies of the Directors as a group;
- reviewing, assessing and recommending nominees or candidates for appointment or election to the Board and the various Board Committees;
- assessing the effectiveness and contributions of the Board as a whole;
- assessing the contribution of each individual Director to the effectiveness of the Board, in particular when a Director has multiple listed company board representations and having regard to the Director's contribution and performance;
- reviewing the independence of the Directors on an annual basis;
- reviewing the performance of the Directors and recommending on the re-election and re-appointments of the Board at the AGM;
- conducting a rigorous review and determining whether an Independent Director who has served on the Board for a period exceeding nine (9) years from the date of his first appointment, can still consider as independent;
- deciding a Director is able to and has been adequately carrying out his duties as Director of the Company based on internal guidelines such as attendance, contractibility and responsiveness; and
- reviewing the training and development programmes for the Board.

The Company's Constitution provides that, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. Provided that no Director holding office as Managing or Joint Managing Director shall be subject to retirement by rotation or be taken into account in determining the number of Directors to retire. A retiring Director is eligible for re-election by the shareholders of the Company at the AGM, and prior to nominating a retiring Director for re-election, the NC will evaluate the Director's contribution and performance taking into consideration factors such as attendance, preparedness, participation, candour and any other factors as may be determined by the NC.

Despite some of the Directors having multiple Board representations, the NC has reviewed the Directorships of the Directors and is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company after taking into consideration the number of listed company Board representations and other principal commitments of these Directors. The NC and Board agreed that as a guide, the maximum number of the listed company Board representations which any Independent Director may hold should not exceed eleven (11), and both the NC and the Board will review and determine the maximum number of listed company Board representations as and when they deem appropriate.

CORPORATE GOVERNANCE STATEMENT

The NC is also responsible to determine the independence of Directors annually by taking into account the circumstances set forth in Guidelines 2.3 and 2.4 of the 2012 Code and any other salient factors. In considering the independence of an Independent Director who has served on the Board beyond nine (9) years, the NC has taken into consideration the following factors:

- (i) There were changes to the composition of the Board Committees in 2019;
- (ii) The extensive knowledge and experience contributed by the Independent Directors to the Company;
- (iii) The attendance, preparedness, participation and contribution in the meetings of the Board and Board Committees;
- (iv) Provision of continuity and stability to the new Management at the Board level by facilitating smooth communication between old and new Management;
- (v) Provision of reasonable checks and balances for the Management;
- (vi) The Independent Directors have devoted adequate attention and sufficient time to the affairs of the Group; and
- (vii) The Independent Directors provide overall guidance to the Management and act as safeguard for the protection of Company's assets and shareholders' interests.

The Board and the NC had developed a process of evaluation of performance of the Board and Board Committees and individual Directors through establishment of quantifiable performance criteria. The evaluation performance checklist is drawn up based on the guidelines provided in the 2012 Code.

Taking into account, among others, these Directors' participation during and outside the formal Board and Board Committees meetings as well as other contributions. The Board has accepted the NC's nomination of the retiring Directors, who have given their consent for re-election at the forthcoming AGM of the Company. The retiring Director is Mr Lien who will retire pursuant to Regulation 91 of the Constitution of the Company. Whilst Mr Kong, Mr Siu and Mr Goh who will be retiring pursuant to Regulation 97 of the Constitution of the Company. The details of the Directors seeking for re-election are found in Table A set out on page 42 to page 48 of this Annual Report.

Currently, the Company does not appoint any alternate director.

1.10 Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.

We believe that Board performance is ultimately reflected in the performance of the Group and the Company. The Board should ensure compliance with applicable laws and Board members should act in good faith, with due diligence and care in the best interest of the Group and the shareholders. In addition to these fiduciary duties, the Board is charged with two (2) key responsibilities of setting strategic direction and ensuring that the Group is ably led. The Board, through the delegation of its authority to the NC, will review the Board's composition annually to ensure that the Board has the appropriate mix of expertise and experience to lead the Group.

CORPORATE GOVERNANCE STATEMENT

Based on the recommendations of the NC, the Board has an annual performance evaluation process, carried out by the NC, to assess the effectiveness of the Board, Board Committees and each Director's contributions. This annual assessment process consists principally of evaluation by and feedback from each Director.

- (a) Assessment of the effectiveness of the Board as a whole – The NC uses an objective performance criteria to conduct Board assessments via the circulation of assessment evaluation forms to the Directors annually for their evaluation of various Board issues and processes such as the Board structure, conduct of Board meetings, review of the Company's corporate strategy and planning, ensuring and reviewing the Company's risk management and internal control processes, review of the Company's performance, review of the Board's compensation evaluations and communication with the Company's shareholders. The NC has reviewed and is satisfied with the performance and effectiveness of the Board as a whole for the financial year ended 31 December 2018.
- (b) Assessment of the effectiveness of the Board Committees – The NC has implemented a process to be carried out by the NC via the circulation of assessment evaluation forms to assess the effectiveness of the respective Board Committees annually. The NC has recommended that the members of the respective Board Committees complete the evaluation form adopted by the NC. The results of the Board and Board Committees assessments are reviewed and discussed by the NC and, any recommendation and suggestion arising from the evaluation exercise are circulated to the Board for consideration of the appropriate measures to be taken. The NC has reviewed and is satisfied with the performance and effectiveness of the respective Board Committees as a whole for the financial year ended 31 December 2018.
- (c) Assessment of the contribution of individual Directors to the effectiveness of the Board – The Individual Director's assessments implemented by the NC are based on the Director's self-assessment which is evaluated annually and informally on a continual basis by the NC. The criteria taken into consideration by the NC and the Chairman include contribution and performance based on factors such as attendance, preparedness and participation. The evaluations are discussed by the NC and any appropriate action taken. The NC has reviewed and is satisfied with the contribution by individual Directors to the effectiveness of the Board for the financial year ended 31 December 2018.

The NC is of the view that such assessments by the Directors are useful and constructive and this collective process has provided an opportunity to obtain insightful feedback from each Director on suggestions to enhance the effectiveness of the Board and has helped Directors to be more focused on their duties, responsibilities and contributions to the effectiveness of the Board. The assessments also help the NC to determine whether the Directors with multiple Board representations are able to and have adequately discharged their duties as Directors of the Company.

In general, the selected performance criteria will not change from year to year unless they are deemed necessary and the Board is able to justify the changes. In consultation with the NC, the Executive Chairman will act on the results of the Board performance and propose, where appropriate, new members to be appointed to the Board or propose changes to the Board.

CORPORATE GOVERNANCE STATEMENT

1.11 Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

As a general rule, the Management provides the Board with comprehensive, complete and adequate information in a timely manner for the Board to be effective in discharging of its duties. The Board papers which include the background and/or explanatory information to matters to be brought before the Board for each meeting are normally prepared and circulated in advance to all Directors prior to the scheduled meetings. This is to give Directors sufficient time to review and consider the matters to be discussed so that discussion can be more meaningful and productive. A presentation is made to the Directors at the Board meeting on budgets, forecasts and variances. In respect of budgets, any material variance between the projections and actual results would be disclosed and explained during the meeting. Directors are also informed of any significant development or events relating to the Group. Occasionally, external consultants engaged on specific projects may also be invited to brief the Board. The Board and Board Committees have unfettered access to information which the Company is in possession of or has access to, for the purpose of carrying out their responsibilities. However sensitive matters may be table at the meeting itself or discussed without any papers being distributed.

The Directors have separate and independent access to the advice and services of the Company Secretary and the key management personnel at all times. Further, there is no restriction of access to the key management personnel when the Directors have to carry out their duties. The Management ensures that any information or materials requested by the Directors to make informed decisions will be provided in a timely manner.

The role of the Company Secretary is clearly defined and includes attendance of Board and Board Committees meetings and ensuring that the appropriate procedures are followed and that applicable rules and regulations are complied with as well as ensuring good information flow within the Board and its committees, between the Management and the Non-Executive Directors, facilitating orientation and assisting with professional development as required. The Company Secretary and the Management also facilitate the orientation of new Directors and professional development of Directors as required and also the channel of communications between the Company and the SGX-ST. The Company Secretary and/or his representatives attend all Board and Board Committees meetings, and assist the Chairman of the Board and Board Committees in ensuring that the relevant procedures are followed and reviewed such that the Board and Board Committees function effectively. The appointment and removal of the Company Secretary is a matter which is approved by the Board.

Each Director has the right, at the Company's expense, to seek independent legal and other professional advice concerning any aspect of the Group's operations or undertakings when necessary in order to discharge their duties and responsibilities.

CORPORATE GOVERNANCE STATEMENT

2 REMUNERATION MATTERS

2.1 Procedure for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

The Group's remuneration policy is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate Directors and key management personnel.

As at the date of this report, the RC comprises six (6) members all of whom are Independent:

Dr John Chen Seow Phun (Chairman, Non-Executive and Independent Director)

Mr Lien Kait Long (Member, Non-Executive and Lead Independent Director)

Mr Lee Po On Mark (Member, Non-Executive and Independent Director)

Mr Kong WeiLi (Member, Non-Executive and Independent Director)

Mr Siu Wai Kam (Member, Non-Executive and Independent Director)

Mr Goh Yang Jun, Jasper (Member, Non-Executive and Independent Director)

The principal responsibilities of the RC are set out in the terms of reference and its key functions include:

- reviewing and recommending to the Board a general framework of remuneration for the Board and key management personnel (including the Executive Chairman, Managing Director/CEO, Executive Directors and other persons having authority and responsibility for planning, directing and controlling activities of the Company and Group), and the specific remuneration packages and terms of employment (where applicable) for each Director as well as key management personnel. The RC's recommendations should cover all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, share-based incentives, awards and benefits-in-kind;
- carrying out its duties in the manner that it deems expedient. Subject always to any regulations or restriction that may be imposed upon the RC by the Board from time to time;
- ensuring that all aspects of remuneration are covered, taking into consideration Principle 8 of the 2012 Code;
- the remuneration packages of employees related to Executive Directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and are commensurate with their respective job scopes and levels of responsibility; and
- reviewing and recommending to the Board, the terms of renewal of service agreements of Directors and/or key management personnel and ensuring the service agreements contain fair and reasonable termination clauses which are not overly generous in the event of termination.

The RC members are knowledgeable in the field of executive compensation and have access to independent expert advice from external consultants, where necessary.

CORPORATE GOVERNANCE STATEMENT

The RC reviews the fairness and reasonableness of the termination clauses of the service agreements of the Executive Chairman, Managing Director/CEO and Executive Directors.

The RC is responsible for recommending to the Board a framework of remuneration for the Directors which is submitted to the whole Board for endorsement. The RC reviews recommendations on remuneration policies and packages for Directors in the interests of improved corporate performance. The RC's review of remuneration packages takes into consideration pay and employment conditions within the industry and in comparable companies, the Company's relative performance, the performance of the individual Directors, the long-term interests of the Group and ensures that the interests of the Directors align with that of the shareholders. The review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, profit sharing (where applicable) and benefits-in kind.

Each member of the Board shall abstain from voting on any resolution concerning or making any recommendations and/or participating in any deliberations in respect of his own remuneration.

The RC, in considering the remuneration of all directors, has not sought external advice nor appointed remuneration consultants.

2.2 Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The remuneration packages of the Executive Directors (includes Executive Chairman and Managing Director/CEO) are determined based on the framework recommended by the RC. In doing so, the RC reviews the length of appointment period, the notice period for termination and the terms of the compensation package in the event of the termination of any Executive Directors' service agreements to ensure that the terms of such clauses are not onerous to the Company. The Executive Directors' framework of remuneration includes a fixed element as well as a variable element in the form of a bonus and a profit sharing incentive which is linked to the Company's performance. In setting remuneration packages, the Company takes into consideration the remuneration and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the individuals.

The Company has no employee share option schemes or other long-term incentive schemes in place and will consider adopting the same as and when the Board deem necessary.

All Non-Executive and Independent Directors have no service agreements with the Company. They are paid Directors' fees, with additional fees paid for serving as the Chairman or members of Board Committees as well as attendance at each Board and Board Committees meetings. These fees are recommended by the RC and submitted to the Board for endorsement. Directors' fees are recommended by the Board for approval at the Company's AGM. The remuneration of Non-Executive and Independent Directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors. The Non-Executive and Independent Directors should not be over-compensated to the extent that their independence may be compromised and no Director is involved in deciding his own remuneration.

CORPORATE GOVERNANCE STATEMENT

The Executive Chairman, Managing Director/CEO and each of the Executive Directors have a separate formal service agreement with the Company and they do not receive Directors' fees. The remuneration packages of the Executive Chairman, Managing Director/CEO and Executive Directors comprise primarily a basic salary component and a variable component which include bonuses, profit sharing incentive and other benefits. The service agreements of the Executive Chairman, Managing Director/CEO and Executive Directors are for a period of three (3) years. These service agreements are subject to review by the RC and provide for termination by either party giving to the other an appropriate prior written notice.

The RC is of the view that the variable component of the remuneration packages of the Executive Chairman, Managing Director/CEO, Executive Directors and key management personnel, where applicable are moderate. Although the Company did not institute contractual provisions in the service agreements or employment agreements to reclaim incentive components of remuneration paid in prior years from the Executive Chairman, Managing Director/CEO and Executive Directors, the Company is in the process of reviewing the necessity to include such contractual provisions to reclaim such incentive components of remuneration paid in prior years to the Executive Chairman, Managing Director/CEO and Executive Directors where incidents occur in exceptional circumstances such as misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

2.3 Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Summary compensation table of the Directors receiving remuneration from the Company for the financial year ended 31 December 2018 is set out below:

Directors	Base Salary	Bonus	Profit Sharing	Directors' Fee ⁽²⁾	Allowance ⁽¹⁾	TOTAL
Range S\$250,000 and below						
John Chen Seow Phun	-	-	-	100.00%	-	100.00%
Lien Kait Long	-	-	-	100.00%	-	100.00%
Lee Po On Mark	-	-	-	100.00%	-	100.00%
Range S\$250,001 to S\$500,000						
Tang Cheuk Chee	33.93%	2.82%	58.85%	-	4.40%	100.00%
Cheong Poh Hua	42.46%	4.46%	48.08%	-	5.00%	100.00%
Range S\$1,000,000 to S\$1,250,000						
Allan Yap	33.64%	2.80%	62.70%	-	0.86%	100.00%
Range S\$3,000,000 to S\$3,250,000						
Loh See Moon	20.08%	1.67%	72.43%	-	5.82%	100.00%

⁽¹⁾ Employer's CPF contribution and other compensation are included.

⁽²⁾ Directors' fee was approved on 20 April 2018 at the AGM of the Company (to be paid half yearly in arrears).

CORPORATE GOVERNANCE STATEMENT

The Company has decided not to disclose information on the remuneration of the Directors in dollars' terms because of the confidentiality and prevention of upward pressure or remuneration due to market competition.

Shareholders' approval will be sought at the forthcoming AGM of the Company on 26 April 2019 for the payment of Directors' fees proposed (to be paid quarterly in arrears) for the financial year ending 31 December 2019 amounting to an aggregate of S\$215,670.

2.4 Remuneration of Top Five (5) Key Management Personnel & Employees Related to Directors

The Company does not have any key management personnel who is not a director or the CEO during the financial year ended 31 December 2018.

There are no employees of the Group who are immediate family members of any Director or the CEO of the Company and whose remuneration exceed S\$50,000 for the financial year ended 31 December 2018. The Company adopts a remuneration policy for staff comprising both a fixed and variable component. The fixed component is in the form of a base salary and allowances. The variable component is in the form of a variable bonus that is linked to the Company and each individual's performance.

No termination, retirement and post-employment or other long-term incentives have been granted to the directors during the financial year ended 31 December 2018.

3 ACCOUNTABILITY AND AUDIT

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Company believes that prompt compliance with statutory reporting requirements is imperative to maintaining shareholders' confidence and trust.

In line with the Listing Manual of SGX-ST, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements. For the financial year under review, the Managing Director/CEO and an Executive Director have provided assurance to the Board on the integrity of the Group's financial statements.

Further, the Company has procured undertakings in the format set out in Appendix 7.7 from all its Directors pursuant to Rule 720(1) of the Listing Manual of SGX-ST.

The Board reviews and approves the financial results as well as any announcements before its release. In presenting the annual financial statements and half-yearly announcements to shareholders, the Board aims to provide the shareholders with analysis and a balanced and understanding assessment of the Company's performance, position and prospects.

The Board is updated with significant events that have occurred or material to the Group during the year. The Management provides the Board with financial updates on the performance and position of the Group to keep Board members informed and updated on a monthly basis to enable the Board effectively discharge their duties.

CORPORATE GOVERNANCE STATEMENT

3.1 Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board recognises that it is responsible for the overall risk management and internal control framework, but acknowledges that no cost-effective risk management and internal control system will preclude all errors and irregularities, as the system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The AC will:

- satisfy itself that adequate measures are in place to identify and mitigate any material business risks associated with the Group;
- ensure that a review of the effectiveness of the Group's material internal controls, including financial, operating and compliance controls, information technology controls and risk management is conducted at least annually. Such reviews can be carried out by internal auditors/external auditors;
- ensure that the internal control recommendations made by internal and external auditors have been implemented by the Management; and
- ensure the Board is in a position to comment on the adequacy of the risk management and internal controls of the Group.

Risk assessment and evaluation has become an essential part of business planning and monitoring process. The Management having identified the risks to the achievement of the Group's strategic objectives, each business unit is required to document the mitigation actions in respect of each significant risk. Risk awareness and ownership of risk treatments are also continuously fostered across the organisation.

Risk Management Committee ("RMC")

The Group has put in place a RMC chaired by Mr Lien (Lead Independent Director) and members comprising two (2) directors namely, Mr Loh (Managing Director/CEO) and Madam Cheong (Executive Director) to assist the Board in its oversight of risk governance, risk management framework and policies of the Group. The RMC is regulated by its terms of reference. Together with the AC, the RMC helps to ensure that Management maintains a sound system of risk management and internal controls to safeguard the interests of shareholders and the assets of the Group.

The RMC oversees the risk management framework and policies of the Group and report to the Board. Together with the Management, the RMC has established investment policies. These policies are an essential part of the business planning and monitoring process.

CORPORATE GOVERNANCE STATEMENT

The meetings of the RMC are attended not only by the members but also Management and it serves as a forum to review and discuss material risks and exposures of the Group's business and the strategy to mitigate risks in general.

The risk management process that is in place covers, *inter alia*, financial, operational, compliance and information technology risks faced by the Group. The key risks identified are deliberated by Management, and reported to the RMC on an annual basis or such other period as may be determined by RMC.

The Group has put in place a system of internal controls, which includes the Code of Conduct, documented policies and procedures, proper segregation of duties, approval procedures and authorities, as well as checks-and-balances built into the business processes. The Group has engaged Ernst & Young Advisory Pte. Ltd. as internal auditors to assess annually the effectiveness of such a system in ensuring that the Company has adequate safeguards as well as an effective robust risk management framework (including policies, procedures and processes) embedded within the Company's infrastructure that could support the Group's operations, IT system and financial reporting structure.

The AC, RMC and Board recognise the need for a robust and effective system of internal control. To ensure that the risk management and internal controls and risk management processes are adequate and effective, the AC has access to independent professional consultants. With the assistance of the RMC, internal and external auditors, AC has carried out assessments of the adequacy and effectiveness of key internal controls during the year. Any material non-compliance or weaknesses in internal controls or recommendations from the internal and external auditors to further improve the internal controls are regularly reported to AC. The AC will also follow up on the actions taken by the Management on the recommendations made by the internal and external auditors.

For FY2018, the Board has received assurances from Mr Loh (Managing Director/CEO) and Madam Cheong (Executive Director), that (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (b) the Group's risk management and internal control systems are effective and sufficient. As the Company does not have a CFO, Madam Cheong, an Executive Director of the Company oversees the finance function of the Group.

During the course of audit by the internal and external auditors, their recommendations, the various management controls and the reports from the internal and external auditors the Board, with the concurrence of the AC and RMC, is of the opinion that the Group's system of internal controls and risk management procedures in addressing financial, operational, compliance and information technology controls and risk management systems maintained by the Group during the year are adequate and effective as at 31 December 2018.

The Board will also continue to enhance and improve the existing internal control framework to identify and mitigate these risks from time to time.

CORPORATE GOVERNANCE STATEMENT

3.2 Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises six (6) members all of whom are Independent:

Mr Lien Kait Long (Chairman, Non-Executive and Lead Independent Director)
Dr John Chen Seow Phun (Member, Non-Executive and Independent Director)
Mr Lee Po On Mark (Member, Non-Executive and Independent Director)
Mr Kong WeiLi (Member, Non-Executive and Independent Director)
Mr Siu Wai Kam (Member, Non-Executive and Independent Director)
Mr Goh Yang Jun, Jasper (Member, Non-Executive and Independent Director)

The AC members were selected based on their expertise and prior experience in the area of financial management and at least two (2) of the AC members have the relevant accounting or financial management expertise and/or experience. The Board is of the view that majority of the AC members have the relevant accounting or related financial management expertise and experience to discharge their responsibilities as members of the AC.

The AC's main objective is to assist the Board in fulfilling its fiduciary responsibilities relating to internal controls, overseeing the internal and external audit process, reviewing the financial information to be disclosed to the public and ensuring that arrangements are in place for the independent investigation and follow up of reports by staff of improprieties in financial reporting and other matters. To achieve this, the AC ensures that its members have the appropriate qualifications to provide independent, objective and effective oversight.

The principal responsibilities of the AC are set out in the terms of reference and its key functions include:

- reviewing the audit plans of the external and internal auditors;
- reviewing the external and internal auditors' reports;
- reviewing the co-operation given by the Company's officers to the external and internal auditors;
- reviewing the adequacy of the internal audit function;
- evaluating the effectiveness of the Group's system of internal controls, including financial, operational and compliance controls, information technology controls, and risk management by reviewing written reports from internal and external auditors, and Management responses and actions to correct any deficiencies;
- reviewing the financial statements of the Company and the Group before their submission to the Board;
- reviewing non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors;

CORPORATE GOVERNANCE STATEMENT

- nominating external auditors for appointment or re-appointment and approve the remuneration and terms of engagement of the external auditors;
- reviewing the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual of SGX-ST, and by such other amendments made thereto from time to time;
- reviewing interested person transactions (as defined in Chapter 9 of the Listing Manual of SGX-ST) to ensure that they are on normal commercial terms and arms' length basis and not prejudicial to the interests of the Company or its shareholders in any way; and
- reviewing whistle-blowing policy and arrangements.

Apart from the duties listed above, the AC may commission and review the findings of internal investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore or other applicable law, rule or regulation which has or is likely to have material impact on the Company's or Group's operating results and/or financial position.

The AC met twice in the financial year ended 31 December 2018 and the Managing Director/CEO and Executive Directors were invited to attend the meetings, as and when necessary. The AC also meets from time to time with the Group's external and internal auditors and the management to review accounting, auditing and financial reporting matters to provide the necessary checks and balances to ensure that an effective control environment is maintained in the Group.

The AC continuously studies proposed changes in accounting policies, examines the internal audit functions and discusses the accounting implications of major transactions. Furthermore, the AC advises the Board regarding the adequacy of the Group's internal controls and the contents and presentation of its interim and annual reports. Based on the information provided to the AC, nothing has come to the AC's attention indicating that the system of internal controls and risk management is inadequate.

The AC has explicit authority to investigate any matter within its terms of reference and has full access to and co-operation of Management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The AC meets annually with the internal auditors and the external auditors, without the presence of the Company's Management to review the adequacy of audit arrangements, with particular emphasis on the scope and quality of their audits, and the independence and objectivity of the internal and external auditors.

The AC had reviewed all the non-audit services carried out by the external auditors to the Group and confirmed that such services would not, in its opinion prejudice the independence and objectivity of the external auditors. The fees that are charged to the Group by the external auditors for audit and non-audit services were approximately S\$250,000 and S\$7,000 respectively for the financial year ended 31 December 2018.

CORPORATE GOVERNANCE STATEMENT

The AC noted that KPMG LLP, the external auditors of the Company, has confirmed that they are a Public Accounting Firm registered with Accounting & Corporate Regulatory Authority (“ACRA”) and provided a confirmation of their independence to the AC. Apart from this, the AC also received feedback from Management on their evaluation of the performance and effectiveness of the work of the external auditors. Having assessed the external auditors, the AC is satisfied that KPMG LLP is able to meet the audit requirements and statutory obligation of the Company.

Accordingly, KPMG LLP is recommended for re-appointment as the Company’s external auditors at the forthcoming AGM.

Furthermore, AC noted that in appointing the external auditors of the Company, its subsidiaries and significant associated companies, it is satisfied that the appointment of auditors did not compromise the standard and effectiveness of the audit of the Group. Therefore, the Company has complied with Rules 712 and 715 of the Listing Manual of SGX-ST.

Changes to accounting standards and accounting issues which have a direct impact on the financial statements were reported to the AC, and highlighted by the external auditors in their meetings with the AC.

No former partner or director of the Company’s existing auditing firm has acted as a member of the AC.

With the introduction of the new and revised Auditor Reporting Standards applicable to the audit of financial statements for periods ending on or after 15 December 2016, the external auditors are required to include the Key Audit Matters (“KAM”) in the Company’s Annual Report. KAM typically include significant risk areas of the financial statements most susceptible to misstatements, involving key judgements and estimates, as well as major transactions that require extensive auditing efforts.

In line with the recommendations by ACRA, Monetary Authority of Singapore and SGX, the AC can help to improve transparency and enhance the quality of corporate reporting by providing a commentary on key financial reporting matters as follows:

AC’s commentary on key financial reporting matters

The AC has discussed the KAM for FY2018 with Management and the external auditors. The AC concurs with the basis and conclusions included in the Independent Auditors’ Report with respect to the KAM.

For more information on the KAM, please refer to pages 53 to 57 of this Annual Report.

3.3 Whistle-Blowing Policy

The Group has adopted a constructive whistle-blowing policy and guideline in order to detect and deter any fraud or deliberate error in the preparation, evaluation, review or audit of any financial statements, financial reports and records of the Company.

Demonstrating its pledge to good corporate governance, the Group provides an avenue for employees to raise their concerns to report any possible improprieties in matters of financial reporting or other matters that they may encounter to the AC or any other committees established by the AC for such purpose without fear of reprisal. The establishment of the whistle-blowing structure also augments the Group’s ability to detect potential fraud, providing another level of comfort and assurance to investors.

There were no reported incidents pertaining to whistle-blowing for FY2018.

CORPORATE GOVERNANCE STATEMENT

3.4 Internal Audit

Principle 13: The Company should establish an internal audit function that is adequately resourced and independent of the activities it audits.

The AC selects and approves the appointment of internal auditors. The Group has outsourced its internal audit function to Ernst & Young Advisory Pte. Ltd. (the “**Internal Auditors**”) during the financial year ended 31 December 2018. The Internal Audit serves to provide the Board and the Management with an independent appraisal in terms of the reliability, adequacy and effectiveness of the internal controls established by the Management. Its aim is to ensure that the Group has adequate internal controls put in place for purposes of monitoring the performance and effectiveness in applying the relevant internal audit procedures. Apart from this, Internal Auditors supports the AC and Board in assessing key internal controls through a structured review programme. The Internal Auditors has unfettered access to the Board, AC and Management, where necessary, and have the right to seek information and explanations. The AC is satisfied that, though the Internal Audit function has been outsourced, it is adequately and effectively managed by persons with the relevant qualifications and experience.

The Internal Audit reports functionally to the AC Chairman. On an annual basis, AC assesses the effectiveness of Internal Audit function by examining:

- the scope of the internal auditors’ work;
- the quality of the reports;
- the relationship with the external auditors; and
- the independence of the areas reviewed.

During the year, the Internal Audit’s summary of key audit findings, recommendations and Management’s related responses were discussed at the AC meetings. The AC ensures that established procedures are put in place to address and follow up on the recommendations by the Internal Auditors in a timely manner and to monitor any outstanding issues.

The AC is satisfied that the function is adequately resourced and has appropriate standing within the Company and the Group.

The internal audit plans its internal audit schedules in consultation with, but independent of, the Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. Internal Auditors have a direct and primary reporting line to the AC and assist the AC in overseeing and monitoring measures that have been implemented to detect and correct internal control weaknesses which have been identified.

The AC has reviewed and approved the annual internal audit plan FY2018 and is satisfied that the Internal Audit has been adequately and effectively carried out in line with the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The AC reviews the activities of the Internal Audit on a regular basis, including overseeing and monitoring the implementation of the improvement required on internal control weakness identified.

CORPORATE GOVERNANCE STATEMENT

4 SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

In line with the continuous disclosure obligations of the Company pursuant to the Listing Manual of SGX-ST, the Company is committed that all shareholders should be equally informed of all major developments of the Group which would be likely to materially affect the price or value of the Company's shares.

The Company does not practice selective disclosure as all material and price-sensitive information are released through SGXNet and the Company recognises that regular, effective, timely and fair communication with shareholders is essential to enable its shareholders to make informed decisions about the Company.

The information is disseminated to shareholders of the Company on a timely basis through:

- annual reports that are prepared and sent to all shareholders. The Board ensures that the annual report includes all relevant information about the Company and the Group, including future developments and other disclosures required by the Singapore Companies Act and Singapore Financial Reporting Standards;
- half-yearly announcements containing a summary of the financial information and affairs of the Group for that period;
- notices of and explanatory memoranda for AGMs and Extraordinary General Meetings;
- disclosure to the SGX-ST; and
- the Company's website at <http://www.tspg.sg> at which our shareholders can access information on the Group.

Principle 15: Companies should actively engage their shareholders and put in place an investor relation policy to promote regular, effective and fair communication with shareholders.

The Company recognises the importance of actively engaging with shareholders to promote effective and fair communication.

Although the Company does not have an investor relations team, the Company's Managing Director/CEO and Executive Directors are responsible for the Company's communication with shareholders. The Board acknowledges that not only does the Company has to fulfill its obligation to furnish timely and material information to shareholders but also to ensure that full and appropriate disclosure of such information is made for complying with statutory requirements as well as rules prescribed under the Listing Manual of SGX-ST. Any price sensitive information will be publicly released through on SGXNet.

To keep all shareholders of the Company informed on various announcements of the Company, the shareholders can access the Company's announcements and annual reports through the Company's website at <http://www.tspg.sg>.

CORPORATE GOVERNANCE STATEMENT

Dividend Policy

The Company does not have a dividend policy at present. The frequency, form and amount of dividend to be declared and paid are dependent on the Group's profit, cash flow, capital requirements for investment and growth, general business conditions and other factors as the Board deems appropriate.

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

All registered shareholders are invited to participate at shareholders' meetings.

Board members, senior Management and the Company Secretary are present at shareholders' meeting to respond to questions from shareholders. The Company's external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

The Company is not implementing absentia voting methods such as voting via mail, email or fax until security, integrity and other pertinent issues are satisfactorily resolved.

The Company disseminates information on general meetings through notices in its annual reports or circulars (if required) to all its shareholders. These notices are also released via SGXNet, published in local newspapers and posted in the Company's website ahead of the meetings to give ample time for shareholders to review the documents. The annual reports and circulars (if required) may also be viewed on the Company's website. However, we are mindful that some shareholders may prefer to receive a printed copy and we have arranged for printing of the annual reports to all shareholders for the time being. The printing of annual reports will be under review in the future.

The Company's Constitution allows (a) each shareholder who is not a relevant intermediary (as defined in the Companies Act, Chapter 50) the right to appoint up to two (2) proxies and (b) each shareholder who is a relevant intermediary to appoint more than two (2) proxies to attend and vote on their behalf in shareholders' meetings. At general meetings, the Company ensures that separate resolutions are proposed for substantially separate issues.

The Company has conducted electronic poll voting at shareholders' meeting for greater transparency in the voting process. The total number of votes cast for or against each resolution is tallied and displayed live on-screen to shareholders immediately after the vote has been cast and is also announced after the meetings via SGXNet.

The Company Secretary and/or his representatives prepare minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management. These minutes are available to shareholders upon their request.

CORPORATE GOVERNANCE STATEMENT

5 DEALINGS IN SECURITIES

In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST, the Company has adopted its own internal Code of Conduct to provide guidance to all officers of the Company and its subsidiaries with regard to dealings in the Company's securities.

The Directors and officers of the Company and of the Group are advised for each close window period, and periodically reminded, not to deal in the Company's shares for the period commencing one (1) month before the announcement of the Company's financial results for the year and for the period of two (2) weeks before the announcement of the Company's quarterly results during the year, since the Company is required to make quarterly results announcement with effect from 1 January 2019. The Company will notify Directors and employees of the commencement date for each close window period.

The Company has also issued a policy on Insider Trading to all employees which sets out the principles of relevant laws relating to insider trading which are applicable at all times.

Directors, officers and connected persons are expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period and they are not to deal in the Company's securities on short-term considerations.

6 INTERESTED PERSON TRANSACTIONS

The Company is required to comply with the requisite rules under Chapter 9 of the Listing Manual of SGX-ST for interested person transactions. To ensure compliance with Chapter 9, the AC meets half-yearly to review if the Company will be entering into an interested person transaction in order to ensure that the interested person transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the shareholders. There were no interested person transactions entered into by the Group during the year under review.

When a potential conflict of interest arises, the director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

7 MATERIAL CONTRACTS

There were no material contracts entered into by the Company or any of its subsidiaries involving the interests of any Director or controlling shareholder subsisting at the end of the FY2018.

CORPORATE GOVERNANCE STATEMENT

TABLE A

The Directors named below are retiring and being eligible, offer themselves for re-election at the upcoming AGM:–

Name of Director	Lien Kait Long	Kong WeiLi	Siu Wai Kam	Goh Yang Jun, Jasper
Date of Appointment	24 November 2005	1 March 2019	1 March 2019	1 March 2019
Date of last re-appointment (if applicable)	22 April 2016	N.A.	N.A.	N.A.
Age	71	52	47	37
Country of principal residence	Singapore	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has accepted the NC's recommendation, who has reviewed and considered Mr Lien's performance as Non-Executive and Lead Independent Director of the Company.	The Board of Directors of the Company is of the opinion that Mr Kong can contribute positively to the Company after reviewing the NC's recommendation and Mr Kong's qualifications, experience and suitability.	The Board of Directors of the Company is of the opinion that Mr Siu can contribute positively to the Company after reviewing the NC's recommendation and Mr Siu's qualifications, experience and suitability.	The Board of Directors of the Company is of the opinion that Mr Jasper Goh can contribute positively to the Company after reviewing the NC's recommendation and Mr Jasper Goh's qualifications, experience and suitability.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive and Lead Independent Director, Chairman of AC and RMC and Member of NC and RC	Independent Director, Member of AC, NC, RC and RMC	Independent Director, Member of AC, NC, RC and RMC	Independent Director, Member of AC, NC, RC and RMC
Professional qualifications	Mr Lien holds a degree in Bachelor of Commerce from Nanyang University, Singapore. Mr Lien is a fellow of the Institute of Singapore Chartered Accountants and CPA Australia since July 2004 and May 2004 respectively.	Mr Kong is a fellow member of the Institute of Singapore Chartered Accountants and CPA Australia.	Mr Siu graduated from the City University of Hong Kong in 1997 with a Bachelor of Electronic Engineering. In 1999, Mr Siu obtained his Master of Philosophy from the same University.	Mr Jasper Goh graduated from the National University of Singapore in 2007 with a Bachelor of Science in Applied Mathematics & Operation Research (Management Science).

CORPORATE GOVERNANCE STATEMENT

Name of Director	Lien Kait Long	Kong WeiLi	Siu Wai Kam	Goh Yang Jun, Jasper
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None	None	None
Conflict of interest (including any competing business)	None	None	None	None
Working experience and occupation(s) during the past 10 years	Mr Lien has more than 40 years' experience in accounting and finance, corporate management and business investment.	<p>From December 2008 to September 2015:</p> <p>Mr Kong worked as Financial Controller with SOME Pte Ltd (a subsidiary of Sembcorp Marine Ltd).</p> <p>From July 2017 to May 2018, Mr Kong was a Senior Finance Analyst with Maximus Asia Pte Ltd.</p> <p>From June 2018 to present, Mr Kong is a Plant Financial Controller with Sanmina-SCI Systems Singapore Pte Ltd.</p>	Mr Siu has more than 19 years of experience in Information Technology ("IT") field. Mr Siu holds a senior position in the IT Department of a Singapore University.	<p>Mr Jasper Goh has more than 10 years of working experience.</p> <p>From 2015 to present, Mr Jasper Goh is a Managing Partner of Back Office Partners Pte Ltd. Mr Jasper Goh is also a Lead Business Development of Asterisk Computer (FE) Pte Ltd.</p> <p>From 2010 to 2014, Mr Jasper Goh was an Independent Consultant and Business Development with staff support (self-employed).</p> <p>From 2007 to 2009, Mr Jasper Goh was a relationship manager in ABN AMRO Business Banking.</p>
Undertaking (in the format set out in Appendix 7.7) under Rule 702(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes
Shareholding interest in the listed issuer and its subsidiaries	None	None	None	None

CORPORATE GOVERNANCE STATEMENT

Name of Director	Lien Kait Long	Kong WeiLi	Siu Wai Kam	Goh Yang Jun, Jasper
Other Principal Commitments* Including Directorships# **"Principal Commitments" has the same meaning as defined in the Code #These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)	<u>Past (for the last 5 years)</u> 1. Viking Offshore and Marine Limited 2. Pacific Healthcare Holdings Ltd 3. 8Telecom International Holdings Co., Ltd 4. IPC Corporation Limited 5. Hanwell Holdings Limited <u>Present</u> 1. China Enterprises Limited 2. China Jishan Holdings Limited 3. Falcon Energy Group Limited 4. Renewable Energy Asia Group Limited 5. China Real Estate Grp Ltd 6. Tat Seng Packaging Group Ltd	<u>Past (for the last 5 years)</u> 1. Straits Overseas Pte Ltd 2. Straits Offshore Pte Ltd <u>Present</u> 1. Hanwell Holdings Limited 2. Tat Seng Packaging Group Ltd	<u>Past (for the last 5 years)</u> 1. Singsoft Pte. Ltd. <u>Present</u> 1. Tuwards Pte. Ltd. 2. Hanwell Holdings Limited 3. Tat Seng Packaging Group Ltd	<u>Past (for the last 5 years)</u> None <u>Present</u> 1. Hanwell Holdings Limited 2. Tat Seng Packaging Group Ltd

CORPORATE GOVERNANCE STATEMENT

Information required

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is “yes”, full details must be given.

	Question	Lien Kait Long	Kong WeiLi	Siu Wai Kam	Goh Yang Jun, Jasper
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No	No
(c)	Whether there is any unsatisfied judgment against him?	No	No	No	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No	No

CORPORATE GOVERNANCE STATEMENT

	Question	Lien Kait Long	Kong WeiLi	Siu Wai Kam	Goh Yang Jun, Jasper
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No	No
(f)	Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No	No

CORPORATE GOVERNANCE STATEMENT

	Question	Lien Kait Long	Kong WeiLi	Siu Wai Kam	Goh Yang Jun, Jasper
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-				
(i)	any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No	No
(ii)	any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No	No
(iii)	any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No	No
(iv)	any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere.	No	No	No	No
	in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?				
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No	No
	Disclosure applicable to the appointment of Director only.				
	Any prior experience as a director of an issuer listed on the Exchange?	Yes	Yes	Yes	Yes

CORPORATE GOVERNANCE STATEMENT

	Question	Lien Kait Long	Kong WeiLi	Siu Wai Kam	Goh Yang Jun, Jasper
	If yes, please provide details of prior experience.	<p>Mr Lien is presently a:-</p> <ul style="list-style-type: none"> • Director of China Enterprises Limited, an issuer listed on the Exchange • Lead Independent Director of China Jishan Holdings Limited, an issuer listed on the Exchange • Lead Independent Director of Falcon Energy Group Limited, an issuer listed on the Exchange • Independent Director of Renewable Energy Asia Group Limited, an issuer listed on the Exchange • Director of China Real Estate Grp Ltd, an issuer listed on the Exchange 	Mr Kong is presently a Non-Executive and Independent Director of Hanwell Holdings Limited, an issuer listed on the Exchange.	Mr Siu is presently a Non-Executive and Independent Director of Hanwell Holdings Limited, an issuer listed on the Exchange.	Mr Jasper Goh is presently a Non-Executive and Independent Director of Hanwell Holdings Limited, an issuer listed on the Exchange.
	If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	N.A.	N.A.	N.A.	N.A.
	Please provide details of relevant experience and the nominating committee reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Has been a director of several public listed companies for many years	Has attended SID training	Has attended SID training	Has attended SID training