
CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Our Directors recognise the importance of corporate governance and offering high standards of accountability to our Shareholders, and will follow closely the good practices outlined in the Code of Corporate Governance.

Our Board has formed three (3) committees: (i) the Nominating Committee; (ii) the Remuneration Committee; and (iii) the Audit Committee. We have six (6) Directors on our Board of Directors, of which three (3) are Independent Directors.

We have appointed Mr Lee Dah Khang as our Lead Independent Director. As the Lead Independent Director, he is the contact person for Shareholders in situations where they have concerns or issues for which communication with our Executive Chairman, Executive Directors and/or CFO has failed to resolve or for which such communication is inappropriate.

Our Independent Directors do not have any existing business or professional relationship of a material nature with our Group, our other Directors or Substantial Shareholders. Our Independent Directors are also not related to our other Directors and/or Substantial Shareholders.

Nominating Committee

Our Nominating Committee comprises Mr Lee Dah Khang, Mr Oh Seong Lye and Mr Tan Yong Chuan. The Chairman of our Nominating Committee is Mr Lee Dah Khang.

Our Nominating Committee will be responsible for, *inter alia*:

- (a) reviewing and recommending the nomination or re-nomination of our Directors having regard to our Director's contribution and performance;
- (b) determining on an annual basis, and as and when circumstances require, whether or not a Director is independent;
- (c) deciding whether or not a Director is able to, and has been, adequately carrying out his duties as a director;
- (d) reviewing and approving any new employment of related persons and the proposed terms of their employment;
- (e) developing a process for the evaluation of the performance of our Board, its committees and our Directors and proposing objective performance criteria, as approved by our Board that allows comparison with its industry peers, and addressing how our Board has enhanced long-term Shareholders' value;
- (f) reviewing succession plans for Directors and key executives; and
- (g) reviewing training and professional development programmes for our Board.

Our Nominating Committee will decide how our Board's performance is to be evaluated and propose objective performance criteria, subject to the approval of our Board, which address how our Board has enhanced long-term Shareholders' value. Our Board will also implement a process to be carried out by our Nominating Committee for assessing the effectiveness of our Board as a whole and for assessing the contribution of each individual Director to the effectiveness of our

CORPORATE GOVERNANCE

Board. Each member of our Nominating Committee shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director. In the event that any member of our Nominating Committee has an interest in a matter being deliberated upon by our Nominating Committee, he will abstain from participating in the review and approval process relating to that matter.

Our Nominating Committee, after having considered the following:

- (a) the principal occupation and commitments of our Independent Directors, including the number of listed company board representations each of them has;
- (b) the attendance to-date at board meetings of the listed companies that each of our Independent Directors serves as independent directors;
- (c) the confirmations by our Independent Directors that they are able to devote sufficient time and attention to the matters of our Group;
- (d) the professional experience and expertise of our Independent Directors; and
- (e) the composition of our Board,

is of the opinion that Mr Lee Dah Khang, Mr Oh Seong Lye and Mr Yeo Kian Wee Andy are able to commit sufficient time and resources to discharge their respective duties, and are suitable and possess the relevant experience to serve as Independent Directors of our Company.

Remuneration Committee

Our Remuneration Committee comprises Mr Yeo Kian Wee Andy, Mr Lee Dah Khang and Mr Oh Seong Lye. The Chairman of our Remuneration Committee is Mr Yeo Kian Wee Andy.

Our Remuneration Committee will, *inter alia*, recommend to our Board a framework of remuneration for our Directors and Executive Officers, and determine specific remuneration packages for each Executive Director. The recommendations of our Remuneration Committee should be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses and other benefits-in-kind shall be covered by our Remuneration Committee. Each member of the Remuneration Committee shall abstain from voting on any resolutions in respect of his remuneration package.

The remuneration of related employees will be reviewed annually by our Remuneration Committee to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increases and/or promotions for these related employees will also be subject to the review and approval of our Remuneration Committee. In the event that a member of our Remuneration Committee is related to the employee under review, he will abstain from participating in the review. If necessary, our Remuneration Committee shall seek expert advice inside and/or outside our Company on remuneration matters. Our Remuneration Committee shall ensure that existing relationships, if any, between our Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.

CORPORATE GOVERNANCE

Audit Committee

Our Audit Committee comprises Mr Oh Seong Lye, Mr Lee Dah Khang and Mr Yeo Kian Wee Andy. The Chairman of our Audit Committee is Mr Oh Seong Lye. At least two (2) members, including the Audit Committee Chairman, should have recent and relevant accounting or related financial management expertise or experience.

Our Audit Committee does not have any existing business or professional relationship of a material nature with our Group, our Directors, Controlling Shareholders or Substantial Shareholders.

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

Our Audit Committee will provide a channel for communication between our Board, our management, our internal auditors and our external auditors on matters relating to audit. Our CFO will also be reporting directly to our Audit Committee on our Group's financial matters.

Our Audit Committee shall meet periodically to perform, *inter alia*, the following functions:

- (a) assist our Board in the discharge of its responsibilities on financial reporting matters;
- (b) consider the appointment or re-appointment of the external auditors, the level of their remuneration and matters relating to the resignation or dismissal of the external auditors, and review with the external auditors the audit plans, their evaluation of the system of internal accounting controls, their audit reports, their management letter and our management's response before submitting the results of such review to our Board for approval;
- (c) consider the appointment or re-appointment of the internal auditors, the level of their remuneration and matters relating to the resignation or dismissal of the internal auditors, and review with the internal auditors the internal audit plans and their evaluation of the adequacy of our system internal accounting controls and accounting system before submitting the results of such review to our Board for approval prior to the incorporation of such results in our annual report (where necessary);
- (d) review the system of internal accounting controls and procedures established by the management and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our management where necessary);
- (e) review the assistance and co-operation given by our Company's officers to the internal and external auditors;
- (f) review the half yearly and annual, and quarterly if applicable, financial statements and results announcements before submission to our Board for approval, focusing in particular, on changes in accounting policies and practices, major areas of judgement, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;

CORPORATE GOVERNANCE

- (g) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our Group's operating results or financial position, and consider the adequacy of our management's response;
- (h) review and assess our Company's foreign exchange and hedging policies including whether our Company has in place adequate and appropriate hedging policies and used appropriate instruments for hedging, if applicable;
- (i) review transactions falling within the scope of Chapter 9 and Chapter 10 of the Catalist Rules (if any);
- (j) review potential conflicts of interest (if any) and set out a framework to resolve or mitigate any potential conflicts of interest;
- (k) review the effectiveness and adequacy of our administrative, operating, internal accounting and financial control procedures;
- (l) review our key financial risk areas, with a view to providing an independent oversight on our Group's financial reporting, the outcome of such review to be disclosed in the annual reports or, if the findings are material, immediately announced via SGXNET;
- (m) undertake such other reviews and projects as may be requested by our Board and report to our Board its findings from time to time on matters arising and requiring the attention of our Audit Committee;
- (n) generally undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time;
- (o) review arrangements by which our staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow-up; and
- (p) review our Group's compliance with such functions and duties as may be required under the relevant statutes or the Catalist Rules, including such amendments made thereto from time to time.

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

CORPORATE GOVERNANCE

Our Audit Committee, after having (i) conducted interviews with Ms Teo Gin Lian; (ii) considered the qualifications and past working experience of Ms Teo Gin Lian (as described in the section entitled “Directors, Management and Staff – Executive Officers” of this Offer Document); (iii) observed Ms Teo Gin Lian’s abilities, familiarity and diligence in relation to the financial matters and information of our Group; (iv) noted the absence of negative feedback on Ms Teo Gin Lian from Ernst & Young LLP, our Independent Auditor and Reporting Accountant; and (v) made all reasonable enquiries, is of the view that Ms Teo Gin Lian is suitable for the position of CFO of our Group. Further, after making all reasonable enquiries, nothing has come to the attention of our Audit Committee to cause them to believe that Ms Teo Gin Lian does not have the competence, character or integrity expected of a CFO of a listed issuer.

Our Audit Committee shall also commission an annual internal control audit to review and report to our Board on the adequacy and effectiveness of our Group’s risk management and internal control systems, including financial, operational, compliance and information technology controls. Our Audit Committee will be appointing an auditor to conduct a review on the LY-6M system post-implementation, and review the auditor’s report to ensure that the LY-6M system is working as effectively as envisaged. Please refer to the section entitled “General Information on our Group – Enhancement of Productivity and Efficiency” of this Offer Document for more details. Prior to the commissioning of such an annual audit, our Board is required to report to the SGX-ST and the Sponsor on how the key internal control weaknesses have been rectified, and the basis for the decision to commission the annual internal control audit. Thereafter, such audits may be initiated by our Audit Committee as and when it deems fit to satisfy itself that our Group’s internal controls remain robust and effective. Upon completion of the internal control audit, appropriate disclosure must be made via SGXNET on any material, price-sensitive internal control weaknesses and any follow-up actions to be taken by our Board.

Based on the foregoing, our Board, to the best of its knowledge and belief, with the concurrence of our Audit Committee, based on the internal controls established and maintained by our Group, work performed by the external and internal auditors, and reviews by our Board and our Audit Committee, is of the opinion that our internal controls including financial, operational, compliance and information technology controls, and risk management systems, are adequate and effective.

BOARD PRACTICES

Our Directors are to be appointed by our Shareholders at a general meeting and an election of Directors is to be held annually. One third (or the number nearest to one third) of our Directors, are required to retire from office at each annual general meeting. Further, all our Directors are required to retire from office at least once in every three (3) years. However, a retiring Director is eligible for re-election at the meeting at which he retires. Further details on the appointment and retirement of Directors can be found in the section entitled “Summary of the Constitution of our Company” set out in Appendix F of this Offer Document.