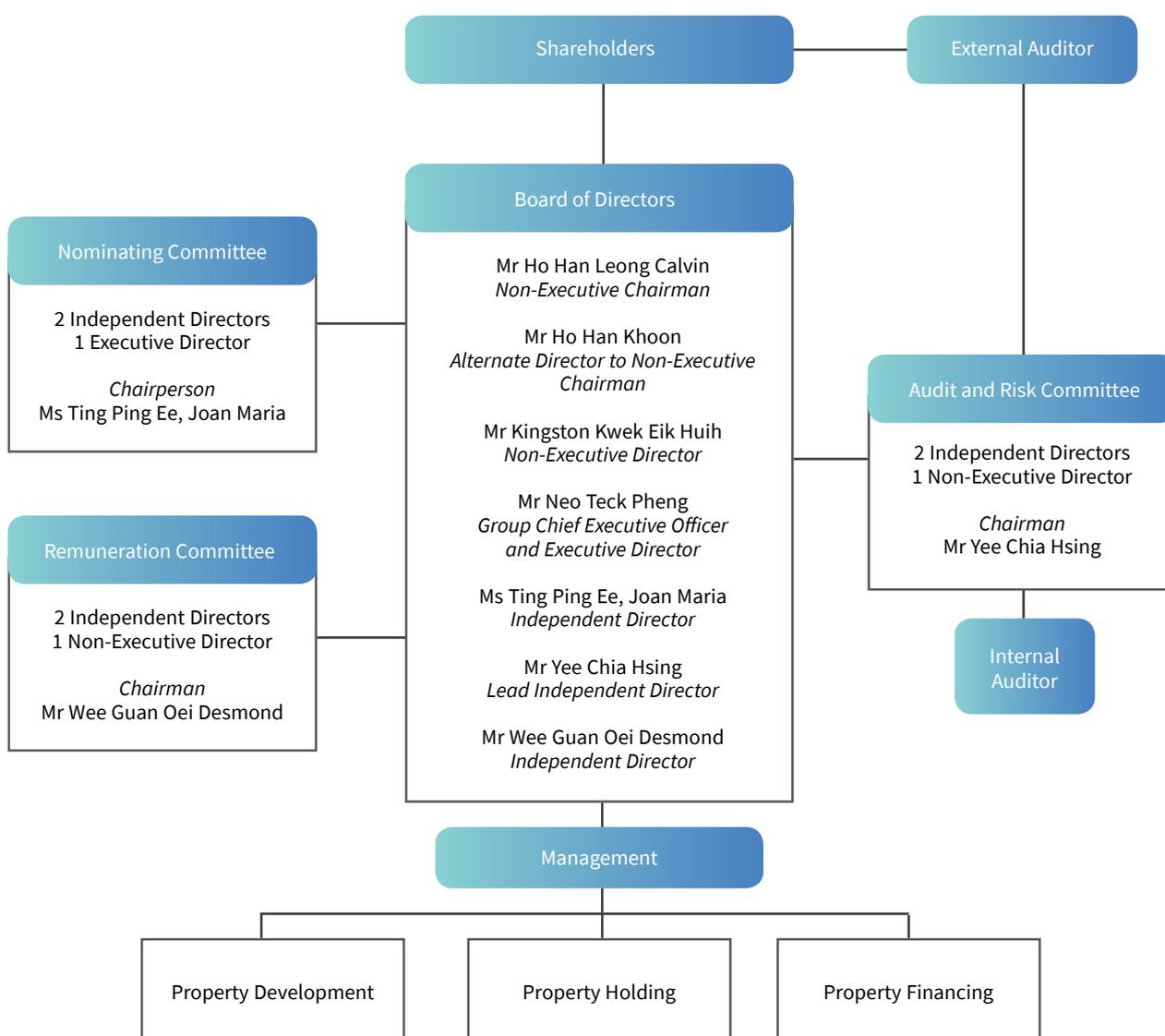


CORPORATE GOVERNANCE

First Sponsor Group Limited (“**Company**”, and together with its subsidiaries, “**Group**”) is committed to maintaining high standards of corporate governance to protect and enhance shareholder value. In compliance with Rule 710 of the listing manual of the Singapore Exchange Securities Trading Limited (“**Listing Manual**”), the corporate governance report (“**Report**”) sets out the Company’s corporate governance practices for the financial year ended 31 December 2019 (“**FY2019**”) with specific reference to the principles and provisions of the Code of Corporate Governance 2018 (“**Code**”). The Company is pleased to confirm that it has complied, in all material respects, with the principles and provisions of the Code. In so far as any provision has not been complied with, the reason has been provided.

A summary of the Company’s compliance with the express disclosure requirements of the Code is provided on page 94.

CORPORATE GOVERNANCE FRAMEWORK



BOARD MATTERS

The Board's Conduct of Affairs

Principle 1 : The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Board's Duties and Responsibilities

The Company is headed by an effective Board which oversees the strategic direction, performance and affairs of the Group and provides overall guidance to Management.

The duties and responsibilities of the Board include:

- (a) approving the strategic direction of the Group and monitoring its progress;
- (b) approving the financial plan (including annual budgets) and monitoring the financial performance of the Group;
- (c) reviewing the adequacy and effectiveness of the Group's risk management and internal controls framework in relation to financial, operational, compliance and information technology ("IT") controls, and safeguarding shareholders' interests and the Group's assets;
- (d) deliberating on and accepting recommendations by the Audit and Risk Committee ("**ARC**"), the Remuneration Committee ("**RC**") and the Nominating Committee ("**NC**"); and
- (e) considering sustainability issues such as environmental and social factors as part of the Group's strategic formulation.

Matters requiring the Board's decision and approval include:

- (a) interim financial results announcements and annual audited financial statements;
- (b) appointment of directors and key management personnel, including review of their performance and remuneration packages;
- (c) corporate or financial restructuring, major acquisitions and divestments;
- (d) share issuances and funding proposals;
- (e) interested person transactions ("**IPTs**"); and
- (f) declarations of interim dividends, proposals of final dividends and other returns to shareholders.

The Board also sets the tone for the Group in respect of ethics, values and desired organisational culture, and ensures proper accountability within the Group. In FY2019, the Board approved an internal code of business conduct and ethics ("**Code of Business Conduct and Ethics**") to provide guidance to all officers and employees of the Group in resolving ethical questions that may arise in the course of their work for the Group. Please refer to the section titled "Code of Business Conduct and Ethics, Anti-Corruption Policy & Guidelines and Fraud Policy & Guidelines" on pages 91 and 92 for further information.

CORPORATE GOVERNANCE

Board Meetings

In FY2019 and in prior financial years, board meetings were scheduled to coincide with quarterly financial results reporting in order to facilitate a review of the financial statements and announcement of the unaudited quarterly financial results of the Group. In view of the changes to the quarterly reporting requirement under the Listing Manual which came into effect on 7 February 2020, from FY2020 onwards, board meetings will be scheduled to coincide with the half year and year-end financial results reporting as well as quarterly updates. Such quarterly Board meetings were and will be typically scheduled before the start of the financial year to enable the Directors to plan ahead to attend these meetings. Additional meetings may be convened on an ad-hoc basis as and when necessary.

During every quarterly meeting:

- (a) the chairperson of each Board committee provides an update on significant matters discussed at the Board committee meetings which are typically scheduled before the quarterly Board meeting;
- (b) the Group Chief Financial Officer (“**Group CFO**”) presents the financial performance for that quarter and significant financial highlights; and
- (c) the Group Chief Executive Officer (“**Group CEO**”) gives an update on the Group’s business and operations and/or a macro perspective on the relevant markets and developments.

In addition, senior executives may give presentations in relation to specific business areas. External professionals or in-house subject matter experts may also be invited to present key topics to the Board as well as updates on corporate governance, risk management, tax, accounting and other regulations, which may have an impact on the Group’s affairs. This allows the Board to develop a better understanding of the progress of the Group’s business as well as the issues and challenges facing the Group and promotes active engagement with Management.

Where exigencies prevent a Director from attending a Board meeting in person, the Company’s Articles of Association permit the Director to participate via teleconferencing or video conferencing. The Board and Board committees may also make decisions by way of resolutions in writing. Except where a Director is required to abstain from participating in the deliberation on a transaction or proposed transaction due to a potential conflict of interest situation, in each meeting where matters requiring the Board’s approval are to be considered, all members of the Board participate in the discussions and deliberations, and resolutions in writing are circulated to all Directors for their consideration and approval. This principle of collective decisions adopted by the Board ensures that no individual influences or dominates the decision-making process.

Management may communicate with the Directors through email or telephone to brief or update the Directors on prospective transactions and potential developments. Management may also seek in-principle approval for such transactions from the Directors through email or telephone. Such approvals given by the Directors through email or telephone will, as appropriate, be noted and recorded in the minutes of meeting held subsequently by the Board.

There were five Board meetings held in FY2019, one of which was an ad-hoc Board meeting to discuss a prospective transaction. The attendance of the Directors at meetings of the Board and Board committees, and the frequency of such meetings, are set out below:

Attendance Record of Meetings of Shareholders, Board and Board Committees in FY2019

	Board	Ad-Hoc Board	ARC	RC	NC	AGM
Number of Meetings Held	4	1	4	1	1	1
Board Members						
Mr Ho Han Leong Calvin	4	–	–	–	–	1
Mr Ho Han Khoon (Alternate Director to Mr Ho Han Leong Calvin)	4	1	4	1	–	1
Mr Tan Kian Seng ¹	–	–	–	–	–	–
Mr Kingston Kwek Eik Huih ¹	3	1	–	–	–	1
Mr Neo Teck Pheng	4	1	4 ²	1 ³	1	1
Ms Ting Ping Ee, Joan Maria	4	1	4	1	1	1
Mr Yee Chia Hsing	4	1	4	–	1	1
Mr Wee Guan Oei Desmond	4	– ⁴	–	1	–	1

Notes:

- Mr Tan Kian Seng resigned as Non-Executive Director of the Company on 5 March 2019. He was replaced by Mr Kingston Kwek Eik Huih who was appointed on the same date.
- Mr Neo Teck Pheng is not a member of the ARC but was present at the ARC meetings in his capacity as Group CEO.
- Mr Neo Teck Pheng is not a member of the RC but was invited by the RC to attend the RC meeting to give his views on the performance of certain key management personnel. For the avoidance of doubt, he was neither involved in any deliberation nor decision on his own remuneration.
- Mr Wee Guan Oei Desmond was absent as he was overseas.

Directors who are unable to attend a Board meeting are provided with the briefing materials and can discuss issues relating to the matters to be discussed at the Board meeting with the Group CEO and/or the Group CFO.

Off-Site Visits

The Company organises overseas trips by the Directors to countries where the real estate projects of the Group, its associated companies and joint venture companies are located. On such occasions, the Board will meet with the Group's key management personnel in those countries and conduct site visits. This will allow the Board to have a good understanding of the Group's businesses and progress of the projects as well as promote active engagement with key management personnel in those countries. The Directors made trips to the People's Republic of China in FY2017, FY2018 and FY2019 and to the Netherlands in FY2017.

Director Development

All newly appointed Directors are provided with information about the Group's history and core values, principal businesses and strategic direction as well as industry specific knowledge. Meetings are also arranged with Management to allow the new Directors to be acquainted with Management and to facilitate their independent access to Management in the future. In line with best practices in corporate governance, new Directors will be required to sign a letter of appointment from the Company stating clearly the roles of the Board and Non-Executive Directors, the time commitment that the Director would be expected to allocate and other relevant matters. The terms of reference of all Board committees would also be provided to each newly appointed Director.

CORPORATE GOVERNANCE

For a first time Director who has no prior experience as a director of a listed company, he or she will be encouraged to also attend the Listed Entity Director (“LED”) Programme conducted by the Singapore Institute of Directors in order to acquire relevant knowledge of what is expected of a listed company director. Completion of the LED Programme, which focuses on comprehensive training of company directors on compliance, regulatory and corporate governance matters, should provide first time Directors with a broad understanding of the roles and responsibilities of a director of a listed company under the requirements of the Listing Manual and the Code. The Company has noted that such training for first time directors is now mandatory under the Listing Manual.

All Directors are provided with relevant information on the Company’s policies, procedures and practices relating to governance issues, including disclosure of interests in securities, restrictions on disclosure of price-sensitive and trade-sensitive information and disclosure of interests relating to the Group’s businesses. They are also informed about matters such as the code of dealings in the Company’s securities as they are privy to price-sensitive and trade-sensitive information.

The Directors are given updates and/or briefings relating to any matters that fall within the responsibility of the Board or key developments in the Group’s industry or operations including changes in regulatory requirements, corporate governance and accounting standards. Such updates are given at Board meetings and where necessary via presentations by the Company’s external professionals, auditors and Management. The Directors are encouraged to undergo continual professional development (including attending external presentations and seminars conducted by regulatory bodies) during the term of their appointment. The Company funds the training of its Directors as appropriate.

In FY2019, the Directors were provided with material updates in the areas of cybersecurity as well as financial reporting standards. In February 2020, the Company’s lawyers, WongPartnership, gave a presentation to the Board on the changes to the Listing Manual which came into effect on 7 February 2020.

Access to Information

The Company recognises the importance of providing the Board with relevant, complete, adequate and timely information prior to Board meetings and on an ongoing basis, to enable the Directors to make informed decisions to discharge their duties and responsibilities. The Board is provided with reports on the Group’s operational and financial performance as well as budget variances, on a regular basis. Board papers are distributed in advance of Board meetings (as a general rule, at least one week in advance) so that the Directors have sufficient time to understand the matters to be discussed at the Board meetings. The Directors are entitled to request from Management and be provided with additional information as needed to make informed decisions. Management and senior executives attend Board meetings to answer any query from the Directors.

Where appropriate, ad hoc meetings are also held for Management to brief the Directors on prospective transactions and potential developments in the early stages before formal Board approval is sought. As stated in the section titled “Board Meetings”, Management may communicate with the Directors through email or telephone to brief or keep the Directors updated on such deals and developments. The Directors may, at any time, request for further explanations, briefings, informal discussions or updates on any aspect of the Group’s operations or business issues from Management through email, telephone or face-to-face meetings.

The Directors have separate and independent access to Management and the company secretary at all times. The Directors also have direct access to the Company’s professional advisors and have the discretion to engage their own professional advisers at the Company’s expense.

Role of the Company Secretary

Under the direction of the Chairman, the company secretary ensures good information flow within the Board and Board committees and between Management and Non-Executive Directors. She advises the Board on all governance matters as well as facilitates the orientation of newly appointed Directors and assists with the professional development of all Directors. The company secretary plays a role in ensuring that Board procedures as well as relevant rules and regulations are complied with. In FY2019, the company secretary attended all Board and Board committee meetings except for one ad-hoc Board meeting.

The appointment and the removal of the company secretary are subject to the approval of the Board.

Delegation of Authority

To optimise operational efficiency, the Board has established financial authorisation and approval limits for capital expenditure, the procurement of goods and services, acquisitions and disposals, bank borrowings as well as debt and equity fund raising. The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to the Board committees and Management.

The Non-Executive Directors are always available to provide guidance to Management on any business issues and in areas in which they specialise.

Board Committees

To assist the Board in their duties and to ensure that specific issues are subject to in-depth and timely review, certain functions have been delegated to various Board committees, which would submit their recommendations or decisions to the Board. The Board has established three Board committees, namely:

- (a) the ARC;
- (b) the RC; and
- (c) the NC.

Each Board committee operates under delegated authority from the Board with the Board retaining overall oversight and has its own written terms of reference. The Board regularly undertakes a review of its Board committees including their membership and terms of reference. The last review of the terms of reference was undertaken in FY2018. In FY2018, the Board approved amendments to the terms of reference of the ARC to take into account the Code and certain amendments to the Listing Manual. All Board committees are chaired by an Independent Director.

A record of each Director's attendance at Board committee meetings during FY2019 is set out in the section titled "Attendance Record of Meetings of Shareholders, Board and Board Committees in FY2019" on page 64.

CORPORATE GOVERNANCE

AUDIT AND RISK COMMITTEE

MEMBERSHIP

- Mr Yee Chia Hsing, ARC Chairman and Lead Independent Director
- Ms Ting Ping Ee, Joan Maria, ARC Member and Independent Director
- Mr Ho Han Leong Calvin, ARC Member and Non-Executive Chairman of the Board
Mr Ho Han Khoon (Alternate Director to Mr Ho Han Leong Calvin)

KEY OBJECTIVE

- Assist the Board in discharging its responsibilities relating to financial and accounting matters, compliance, business and financial risk management and internal controls

The ARC comprises three Non-Executive Directors, two of whom, including the ARC Chairman, are Independent Directors. The ARC Chairman and at least one other member of the ARC, being the majority of the ARC, possess the relevant accounting or related financial management expertise or experience, while the remaining member of the ARC possesses business and financial background. With the current composition, the NC believes that the ARC has the relevant accounting and related financial management expertise and experience to discharge its functions within its written terms of reference.

None of the members of the ARC are former partners or directors of the Company's existing external or internal audit firms (a) within a period of two years commencing on the date of their ceasing to be a partner of the external or internal audit firm and in any case, (b) for so long as they have any financial interest in the external or internal audit firm.

The ARC has the authority to investigate any matter within its terms of reference. The ARC has full access to, and the cooperation 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 ARC also has full access to the external and internal auditors, and to facilitate a more effective check on Management, the ARC meets (a) with the external auditors, and (b) with the internal auditors, in each case without the presence of Management at least annually. However, FY2019 was an exception as the meeting between the ARC and the internal auditors scheduled to take place in FY2019 was re-scheduled to February 2020 due to the availability of the partner-in-charge. Similarly, both the external and internal auditors are given full access to the ARC.

Under its terms of reference, the ARC's scope of duties and responsibilities is as follows:

- (a) reviewing the audit plan of the Company's external auditors, their evaluation of the system of internal accounting controls, their letter to Management, if any, and Management's response, and results of the Company's audit conducted by the internal and external auditors;
- (b) reviewing the reports of the Company's external auditors including key audit matters ("**KAMs**"), as well as the adequacy, effectiveness, independence, objectivity, scope and results of the external audit;
- (c) reporting to the Board on the ARC's assessment of the independence and objectivity of the external auditors and the quality of the work carried out by the external auditors;
- (d) reviewing the co-operation given by the Company's officers to the external auditors;

CORPORATE GOVERNANCE

- (e) reviewing and discussing with the external auditors, where applicable, any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules and regulations, which has or is likely to have a material adverse impact on the Group's operating results or financial position, and Management's response;
- (f) making recommendations to the Board on proposals to shareholders, on the appointment, re-appointment and removal of external auditors, and approving the remuneration and terms of engagement of the external auditors;
- (g) ensuring co-ordination between the external auditors and Management, reviewing the assistance given by Management to the auditors, and discussing problems and concerns, if any, arising from audits, and any matters which the auditors may wish to discuss (in the absence of Management, where necessary);
- (h) approving the Company's internal audit plans;
- (i) monitoring the implementation of internal controls over outstanding internal control weaknesses highlighted by the auditors;
- (j) deciding on the appointment, termination and remuneration of the internal auditors;
- (k) reviewing the adequacy, effectiveness, independence, scope and results of the Company's internal audit function, reporting to the Board on the ARC's assessment of the adequacy, effectiveness and independence of the internal audit function and commenting on whether the internal audit function is independent, effective and adequately resourced;
- (l) reviewing the interim and annual financial statements, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual and any other relevant statutory or regulatory requirements;
- (m) reviewing significant financial reporting issues so as to ensure integrity of the financial statements of the Company and any announcements relating to the Company's financial performance and reporting to the Board on such issues (including how these issues were addressed);
- (n) reviewing the material internal control procedures addressing financial, operational, compliance and IT risks;
- (o) commissioning an independent audit on internal controls and risk management systems if it deems necessary for its assurance, or where it is not satisfied with the systems of internal controls and risk management;
- (p) reviewing IPTs falling within the scope of Chapter 9 of the Listing Manual above certain thresholds;
- (q) reviewing the grant of any entrusted loans to interested persons prior to such loans being entered into, to ensure that (i) the terms and (ii) the grant of the entrusted loans (taking into account various factors that may include, but are not limited to, the rationale for the grant, the creditworthiness of the borrower and the interest rate payable to the Group) are not prejudicial to the Group and shareholders;
- (r) reviewing potential conflicts of interest, if any;
- (s) reviewing and considering transactions in which there may be potential conflicts of interests between the Company and interested persons and recommending whether those who are in a position of conflict should abstain from participating in any discussions or deliberations of the Board or from voting on resolutions of the Board or shareholders in relation to such transactions as well as ensuring that proper measures to mitigate such potential conflicts of interest have been put in place;

CORPORATE GOVERNANCE

- (t) monitoring investments in the Group's customers, suppliers and competitors made by the Directors, controlling shareholders and their respective associates who are involved in the management of the Company or have shareholding interests in similar or related business of the Company and making assessments on whether there are any potential conflicts of interests and ensuring that proper measures to mitigate such conflicts of interests have been put in place;
- (u) reviewing and assessing from time to time the prevailing processes put in place to manage any material conflicts of interest in relation to the controlling shareholders as described in the section titled "Interested Person Transactions and Conflicts of Interest – Conflicts of Interest – Conflict of Interests in relation to First Sponsor Capital Limited and First Sponsor Management Limited" in the prospectus registered by the Monetary Authority of Singapore on 10 July 2014 in relation to the Company's initial public offering and listing of its shares on the Main Board of the Singapore Exchange Securities Trading Limited on 22 July 2014 and considering, where appropriate, additional measures for the management of such conflicts;
- (v) reviewing the Group's key financial risk areas with a view to providing an independent oversight of the Group's financial reporting;
- (w) reviewing and recommending hedging policies and instruments, if any, to be implemented by the Company to the Directors;
- (x) reviewing the suitability of the Group CFO;
- (y) undertaking such other reviews and projects as may be requested by the Board, and reporting to the Board its findings from time to time on matters arising and requiring the attention of the ARC;
- (z) reviewing the policy and arrangements for concern about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up and reporting to the Board any significant issues raised through such channels;
- (aa) generally undertaking such other functions and duties as may be required by statute or the Listing Manual or by such amendments as may be made thereto from time to time on a quarterly basis; and
- (ab) apart from the abovementioned duties, commissioning and reviewing the findings of internal investigations in the event of any suspected fraud, irregularity, failure of internal controls or infringement of any applicable law, rule or regulation which has or is likely to have a material adverse impact on the Group's operating results and/or financial position.

In line with the changes to the Practice Guidance on Audit Committees and Engagement with Shareholders which came into effect on 7 February 2020, the ARC will bring to the Board's attention immediately, any significant issues (such as significant adjustments) raised by the external auditors in their review or audit of the Company's year-end financial statements which have a material impact on the interim financial statements or financial updates previously announced by the Company. The Board will then consider whether an immediate announcement is required under the Listing Manual. The ARC will also advise the Board if changes are needed to improve the quality of future interim financial statements or financial updates. Such changes, if any, will be disclosed in the Annual Report.

The ARC held four ARC meetings in FY2019. Management, including the Group CEO and Group CFO, was present at the meetings. In addition, the ARC met with the external auditors without the presence of Management in FY2019. The meeting between the ARC and the internal auditors scheduled to take place in FY2019 was re-scheduled to February 2020 due to the availability of the partner-in-charge.

In FY2019, the ARC reviewed the quarterly financial statements prior to approving or recommending to the Board their release, the auditors' evaluation of the system of internal accounting controls, the adequacy and effectiveness of the Company's internal controls, the annual audit plans of the external and internal auditors and the results of the audits performed by them, as well as IPTs. It also reviewed the scope, results and effectiveness of the internal audit and external audit functions, the independence and objectivity of the external auditors, the non-audit services rendered by the external auditors and the proposed change of external auditors.

CORPORATE GOVERNANCE

The ARC considered the report from the external auditors, including their findings on the significant risks and audit focus areas. The following KAMs were discussed with Management and the external auditors:

KAMs	How the ARC reviewed these matters and what decisions were made
Valuation of investment properties	<p>The ARC reviewed the outcome of the annual valuation process and discussed the details of the valuation with Management.</p> <p>The ARC considered the findings of the external auditors, including their assessment of the appropriateness and reasonableness of the valuation methodologies and the underlying key assumptions applied in the valuation of investment properties.</p> <p>The ARC is satisfied with the methodology and key assumptions applied in assessing the fair values of the Group's investment properties.</p>
Valuation of investment in Dongguan East Sun Limited and Dongguan East Sun No. 1 Property Management Co., Ltd. (collectively "East Sun")	<p>The ARC reviewed the valuation methodology and the outcome of the annual valuation process in determining the fair value of the investment in East Sun classified by the Group as financial asset at fair value through profit or loss.</p> <p>The ARC considered the findings of the external auditors including their assessment of the appropriateness and reasonableness of the fair values of the underlying properties held by East Sun.</p> <p>The ARC is satisfied with the approach, the valuation methodology and the valuation of the investment in East Sun as adopted and disclosed in the financial statements.</p>
Valuation of property, plant and equipment	<p>The ARC reviewed the approach adopted by Management in determining the recoverable amounts of the Crowne Plaza Chengdu Wenjiang and the adjoining hot spring. This included an external valuation conducted on the two properties by an external valuer.</p> <p>The ARC considered the findings of the external auditors including their review of Management's assessment of whether there are indicators of impairment and the appropriateness and reasonableness of the methodology and key assumptions used in determining the recoverable amounts of the abovementioned properties.</p> <p>The ARC is satisfied with the approach and the valuation methodology undertaken in arriving at the recoverable amounts as adopted and disclosed in the financial statements.</p>

The ARC concluded that the Group's accounting treatment and estimates in the KAMs were appropriate. All the KAMs that were raised by the external auditors for FY2019 have been addressed by the ARC and covered in the above commentary. Details on the KAMs can be found in the auditors' report for FY2019 on pages 103 to 105 of this Annual Report.

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE

MEMBERSHIP

- Mr Wee Guan Oei Desmond, RC Chairman and Independent Director
- Ms Ting Ping Ee, Joan Maria, RC Member and Independent Director
- Mr Ho Han Leong Calvin, RC Member and Non-Executive Chairman of the Board
Mr Ho Han Khoon (Alternate Director to Mr Ho Han Leong Calvin)

KEY OBJECTIVES

- Oversee the remuneration of the Board and Management
- Set appropriate remuneration framework and policies to deliver annual and long-term performance of the Group

The RC comprises three Non-Executive Directors, two of whom, including the RC Chairman, are Independent Directors.

Under its terms of reference, the RC's scope of duties and responsibilities is as follows:

- (a) recommending to the Board a framework of remuneration for the Directors and key management personnel of the Group, including the Group CEO, Group CFO and CEOs of the respective regions;
- (b) determining specific remuneration packages for Executive Directors, including the Group CEO;
- (c) reviewing all aspects of remuneration of employees (including, among others, employees who are related to the Directors and relatives of the Directors and controlling shareholders, if any), including directors' fees, salaries, allowances, bonuses and other benefits-in-kind;
- (d) reviewing and ensuring that the remuneration of Non-Executive Directors is appropriate to the level of contribution by them, taking into account factors such as effort and time spent, and responsibilities of the Directors;
- (e) recommending employee share option schemes or any long-term incentive scheme which may be set up from time to time and doing all acts necessary in connection therewith; and
- (f) reviewing the Company's obligations arising in the event of termination of any Executive Director's and key executive's contract of services to ensure that such contracts of services contain fair and reasonable clauses which are not overly generous.

In FY2019, the RC met once and discussed various remuneration matters such as Directors' fees as well as the remuneration package of the Group CEO and key management personnel. No member of the RC was involved in the fixing of his or her own remuneration.

NOMINATING COMMITTEE

MEMBERSHIP

- Ms Ting Ping Ee, Joan Maria, NC Chairperson and Independent Director
- Mr Yee Chia Hsing, NC Member and Lead Independent Director
- Mr Neo Teck Pheng, NC Member, Group CEO and Executive Director

KEY OBJECTIVES

- Establish and review the profile of Board members
- Make recommendations to the Board on the appointment and re-nomination of Directors
- Review the independence of Directors
- Assist the Board in evaluating the performance of the Board, Board committees and Directors

The NC comprises three members. Two members are Independent Directors, one of whom is the Lead Independent Director.

Under its terms of reference, the NC's scope of duties and responsibilities is as follows:

- (a) reviewing and assessing the appointment of any proposed new Directors (including alternate Directors if applicable) before recommending the proposed new Directors for approval by the Board;
- (b) reviewing and recommending to the Board the re-election and re-appointment of any Directors (including alternate Directors if applicable) who are retiring by rotation or appointed during the year at the next AGM;
- (c) reviewing the effectiveness of the Board annually;
- (d) reviewing annually whether the size and composition of the Board are appropriate to ensure that the Board has an appropriate balance of expertise, skills, attributes and abilities;
- (e) reviewing and determining annually, and as and when circumstances require, if a Director is independent;
- (f) reviewing and determining whether a Director is able to and has been adequately carrying out his or her duties as Director where a Director has multiple board representations or other principal commitments;
- (g) reviewing succession plans for the Directors and Management and recommending to the Board for approval;
- (h) reviewing and recommending to the Board the employment of related persons and their proposed terms of employment;
- (i) assessing whether any individual member of the Board dominates the Board's decision-making process; and
- (j) reviewing training and professional development programs for the Board.

In FY2019, the NC met once to discuss various matters, including the appointment of Mr Kingston Kwek Eik Huih as Non-Executive Director.

CORPORATE GOVERNANCE

Board Composition and Guidance

Principle 2 : The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

The Board consists of six Directors of whom five are Non-Executive Directors. The Non-Executive Directors comprise three Independent Directors and two non-Independent Directors. The Executive Director is the Group CEO. As the Chairman is not independent, the Board appointed a Lead Independent Director. A summary of the role of the Lead Independent Director is set out in the section titled “Role of the Lead Independent Director” on page 75.

The Board, through the NC, reviews from time to time the size and composition of the Board, with a view to ensuring that the size of the Board is appropriate in facilitating effective decision-making taking into account the scope and nature of the Group’s operations, and that the Board has a strong independent element.

The Board and the NC are satisfied that the Board’s size and composition are appropriate for the Company’s needs, taking into account the scope and nature of the operations of the Group and the requirements of the business.

Board Diversity

The Company recognises that a diverse Board is an important element which will better support the Company’s achievement of its strategic objectives for sustainable development by enhancing the decision-making process of the Board through the perspectives derived from the various skills, business experience, industry discipline, gender, age, tenure of service and other distinguishing qualities of the Directors. In FY2019, the Board adopted a formal Board Diversity Policy, setting out its policy for promoting diversity on the Board. The Board Diversity Policy provides that, in reviewing the Board composition, the NC will consider all aspects of diversity in order to arrive at an optimum balanced composition of the Board. The selection of Directors will be based on merit against an objective criteria that complements and expands the skills and experience of the Board as a whole, and after having given due regard to the overall balance and effectiveness of a diverse Board. The Board Diversity Policy is available on the Company’s corporate website at www.1st-sponsor.com.sg.

The Board comprises business leaders and professionals with real estate, hospitality, banking, financial (including audit and accounting), legal, risk management and business management backgrounds. The Board currently includes one female member and Directors with ages ranging from 30s to 60s who have served on the Board for different tenures. The Board and the NC are of the view that the current composition of the Board encompasses an appropriate balance and diversity of skills, experience, knowledge and competencies.

Profiles and qualifications of the Directors are set out in the section titled “Board of Directors” on pages 23 to 24 and directorships held by the Directors as at the date of this Annual Report and over the preceding three years are set out in the section titled “Directors’ Time Commitment” on pages 77 to 79.

Independence

The Independent Directors constitute half of the Board. Other than the Group CEO, none of the Directors is a former or current employee of the Company or its subsidiaries. The Board is aware of Provision 2.2 of the Code which recommends that Independent Directors make up a majority of the Board where the Chairman is not independent. The NC and the Board will review the current composition of Independent Directors, the Board’s diversity of skills, experience, knowledge and competencies as well as the size of the Board and the Company’s operations to determine whether to align the Board with the recommendation. Currently, matters requiring the Board’s approval are discussed and deliberated with the participation of each Director (save for any Director who has a conflict of interest), and decisions are made collectively without any individual influencing or dominating the decision-making process. The NC and the Board are therefore of the view that the current composition of the Board is sufficient for the Board to exercise objective and balanced judgement. As the Chairman is not independent, the Company appointed a Lead Independent Director.

The Board, taking into account the views of the NC, assesses the independence of each Director annually in accordance with the guidance in the Code. In accordance with the Code, a Director is considered independent if he or she is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his or her independent business judgement in the best interests of the Company. The Board also takes into account the existence of relationships or circumstances, including those identified by the Listing Manual and related Practice Guidance that are relevant in its determination as to whether a Director is independent. Such relationships or circumstances include the employment of a Director by the Company or any of its related corporations for the current or any of the past three financial years, a Director providing to or receiving from the Company or any of its subsidiaries significant payments or material services during the current or previous financial year, other than compensation for Board service, and a Director being related to any organisation to which the Company or any of its subsidiaries made, or from which the Company or any of its subsidiaries received, significant payments or material services during the current or previous financial year.

The NC and the Board assessed the independence of each Director in FY2019. A summary of the outcome of that assessment is set out below.

Based on the declarations of independence provided by the Directors and taking into account the guidance in the Code, the Board has determined that Ms Ting Ping Ee, Joan Maria, Mr Yee Chia Hsing and Mr Wee Guan Oei Desmond are independent.

The remaining Directors are considered non-independent for the following reasons:

- (a) Mr Ho Han Leong Calvin and his alternate, Mr Ho Han Khoon, are controlling shareholders of the Company;
- (b) Mr Kingston Kwek Eik Huih is the son of Mr Kwek Leng Beng, the Executive Chairman of Millennium & Copthorne Hotels Limited (formerly known as Millennium & Copthorne Hotels plc) (“**M&C**”) which is a controlling shareholder of the Company and a principal subsidiary of City Developments Limited (“**CDL**”); and
- (c) Mr Neo Teck Pheng is the Group CEO, the Executive Director and a controlling shareholder of the Company.

Each member of the NC and the Board recused himself or herself from the NC’s and the Board’s deliberations respectively on his or her own independence.

As at the date of this Report, none of the Independent Directors has served on the Board for more than nine years.

The Non-Executive Directors participate actively in the meetings of the Board. They provide strategic guidance to the Company based on their professional knowledge, in particular, assisting to constructively develop proposals on strategy. They also review and monitor Management’s performance. To facilitate this, they are kept informed of the Company’s businesses and performances through regular reporting from Management, and have full access to Management. The Non-Executive Directors would also confer among themselves without the presence of Management as and when the need should arise. The chairman of such meetings provides feedback to the Board and/or the Chairman as appropriate.

Conflicts of Interest

Directors as fiduciaries are collectively and individually obliged to act honestly and with due diligence, and in the best interests of the Company. Directors, who are in any way, directly or indirectly, interested in a transaction or proposed transaction, will declare the nature of their interests, and also abstain from participating in the deliberation of the Board and/or the Board committees on such transactions, with abstention duly recorded within the minutes and/or the resolutions of the Board and/or the committees.

CORPORATE GOVERNANCE

Chairman and Chief Executive Officer

Principle 3 : There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The Chairman and the Group CEO

The roles and responsibilities of the Chairman and the Group CEO are held by separate individuals, in keeping with the principle that there be a clear division of responsibilities between the leadership of the Board and Management and that no one individual has unfettered powers of decisions-making. The Chairman leads the Board and is responsible for ensuring the effectiveness of the Board while the Group CEO is responsible for implementing the Group's strategies and policies, and for management, operations and growth of the Group's businesses.

The separation of the roles of the Chairman and the Group CEO and the resulting clarity of roles provide a healthy professional relationship between the Board and Management, and facilitate robust deliberations on the Group's business activities and the exchange of ideas and views to help shape the strategic process.

The Non-Executive Chairman is Mr Ho Han Leong Calvin and the Group CEO is Mr Neo Teck Pheng. They do not share any family ties.

Role of Chairman

The Chairman provides leadership to the Board and facilitates the conditions for overall effectiveness of the Board, Board committees and individual Directors. He leads all the Board meetings and ensures that meetings are held on a timely basis to deliberate or approve matters which require the Board's attention. He is also responsible for promoting and maintaining high standards of corporate governance, ensures effective communication with shareholders and facilitates effective contribution from the Non-Executive Directors.

The Chairman provides clear oversight, advice and guidance to the Group CEO and Management on strategy and the growth of the Group's businesses. The Chairman also provides support and advice to, and acts as a sounding board for, the Group CEO, while respecting executive responsibility.

Role of the Lead Independent Director

As the Chairman is not an Independent Director, the Board appointed Mr Yee Chia Hsing as the Lead Independent Director. The Lead Independent Director is appointed by the Board to serve in a lead capacity to coordinate the activities of the Non-Executive Directors in circumstances where it would be inappropriate for the Chairman to serve in such capacity. He also assists the Chairman and the Board to ensure effective corporate governance in managing the affairs of the Board and the Company.

The Lead Independent Director serves as the ARC Chairman. The role of the Lead Independent Director includes meeting with the Independent Directors at least annually. He provides feedback on the meeting(s) to the Board and/or the Chairman as appropriate. He will also be available to shareholders if they have concerns relating to matters that contact through the normal channels of communication with the Chairman, Group CEO or Group CFO are inappropriate or inadequate. No query or request on any matter which requires the Lead Independent Director's attention was received from shareholders in FY2019.

Board Membership

Principle 4 : The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The NC establishes and reviews the profile required of Board members and makes recommendations to the Board on the appointment and re-nomination of Directors. Details on the composition and scope of duties and responsibilities of the NC are set out in the section titled “Nominating Committee” on page 72.

The evaluation of the appointment and re-nomination of a Director takes into consideration, among others, the composition and progressive renewal of the Board, the factors described in the Board Diversity Policy and each Director’s independent status, competencies, commitment, contribution and performance.

Selection of New Directors

The Company has in place a process for selecting and appointing new Directors. This process includes, among others, an evaluation of the candidate’s capabilities by taking into consideration diversity of skills, experience, background, gender, age and other relevant factors and how the candidate fits into the overall desired competency matrix of the Board.

The NC identifies the Company’s needs and prepares a shortlist of candidates with the appropriate profile for nomination. The NC may have recourse to both internal sources as well as external sources to draw up the shortlist. Short-listed candidates will be required to furnish their curriculum vitae stating in detail their qualification, working experience and employment history to enable the NC to assess the candidate’s independence status and compliance with the Company’s established internal guidelines. The NC will take an active role in screening and interviewing short-listed candidates before assessing the candidate’s suitability and recommending him or her for nomination to the Board.

In FY2019, Mr Kingston Kwek Eik Huih was appointed as Non-Executive Director. He replaced Mr Tan Kian Seng who resigned as Non-Executive Director to devote more time to his work commitments with M&C. Mr Kwek was nominated by the then Non-Executive Chairman of M&C (now the Executive Chairman of M&C following the privatisation of M&C) with the consent of the M&C board. The NC reviewed the professional qualifications and experience of Mr Kwek and recommended his appointment to the Board. Mr Kwek was subsequently re-elected as Non-Executive Director by shareholders at the 2019 AGM.

Re-nomination of Directors

The Articles of Association of the Company requires each Director to retire at least once every three years and subject himself or herself to re-election by shareholders. In addition, any Director appointed by the Board shall retire at the next AGM and shall then be eligible for re-election at that meeting.

The Group CEO, as an Executive Director, is subject to the same retirement by rotation, resignation and removal provisions as the other Directors, and such provisions will not be subject to any contractual terms that may have been entered into with the Company. His role as Group CEO is separate from his position as a Board member, and does not affect the ability of shareholders to exercise their right to select all Board members.

With regard to the re-election of existing Directors each year, the NC advises the Board of those Directors who are retiring or due for consideration to retire in accordance with the Company’s Articles of Association, and makes recommendations to the Board as to whether the Board should support the re-election of a Director who is retiring. In making its recommendations, the NC will undertake a review of the retiring Director’s performance and contribution during the period in which he was a member of the Board. The NC takes factors such as attendance, preparedness, participation and candour into consideration when evaluating the past performance and contribution of a Director when making its recommendations to the Board. Each member of the NC will abstain from deliberations on his or her own re-election.

CORPORATE GOVERNANCE

Mr Ho Han Leong Calvin, Mr Neo Teck Pheng and Mr Wee Guan Oei Desmond will be retiring by rotation pursuant to the Company's Articles of Association at the 2020 AGM. Mr Ho Han Leong Calvin, Mr Neo Teck Pheng and Mr Wee Guan Oei Desmond have respectively given their consent to stand for re-election at the 2020 AGM. Mr Ho Han Leong Calvin will, upon re-election, continue to serve as the Non-Executive Chairman of the Board, a member of the ARC and a member of the RC. Mr Neo Teck Pheng will, upon re-election, continue to serve as a member of the NC. Mr Wee Guan Oei Desmond will, upon re-election, continue to serve as the RC Chairman. The NC considered their performance and contribution during the NC meeting held in February 2020 and recommended to the Board their re-election at the 2020 AGM. The Board has concurred with the NC to recommend the re-election of Mr Ho Han Leong Calvin, Mr Neo Teck Pheng and Mr Wee Guan Oei Desmond as Directors by shareholders at the 2020 AGM. Additional information on Mr Ho Han Leong Calvin, Mr Neo Teck Pheng and Mr Wee Guan Oei Desmond as prescribed in Appendix 7.4.1 of the Listing Manual may be found on pages 217 to 224 of this Annual Report. Mr Neo Teck Pheng recused himself from the NC's deliberations on his own re-election and each of the three Directors recused himself from the Board's deliberations on his own re-election.

Directors' Time Commitment

In view of the responsibilities of a Director, the Board is cognisant of the need for Directors to be able to devote sufficient time and attention to adequately perform their roles. However, the Board has not imposed any limit on the number of listed company directorships that an individual may hold as it is of the view that this should be considered on a case-by-case basis as a person's available time and attention may be affected by different factors, such as whether he or she is in full-time employment and the nature of his or her other responsibilities. The Company also does not wish to omit from consideration outstanding individuals who, despite the demands on their time, have the capacity to participate and contribute as new members of the Board. While having a limit on the number of listed company directorships may be considered by some other companies to be suitable for their circumstances, at present, the Company considers that the effectiveness of each of the Directors is best assessed by a qualitative assessment of the Director's contribution and devotion of appropriate time and attention to the Company.

A Director with multiple directorships is expected to ensure that he or she can devote sufficient time and attention to the affairs of the Company. The Directors are also required to consult the Chairman and the NC Chairperson before accepting new appointments as directors or full time executives. The Directors must also immediately report any changes in their external appointments, including any corporate developments relating to their external appointments, which may affect their independence.

The NC conducts a review of the commitments of each Director on an annual basis and as and when there is a change of circumstances involving a Director. All Directors are required to confirm on an annual basis, and for FY2019, have confirmed that they were able to devote sufficient time and attention to their duties as Directors. For FY2019, the NC is of the view that the Directors have devoted sufficient time and attention to the affairs of the Company and have been able to discharge their duties as Directors effectively. Although some Board members have multiple board representations, the Board experienced minimal competing time commitments among its members as Board meetings are planned and scheduled well in advance of the meeting dates. The NC is satisfied that in FY2019, where a Director had other listed company board representations and/or other principal commitments, the Director adequately carried out his or her duties as Director.

CORPORATE GOVERNANCE

The table below shows the directorships and principal commitments of each Director (including past directorships and principal commitments over the preceding three years):

Name of Director	Date of First Appointment	Date of Last Re-election	Past Directorships in other listed companies and principal commitments over the preceding three years	Present Directorships in other listed companies and principal commitments
Mr Ho Han Leong Calvin ¹ <ul style="list-style-type: none"> ● Non-Executive Chairman ● ARC Member ● RC Member 	1 October 2007	26 April 2017	–	Chief Executive Officer and Director of Tai Tak Estates Sendirian Berhad
Mr Ho Han Khoon (Alternate Director to Mr Ho Han Leong Calvin) ²	19 May 2014	–	–	Executive Vice-President and Director of Tai Tak Estates Sendirian Berhad
Mr Kingston Kwek Eik Huih ³ <ul style="list-style-type: none"> ● Non-Executive Director 	5 March 2019	24 April 2019	–	<ul style="list-style-type: none"> ● Director of Beijing Fortune Hotel Co., Ltd. ● Governor of Hong Leong Foundation ● Alternate Director of Welland Investments Limited
Mr Neo Teck Pheng ¹ <ul style="list-style-type: none"> ● Group CEO and Executive Director ● NC Member 	1 October 2007	26 April 2017	–	–
Ms Ting Ping Ee, Joan Maria <ul style="list-style-type: none"> ● Independent Director ● NC Chairperson ● ARC Member ● RC Member 	19 May 2014	24 April 2018	Independent Director of Grandland Shipping Limited	Independent Director of Grand Union Holdings and Investments Incorporated

CORPORATE GOVERNANCE

Name of Director	Date of First Appointment	Date of Last Re-election	Past Directorships in other listed companies and principal commitments over the preceding three years	Present Directorships in other listed companies and principal commitments
Mr Yee Chia Hsing <ul style="list-style-type: none"> ● Lead Independent Director ● ARC Chairman ● NC Member 	19 May 2014	24 April 2018	–	<ul style="list-style-type: none"> ● Head of Catalyst, CIMB Bank Berhad, Singapore Branch ● Elected Member of the Parliament of Singapore ● Independent Director of Ezion Holdings Limited ● Audit Committee Member of Ren Ci Hospital
Mr Wee Guan Oei Desmond ¹ <ul style="list-style-type: none"> ● Independent Director ● RC Chairman 	6 February 2017	26 April 2017	–	<ul style="list-style-type: none"> ● Partner and Head, Corporate Commercial Practice Group of Rajah & Tann Singapore LLP ● Non-Executive Chairman, Independent Director and Audit Committee Member of Popular Holdings Limited ● Non-Executive Director of Spartans Rugby Singapore Limited

Notes:

1. Mr Ho Han Leong Calvin, Mr Neo Teck Pheng and Mr Wee Guan Oei Desmond will retire and stand for re-election at the 2020 AGM. The NC has considered their contribution and performance and recommended to the Board their re-election at the 2020 AGM.
2. An alternate Director bears all the duties and responsibilities of a Director.
3. Mr Kingston Kwek Eik Huih is the son of Mr Kwek Leng Beng, the Executive Chairman of M&C which is a controlling shareholder of the Company and a principal subsidiary of CDL.

Succession Planning

The Board believes in carrying out succession planning for itself to ensure continuity of leadership. Board renewal is a continuing process and in this regard, the NC reviews annually the composition of the Board and Board committees, which includes size and mix, and recommends to the Board the selection and appointment of new Directors, whether in addition to the existing Board members or as replacement of retiring Board members, with a view to identifying any gaps in the Board's skills set taking into consideration the Group's business operations. The Board would be able to function smoothly notwithstanding any resignation or retirement of any Director given the present number of members and mix of competencies on the Board.

Board Performance

Principle 5 : The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

While Board performance is ultimately reflected in the long-term performance of the Group, the Board believes that engaging in a regular process of assessment and evaluation of Board performance in order to identify key strengths and areas for improvement is essential to effective stewardship and to attaining success for the Company.

Board and Board Committee Evaluation Process

Each year, the NC undertakes a formal annual process to assess the effectiveness of the Board as a whole and the Board committees.

The NC uses objective and appropriate criteria to assess the performance of the Board and effectiveness of Board committees. Assessment parameters include evaluation of Board structure, conduct of meetings, corporate strategy, corporate planning, risk management, internal controls, measuring and monitoring performance, compensation, financial reporting and communication with shareholders.

As part of the process, each Director is required to complete an appraisal form with the above assessment parameters. The completed appraisal forms are collated by the company secretary who then presents the results to the NC Chairperson who in turn presents a report to the NC and the Board. The feedback, comments and recommendations by the Directors are reviewed and discussed constructively by the NC and the Board to identify areas for improvements and follow up action to be taken by the Board and Management. No external facilitator was used in FY2019.

The NC is satisfied that for FY2019, the Board and the Board committees were effective in the conduct of their respective duties. The results of the NC's assessment were communicated to and accepted by the Board.

Individual Director Evaluation Process

In FY2019, the Company implemented a formal process to evaluate the performance of individual Directors.

As part of the process, each Director (including the Chairman) is requested to complete a self-evaluation form. Performance criteria include factors such as the Director's attendance, preparedness, candour, participation and contribution at Board meetings, industry and business knowledge, commitment and dedication. The completed self-evaluation forms are collated by the company secretary who then presents the results to the NC, which assesses the performance of the individual Directors, and will discuss with each individual Director if necessary. Each member of the NC will recuse himself or herself from the NC's deliberations on his or her own performance.

The performance of individual Directors is taken into account in their re-appointment or re-election. Specific needs which arise from time to time are taken into account in any appointment of new Directors.

The NC is satisfied that for FY2019, each Director contributed to the effectiveness of the Board and, if applicable, Board committee(s). The results of the NC's assessment were communicated to and accepted by the Board.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6 : The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Level and Mix of Remuneration

Principle 7 : The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Disclosure on Remuneration

Principle 8 : The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The Board established the RC to oversee the remuneration of the Board and Management. In carrying out this role, the RC also aims to set the appropriate remuneration framework and policies to deliver annual and long-term performance of the Group. Details on the composition and scope of duties and responsibilities of the RC are set out in the section titled “Remuneration Committee” on page 71.

The broad principles that guide the RC in its administration of fees, benefits, remuneration and incentives for the Board and Management are set out below.

Remuneration of Non-Executive Directors

The Group CEO is an Executive Director and is therefore remunerated as part of Management. He does not receive Directors’ fees.

The RC recommends the Non-Executive Directors’ fees for the Board’s endorsement and approval by shareholders. The Company seeks shareholders’ approval at the 2020 AGM so that Directors’ fees can be paid on a quarterly basis in arrears. No Director decides his or her own fees.

The remuneration packages of Non-Executive Directors comprise base Directors’ fees and additional fees for services rendered on the various Board committees. In reviewing the structure and level of such fees, the RC takes into consideration factors such as the roles and responsibilities of, effort and time spent by, the Directors, changes in the business, corporate governance practices and regulatory rules, and the interval since the last fee review. The RC also compares the Company’s fee framework against industry practices.

The Company established the First Sponsor Employee Share Option Scheme on 19 May 2014. However, no options were granted under the scheme as at the date of this Report. Details of the First Sponsor Employee Share Option Scheme can be found in the Directors’ Statement on page 99. The First Sponsor Employee Share Option Scheme allows for participation by Non-Executive Directors. The Company believes that the scheme will help the Company to attract experienced and qualified persons from different professional backgrounds to join the Company as Non-Executive Directors and will better align the interests of such Non-Executive Directors with the interests of shareholders.

FY2019

A review of the framework for the Non-Executive Directors' fees for FY2019 was conducted. The framework remained the same as that for the previous financial year. No remuneration consultant was appointed in FY2019. The framework for Non-Executive Directors' fees for FY2019 is as follows:

Base Directors' Fee	
Board Chairman	S\$50,000 per annum ¹
Director	S\$50,000 per annum
Fee for appointment to ARC	
Committee Chairman	S\$55,000 per annum
Committee Member	S\$33,000 per annum
Fee for appointment to RC	
Committee Chairman	S\$18,000 per annum
Committee Member	S\$12,000 per annum
Fee for appointment to NC	
Committee Chairperson	S\$18,000 per annum
Committee Member	S\$12,000 per annum

Note:

1. Mr Ho Han Leong Calvin and Mr Ho Han Khoon elected not to receive Directors' fees.

No separate attendance fees for Board meetings or travel allowance are paid or payable to Non-Executive Directors.

The aggregate Directors' fees paid to Non-Executive Directors for FY2019 was S\$339,370, details of which are set out in the table below:

Name of Director	Directors' Fees (S\$)
Mr Ho Han Leong Calvin ¹	-
Mr Ho Han Khoon (Alternate Director to Mr Ho Han Leong Calvin)	-
Mr Tan Kian Seng ²	-
Mr Kingston Kwek Eik Huih ²	41,370
Ms Ting Ping Ee, Joan Maria ³	113,000
Mr Yee Chia Hsing ⁴	117,000
Mr Wee Guan Oei Desmond ⁵	68,000
Total	339,370

Notes:

1. Mr Ho Han Leong Calvin and Mr Ho Han Khoon elected not to receive Directors' fees.
2. Mr Tan Kian Seng, who resigned as Non-Executive Director of the Company on 5 March 2019, previously elected not to receive Directors' fees. He was replaced by Mr Kingston Kwek Eik Huih who was appointed on the same date.
3. In addition to the base Directors' fee, Ms Ting Ping Ee, Joan Maria received additional fees as the NC Chairperson and a member of the ARC and the RC.
4. In addition to the base Directors' fee, Mr Yee Chia Hsing received additional fees as the ARC Chairman and a member of the NC.
5. In addition to the base Directors' fee, Mr Wee Guan Oei Desmond received an additional fee as the RC Chairman.

CORPORATE GOVERNANCE

The increase of S\$41,370 in Directors' fees from S\$298,000 in FY2018 to S\$339,370 in FY2019 was due to the pro-rated Directors' fee payable to Mr Kingston Kwek Eik Huih who was appointed on 5 March 2019. Mr Tan Kian Seng, who resigned as Non-Executive Director on the same date previously elected not to receive Directors' fees. The payment of the Directors' fees of S\$339,370 for FY2019 was approved by shareholders as a lumpsum at the 2019 AGM.

FY2020

For FY2020, it is proposed that aggregate fees of S\$378,000 be paid to the Non-Executive Directors. The proposed framework for Non-Executive Directors' fees for FY2020 is the same as that for FY2019 except for an additional one-off fee of S\$30,000 payable to Mr Yee Chia Hsing for his additional time commitment as Chairman of the ARC in FY2019. No remuneration consultant was appointed in FY2020. The increase of S\$38,630 in Directors' fees from S\$339,370 in FY2019 to S\$378,000 in FY2020 is due to a full year's Directors' fee being payable to Mr Kingston Kwek Eik Huih and the additional one-off fee payable to Mr Yee Chia Hsing. The proposed Directors' fees of S\$378,000 are subject to shareholders' approval as a lumpsum at the 2020 AGM.

Remuneration of Management

In reviewing the remuneration packages of the Group CEO and key management personnel, the RC considers the level of remuneration based on the Company's remuneration policy which comprises the following distinct objectives:

- (a) to ensure that the remuneration packages are competitive in attracting and retaining employees capable of meeting the Company's needs;
- (b) to reward employees for achieving corporate performance targets in a fair and equitable way; and
- (c) to ensure that the remuneration reflects the employees' duties and responsibilities.

Link to Corporate and Individual Performance

Remuneration for the Group CEO and key management personnel comprises fixed and variable components. The level and mix of the variable component are structured to ensure that the total remuneration for the Group CEO and key management personnel is strongly aligned to the financial performance and returns delivered to shareholders.

Fixed components comprise base salary and, where applicable, fixed allowances and other benefits-in-kind determined by the Company's human resource policies. The base salary is determined based on the responsibilities, experience and competencies that the individual brings to the role, individual performance and market competitiveness. This is approved by the Board based on the RC's recommendation and reviewed annually. Fixed allowances and other benefits-in-kind provided are in line with local market practices and legislative requirements, and are not directly linked to performance.

The variable component comprises the annual variable bonus. The annual variable bonus is intended to recognise the performance and contribution of the individual, while driving the achievement of key business results for the Company and enhancement of shareholder value.

For FY2019, the RC reviewed and is satisfied that adjustments made to the salaries as well as the variable bonuses granted to the Group CEO and key management personnel were reflective of their performance and the contribution made by them.

The RC recognises that long-term incentives reinforce the delivery of long-term growth and shareholder value to drive an ownership culture and retain key talent. The RC will consider granting long-term incentives as a performance-related component to the Group CEO and key management personnel at the appropriate time. This may include the grant of employee share options under the First Sponsor Employee Share Option Scheme and awards under any proposed performance share plans that may be approved by shareholders in the future. The RC will also consider the implementation of contractual provisions to reclaim long-term incentives from the Group CEO and key management personnel in the event of exceptional circumstances of misstatement of financial results or of misconduct resulting in financial or other losses to the Company, only after the introduction of long-term incentives.

Remuneration of Group CEO

Details of the remuneration of the Group CEO and Executive Director for FY2019 are set out below:

Group CEO and Executive Director	Salary ¹ (S\$)	Variable Bonus ² (S\$)	Benefits ³ (S\$)	Total (S\$)
Mr Neo Teck Pheng	792,375	5,150,000	16,099	5,958,474

Notes:

1. Salary refers to base salary, allowances and employer's central provident fund contributions.
2. Variable bonus includes employer's central provident fund contributions.
3. Benefits refer to car benefits.

Remuneration of Other Key Management Personnel

The top five key management personnel (excluding the Group CEO) in FY2019 are:

1. Ms Lee Sau Hun, Group CFO;
2. Mr Shu Zhen, CEO (Guangdong Operations);
3. Mr Wang Gongyi, CEO (Chengdu Operations);
4. Ms Zhang Jing, CEO (Shanghai Operations); and
5. Mr Alex Barentsen, CEO (European Operations).

The aggregate remuneration paid/payable in respect of FY2019 to the abovementioned top five key management personnel in FY2019 was S\$2.9 million¹.

As set out above, the Company has taken the further step to identify its key management personnel and provided disclosure of the aggregate remuneration paid to the abovementioned top five key management personnel for FY2019. The Company however maintains its view that it is not in its interest to disclose the remuneration of each of its key management personnel in bands of S\$250,000. Having considered the highly competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the Group's business activities, such disclosure of specific remuneration information may give rise to recruitment and talent retention issues. There would be negative impact to the Group if members of the experienced and qualified senior management team are poached, which may affect the ability to both nurture a sustainable talent pool and ensure the smooth continuity in leadership needed for the achievement of the strategic objectives of the Group. The Company believes that shareholders' interest will not be prejudiced as a result of such non-disclosure of the remuneration for each of the Group's key management personnel, and with the Company's disclosure on the aggregate remuneration of the identified top five key management personnel, shareholders are provided an insight into the level of remuneration paid to the identified top five key management personnel.

For FY2019, there were no termination, retirement or post-employment benefits granted to the Directors, the Group CEO and key management personnel.

Other than the Group CEO who is a controlling shareholder of the Company, there was no employee of the Group who is a substantial shareholder of the Company, or an immediate family member of a Director, the Group CEO or a substantial shareholder of the Company, and whose remuneration exceeded S\$100,000 during FY2019.

¹ Mr Alex Barentsen was appointed CEO (European Operations) on 1 July 2019. The amount disclosed takes into account his remuneration for the period from 1 July 2019 to 31 December 2019.

CORPORATE GOVERNANCE

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9 : The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Board has overall responsibility for the governance of risk, including the determination of the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation. The ARC assists the Board in carrying out the Board's responsibility of overseeing the Group's risk management and internal controls. Having considered the Group's business and operations, as well as its existing risk management and internal controls systems, the Board is of the view that, currently, a separate Risk Committee is not required. In December 2019, the Audit Committee was renamed as the Audit and Risk Committee.

The Group has in place a risk management framework which identifies the key risks within the Group's business, along with mitigating measures. The categories of risks identified in the risk management framework include strategic, operational, financial and treasury, IT and compliance risks. The risk management framework is reviewed on an ongoing basis.

The identification and day-to-day management of risks rest with Management. Management is responsible for the effective implementation of risk management strategy, policies and processes to facilitate the achievement of business objectives within the risk tolerance established by the Board. Key business risks are proactively identified, addressed and reviewed on an ongoing basis. The systems of risk management and internal controls are reviewed by Management regularly in order to ensure that sufficient checks and balances exist within the system to safeguard the Company's assets, ensure maintenance of proper accounting records and compliance with relevant legislation and best practices. The Board reviews and approves the processes for managing risks recommended by Management.

The risk management and internal controls systems are reviewed at least annually by Management, the ARC and the Board. The Group's external auditors highlight any material internal control weaknesses that come to their attention in the course of their audit. The Group's internal auditors, PricewaterhouseCoopers LLP ("**PwC**"), reviews the Group's internal controls and reports directly to the ARC Chairman. Please refer to the section titled "Internal Audit" on page 87 for further information on the internal audit function carried out by PwC. All audit findings and recommendations made by the external auditors and PwC are reported to and discussed with the ARC during its meetings. This gives the ARC the opportunity to comment on the effectiveness and adequacy of internal controls and to submit its findings to the Board so as to reassure the Board that sufficient checks have been put in place and enable the Board to comment on the adequacy and effectiveness of the internal controls.

With increased reliance on IT as a business enabler, in FY2019, the ARC requested PwC to undertake an internal audit review of the Company's corporate IT operations in various areas including overall IT governance, computer operations, network management and incident response. PwC recommended that certain actions be undertaken by the Company to address the internal control issues outlined in PwC's report including enhancing its multi-layered defence such as intrusion prevention system, access controls and data encryption, raising employees' IT security awareness through employee security training and putting in place a cybersecurity policy which will set out, among other things, cybersecurity measures, a disaster recovery plan and an incident response plan. Most of these actions have been implemented in FY2019, with the remaining actions to be implemented in due course.

In order to mitigate the risk of corruption and fraud by employees, in FY2019, the Board approved the Code of Business Conduct and Ethics as well as the Anti-Corruption Policy & Guidelines and Fraud Policy & Guidelines. Please refer to the section titled "Code of Business Conduct and Ethics, Anti-Corruption Policy & Guidelines and Fraud Policy & Guidelines" on pages 91 and 92 for further information.

In FY2019, the Board reviewed the adequacy and effectiveness of the Group's internal controls framework in relation to financial, operational, compliance and IT controls as well as risk management systems, with the assistance of Management, PwC and the external auditors. The Board also received assurance from the Group CEO and the Group CFO that:

- (a) the financial records have been properly maintained and the financial statements for FY2019 give a true and fair view of the Company's operations and finances; and
- (b) the systems of risk management and internal controls within the Group are adequate and effective to address the risks (including financial, operational, compliance and IT risks) in the context of the current scope of the Group's business operations as at 31 December 2019.

Based on its assessment of the work performed by PwC and the external auditors as well as the assurance from the Group CEO and Group CFO, the Board, with the concurrence of ARC, is of the opinion that the systems of risk management and internal controls within the Group are adequate and effective to address the risks (including financial, operational, compliance and IT risks) which the Group considers to be relevant and material in the context of the current scope of the Group's business operations as at 31 December 2019. During FY2019, no material weakness was identified in the Group's risk management or internal controls systems.

While the Board notes that the systems of risk management and internal controls established by Management provide reasonable assurance that the Group, as it strives to achieve its business objective, will not be significantly affected by any event that can be reasonably foreseen or anticipated, the Board acknowledges that no system of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of human and system errors, poor judgement in decision-making, losses, fraud or other irregularities. The Board, together with the ARC and Management, will continue to enhance and improve the existing risk management and internal controls frameworks to identify and mitigate these risks.

In FY2019, Management provided assurance to the Board on the integrity of the quarterly unaudited financial results and the Board in turn provided a negative assurance confirmation in respect of such results to shareholders as required by Rule 705(5) of the Listing Manual.

Audit Committee

Principle 10 : The Board has an audit committee which discharges its duties objectively.

Details on the composition and scope of duties and responsibilities of the ARC are set out in the section titled "Audit and Risk Committee" on pages 67 to 70.

External Auditors

The Board is responsible for the initial appointment of the external auditors. Shareholders then approve the appointment at the Company's AGM. The ARC assesses the external auditors based on factors such as the performance and quality of its audit and the independence of the external auditors, and recommends its appointment to the Board. Pursuant to the requirements of the Listing Manual, an audit partner may only be in charge of a maximum of five consecutive annual audits and may then return after two years. The Group's external auditors, KPMG LLP ("**KPMG**") has met this requirement, and the current KPMG audit partner for the Company took over from the previous KPMG audit partner with effect from the commencement of the audit of the financial statements for FY2015. The Company has complied with Rules 712 and 715 of the Listing Manual in relation to the appointment of KPMG.

CORPORATE GOVERNANCE

The ARC also reviewed the non-audit services provided by KPMG (including other member firms of KPMG International) during FY2019 and the fees paid for such services. KPMG provided confirmation of its independence to the ARC. The ARC is satisfied that the independence of KPMG was not affected by the provision of those services. The total fees paid/payable to KPMG (including other member firms of KPMG International) for FY2019 are disclosed in the table below:

External Auditor Fees for FY2019	Total Audit Fees	Total Non-Audit Fees	Total Fees Paid/Payable
S\$'000	424	50	474
% of total audit fees		10.5	

During FY2019, in line with the Group's policy on periodic review of the appointment of external auditors, the ARC recommended, and the Board endorsed, the appointment of Ernst & Young LLP ("EY") as the Group's external auditors for shareholders' approval at the 2020 AGM. In recommending the appointment, an audit tender exercise was conducted and proposals from the Big Four audit firms were considered, taking into consideration the Audit Quality Indicators Disclosure Framework issued by the Singapore Accounting and Corporate Regulatory Authority and the criteria for the evaluation and selection of external auditors contained in the Guidebook for Audit Committees in Singapore and the Audit Committee Guide issued by the Singapore Institute of Directors. The proposed appointment of EY complies with Rules 712 and 715 of the Listing Manual. Please refer to the Letter to Shareholders in relation to the proposed change of auditors, which will be available on the Company's corporate website at www.1st-sponsor.com.sg in due course for further information.

Internal Audit

The ARC's responsibilities over the Group's risk management and internal controls are complemented by the internal audit function.

The Company has in past years outsourced its internal audit function to PwC. At the recommendation of the ARC, the Board approved the re-engagement of PwC as the internal auditors of the Group for FY2020. In FY2019 and as in past years, the ARC assessed the adequacy and effectiveness of the internal audit function by reviewing the audit plan submitted by PwC at the start of the year and the quality of its reports during the year. PwC has unfettered access to the ARC, the Board and Management as well as the Group's documents, records, properties and personnel, and has appropriate standing within the Company. PwC's primary line of reporting is to the ARC Chairman. The ARC has unfettered access to PwC and meets with PwC without the presence of Management at least annually. However, FY2019 was an exception as the meeting between the ARC and PwC scheduled to take place in FY2019 was re-scheduled to February 2020 due to the availability of the partner-in-charge at PwC.

The Company's internal audit function is independent of the external audit. PwC is a corporate member of the Institute of Internal Auditors Singapore, and is staffed by professionals with relevant qualifications and experience. The Group's engagement with PwC stipulates that its work shall comply with the PricewaterhouseCoopers Global Internal Audit Services Methodology, which is aligned to the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

At the beginning of each year, an annual internal audit plan entailing the review of selected functions or business units of the Group is developed and agreed to by the ARC. The audit plan is devised in such a way that all major functions or business units will be audited within an internal-audit cycle. The ARC directs PwC, as and when deemed necessary and important, to focus on certain aspects of an audit to be conducted, as well as to audit any operational or business aspects. Having reviewed the audit plan of PwC, the ARC is satisfied that the Company's internal audit function is adequately resourced to perform the work for the Group.

For FY2019, the ARC reviewed the adequacy of the internal audit function to ensure that the internal audits were conducted effectively and that Management provided the necessary cooperation to enable PwC to perform its internal audit function. After reviewing the PwC reports and remedial actions implemented by Management, the ARC is satisfied that the internal control functions were adequate and effective.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11 : The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Engagement with Shareholders

Principle 12 : The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13 : The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Shareholder Rights

The Company is fully committed to treating all shareholders fairly and equitably. All shareholders enjoy specific rights under the Company's Articles of Association and the relevant laws and regulations. The Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNET, and where appropriate, also posted on the Company's corporate website at www.1st-sponsor.com.sg.

The Company recognises that the release of timely, regular and relevant information regarding the Group's performance, progress and prospects aids shareholders in their investment decisions.

Shareholders are entitled to attend general meetings and are accorded the opportunity to participate effectively in and vote at general meetings (including through the appointment of up to two proxies, if they are unable to attend in person or in the case of a corporate shareholder, through its appointed representative). A shareholder who is a relevant intermediary (as defined in the Companies Act, Chapter 50) may appoint more than two proxies each. This enables indirect investors to be appointed as proxies to participate at general meetings. Shareholders are also informed of the rules, including the voting procedures that govern the general meetings.

Conduct of General Meetings

Shareholders are informed of general meetings through notices sent to all shareholders. All shareholders of the Company will typically receive the notice of AGM, proxy form and request form to request for hard copies of the Annual Report, at least 21 days in advance. Shareholders may download the Annual Report and notice of AGM from the Company's corporate website. The notice of AGM is also advertised in either The Straits Times or The Business Times for the benefit of shareholders.

The general meeting procedures provide shareholders the opportunity to raise questions relating to each resolution tabled for approval. Opportunities are given to shareholders to participate, engage and openly communicate their views on matters relating to the Company to the Directors.

CORPORATE GOVERNANCE

Shareholders or their appointed proxies are given the opportunity to vote at general meetings. The Company has been conducting electronic poll voting for all resolutions passed at general meetings for greater transparency in the voting process. An independent scrutineer is also appointed for the electronic poll voting process. Prior to the commencement of the general meeting, the independent scrutineer would review the proxies and the proxy process. A proxy verification process agreed upon with the scrutineer is also in place. Votes cast for or against and the respective percentages on each resolution are tallied and displayed 'live' on-screen to shareholders immediately at the general meetings. The outcome of the general meeting (including total numbers of votes cast for or against the resolutions and the respective percentages) is also promptly announced on SGXNET after the general meetings. Each share is entitled to one vote. Provision has been made under Article 60 of the Company's Articles of Association allowing for shareholders to vote in absentia. Examples of absentia voting are voting via telephone or electronic means at general meetings. The Company has not previously implemented voting in absentia by telephone or electronic means due to concerns relating to the authentication of shareholder identity and other related security and integrity issues.

All Directors (including the chairpersons of the respective Board committees) and Management are in attendance at general meetings to address any queries that shareholders may have. The external auditors attend the AGMs to assist the Directors in answering any queries relating to the conduct of the audit and the preparation and content of the auditors' report. The Directors and Management also interact with shareholders after general meetings. All Directors attended the 2019 AGM. A record of the Directors' attendance at the 2019 AGM can be found in the section titled "Attendance Record of Meetings of Shareholders, Board and Board Committees in FY2019" on page 64.

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings. "Bundling" of resolutions will be avoided unless the resolutions are interdependent and linked so as to form one significant proposal. Where resolutions are "bundled", the Company will explain the reasons and material implications in the notice of meeting. Detailed information on each resolution in the notice of AGM is in the explanatory notes to the notice of AGM.

The company secretary prepares minutes of the general meetings, which capture the essence of the comments or queries from meeting attendees and responses from the Board and Management. These minutes are available on the Company's corporate website.

Disclosure of Information on a Timely Basis

To facilitate the exercise of shareholders' rights, the Company ensures that all material information relating to the Company and its financial performance is disclosed in an accurate and timely manner via SGXNET.

In FY2019 and in prior financial years, the Company reported financial results on a quarterly basis, within the prescribed forty-five days from the end of each financial quarter. In view of the changes to the quarterly reporting requirement under the Listing Manual which came into effect on 7 February 2020, from FY2020 onwards, the Company will report its financial results for the first half of the financial year, within the prescribed forty-five days from the end of the half year, and its financial results for the full financial year, within the prescribed sixty days from the end of the financial year. The financial results and all other information (including a presentation pack highlighting key developments of the Group) were and will be published through the SGXNET, via media releases and on the Company's corporate website, to ensure fair dissemination to shareholders.

In line with the recommendation by the Corporate Governance Advisory Committee, the Company will provide voluntary interim updates to keep shareholders informed on various matters considered useful and relevant to enable shareholders to have a better understanding of the Company's performance in the context of the current business environment. The interim updates will be provided on a quarterly basis and will include a discussion of the significant factors that affected the Company's interim performance, relevant market trends including the risks and opportunities that may have a material impact on the Company's prospects.

In FY2019 and in prior financial years, the Company held briefings for analysts and other interested investors immediately after each release of its quarterly financial results. From FY2020 onwards, the Company will hold briefings for analysts and other interested investors immediately after the release of its half year financial results and full year financial results. The Company does not practise selective disclosure. Price-sensitive or trade-sensitive information is first publicly released through SGXNET, either before the Company meets with any analysts or investors or simultaneously with such meetings.

Dividend Policy

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, financial position, results of operations, capital needs, plans for expansion and other factors which the Board may deem appropriate. The Board will work towards a stable payout with a steady growth when appropriate, subject to the successful implementation of the Group's business strategy and prevailing market conditions. Any payout is clearly communicated to shareholders via an announcement on SGXNET when the Company discloses its financial results.

The Company has been declaring dividends at half-year and final year-end. For FY2019, the Board has recommended a final tax exempt (one-tier) dividend of 1.6 Singapore cents per ordinary share for shareholders' approval at the 2020 AGM.

Corporate Website

The Company adopts transparent, accountable and effective communication practices as a key means to enhance standards of corporate governance. The Company aims to provide clear and continuous disclosure of its corporate governance practices through efficient use of technology. The following information is made available on the Company's corporate website at www.1st-sponsor.com.sg:

- (a) Board and Management profiles;
- (b) Notices of general meetings, results of general meetings and minutes of general meetings;
- (c) Annual Reports;
- (d) Letters/Circulars to shareholders;
- (e) Company announcements;
- (f) Press releases;
- (g) Financial results;
- (h) Company policies; and
- (i) Milestone events.

The latest Annual Report, financial results (including the presentation pack highlighting key developments of the Group) and company announcements are posted on the Company's corporate website following their release to the market, to ensure fair dissemination to shareholders.

CORPORATE GOVERNANCE

Managing Stakeholders Relationships

An investor relations contact is provided on the Company's corporate website, which shareholders can use to voice their concerns or feedback. In FY2019, the Company put in place a formal Investor Relations ("IR") Policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders. The IR Policy sets out the mechanism through which shareholders may contact the Company with questions and through which the Company may respond to such questions. The IR Policy is available on the Company's corporate website.

The Group's approach to stakeholder engagement can be found in the Sustainability Report for FY2019 on pages 45 to 46 of this Annual Report.

ADDITIONAL INFORMATION

Dealings in Securities

The Group has devised and adopted an internal compliance code which provides guidance to its Directors and officers with regard to dealings in the Company's securities.

In FY2019 and in prior financial years, under the internal compliance code, the Directors and officers of the Group were required to refrain from dealing in the Company's securities (i) while in possession of material unpublished price-sensitive or trade-sensitive information, (ii) during the two weeks immediately preceding and up to the time of the announcement of the Company's financial statements for each of the first three quarters of its financial year and (iii) during the one month immediately preceding and up to the time of the announcement of the Company's financial statements for the full financial year. From FY2020 onwards, under the internal compliance code, the Directors and officers of the Group are required to refrain from dealing in the Company's securities (i) while in possession of material unpublished price-sensitive or trade-sensitive information, (ii) during the two weeks immediately preceding and up to the time of the announcement of the Company's quarterly updates for the first and third quarters and (iii) during the one month immediately preceding and up to the time of the announcement of the Company's financial statements for the half year and full financial year. Prior to the commencement of each relevant period, an email would be sent to all Directors and officers of the Group to inform them of the duration of the period. They are also advised not to deal in the Company's securities on short-term or speculative considerations. Further, the Directors and officers of the Group are prohibited from using any information with respect to other companies or entities obtained in the course of their employment in connection with securities transactions of such companies or entities. There has not been any incidence of non-compliance.

Any dealings by the Directors in securities of the Company are disclosed, in accordance with the requirements of the Securities and Futures Act, Chapter 289.

Code of Business Conduct and Ethics, Anti-Corruption Policy & Guidelines and Fraud Policy & Guidelines

The Board and Management are committed to conducting business with integrity and consistent with high standards of business ethics and in compliance with all applicable laws and regulatory requirements. In FY2019, the Company put in place the Code of Business Conduct and Ethics crystallising the Company's business principles and practices with respect to matters which may have ethical implications. The code, which provides a communicable and understandable framework for officers and employees to observe the Company's principles such as honesty, integrity, responsibility and accountability at all levels of the organisation and in the conduct of the Company's business in their relationships with customers, suppliers and amongst employees, have been disseminated to officers and employees of the Group.

The Code of Business Conduct and Ethics provides guidance on issues such as:

- (a) conflicts of interest and the appropriate disclosures to be made;
- (b) the Company's stance against corruption and bribery;
- (c) compliance with applicable laws and regulations including those relating to the protection of the environment and the conservation of energy and natural resources;
- (d) compliance with the Company's policies and procedures, including those on internal controls and accounting;
- (e) safeguarding and proper use of the Company's assets, confidential information and intellectual property rights, including the respect of the intellectual property rights of third parties; and
- (f) competition and fair dealing in the conduct of the Company's business, in its relationships with customers, suppliers, competitors and towards its employees.

In line with the Board's commitment to maintain high ethical standards which are integral to the Group's corporate identity and business, the Company has also put in place the following two corporate policies:

- (i) Anti-Corruption Policy & Guidelines which set out the responsibilities of the Group companies and of each employee in observing and upholding the Company's 'zero-tolerance' position against all forms of corruption, bribery and extortion and provide information and guidance to employees on how to recognise, address, resolve, avoid and prevent instances of corruption, bribery and extortion which may arise in the course of their work.
- (ii) Fraud Policy & Guidelines which provide guidance on actions which may constitute fraudulent conduct and highlight the importance of the implementation, maintenance and compliance with the internal controls framework of the Group and its policies and procedures.

These policies are available on the Company's corporate website and have also been disseminated to officers and employees of the Group. These policies have been translated into Mandarin for dissemination to employees of the Group in the People's Republic of China.

Whistle-Blowing Policy

The Group has a whistle-blowing policy which is posted on the Company's corporate website, that allows employees of the Group to raise in confidence, whether anonymously or otherwise, concerns on possible improprieties relating to accounting, financial reporting, internal controls and auditing matters or other operational matters without fear of reprisals in any form. While the whistle-blowing policy is meant to protect genuine whistle-blowers from any unfair treatment as a result of their report, it strictly prohibits frivolous and bogus complaints. The policy is also not a route for taking up personal grievances.

A mechanism for the submission of issues and concerns has been established which includes a dedicated e-mail address allowing whistle-blowers to contact the ARC Chairman directly, and in confidence so that his or her identity will be protected from reprisals within the limits of the law. The ARC has the authority to conduct independent investigations into any complaints.

CORPORATE GOVERNANCE

IPTs

The Company has adopted an internal policy in respect of IPTs. The Directors are required to disclose their interest and any conflict of interest in such transactions, and will accordingly abstain from the deliberation and voting on resolutions relating to these transactions. For each material IPT, key information pertaining to the IPT together with the identification of the relationship of each party is provided to the ARC for review and evaluation. The ARC will review the IPT to ensure that the IPT is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders. In the event that the relevant threshold as stipulated in the Listing Manual is met, the IPT including the interested person(s) and its or their relationship with the Company, will be announced via SGXNET or put to vote by disinterested shareholders at the Company's general meeting as the case may be.

A list of all IPTs (including an IPT with a value of less than S\$100,000) is submitted quarterly to the ARC for its review. The aggregate value of IPTs entered into in FY2019 did not amount to S\$100,000 or more.

Material Contracts

Since the end of the previous financial year ended 31 December 2018, no material contracts involving the interest of the Group CEO, any Director or controlling shareholder has been entered into by the Company or any of its subsidiaries, and no such contract subsisted as at 31 December 2019, save as may be disclosed on SGXNET or herein.

SUMMARY OF DISCLOSURES OF CODE

Rule 710 of the Listing Manual requires Singapore listed companies to describe their corporate governance practices with specific reference to the Code in their annual reports. This summary of disclosures describes the Company's corporate governance practices with specific reference to the disclosure requirements in the principles and provisions of the Code.

<p>Board Matters</p> <p>The Board's Conduct of Affairs Principle 1</p> <p>Provision 1.1 Pages 62, 74</p> <p>Provision 1.2 Pages 64, 65</p> <p>Provision 1.3 Pages 62, 63</p> <p>Provision 1.4 Pages 66 - 72</p> <p>Provision 1.5 Pages 63, 64, 77</p> <p>Provision 1.6 Page 65</p> <p>Provision 1.7 Page 65</p> <p>Board Composition and Guidance Principle 2</p> <p>Provision 2.1 Pages 73, 74</p> <p>Provision 2.2 Page 73</p> <p>Provision 2.3 Page 73</p> <p>Provision 2.4 Page 73</p> <p>Provision 2.5 Page 74</p> <p>Chairman and Chief Executive Officer Principle 3</p> <p>Provision 3.1 Page 75</p> <p>Provision 3.2 Page 75</p> <p>Provision 3.3 Page 75</p> <p>Board Membership Principle 4</p> <p>Provision 4.1 Page 72</p> <p>Provision 4.2 Page 72</p> <p>Provision 4.3 Page 76</p> <p>Provision 4.4 Pages 73, 74</p> <p>Provision 4.5 Pages 77-79</p> <p>Board Performance Principle 5</p> <p>Provision 5.1 Page 80</p> <p>Provision 5.2 Page 80</p>	<p>Remuneration Matters</p> <p>Procedures for Developing Remuneration Policies Principle 6</p> <p>Provision 6.1 Page 71</p> <p>Provision 6.2 Page 71</p> <p>Provision 6.3 Page 71</p> <p>Provision 6.4 Pages 82, 83</p> <p>Level and Mix of Remuneration Principle 7</p> <p>Provision 7.1 Page 83</p> <p>Provision 7.2 Page 81</p> <p>Provision 7.3 Pages 81, 83</p> <p>Disclosure on Remuneration Principle 8</p> <p>Provision 8.1 Pages 82 - 84</p> <p>Provision 8.2 Page 84</p> <p>Provision 8.3 Pages 81 - 84</p> <p>Accountability and Audit</p> <p>Risk Management and Internal Controls Principle 9</p> <p>Provision 9.1 Page 85</p> <p>Provision 9.2 Page 86</p> <p>Audit Committee Principle 10</p> <p>Provision 10.1 Pages 67 - 69</p> <p>Provision 10.2 Page 67</p> <p>Provision 10.3 Page 67</p> <p>Provision 10.4 Page 87</p> <p>Provision 10.5 Page 67</p>	<p>Shareholder Rights and Responsibilities</p> <p>Shareholder Rights and Conduct of General Meetings Principle 11</p> <p>Provision 11.1 Page 88</p> <p>Provision 11.2 Page 89</p> <p>Provision 11.3 Pages 63, 89</p> <p>Provision 11.4 Page 89</p> <p>Provision 11.5 Page 89</p> <p>Provision 11.6 Page 90</p> <p>Engagement with Shareholders Principle 12</p> <p>Provision 12.1 Pages 88 - 90</p> <p>Provision 12.2 Page 91</p> <p>Provision 12.3 Page 91</p> <p>Managing Stakeholders Relationships</p> <p>Engagement with Stakeholders Principle 13</p> <p>Provision 13.1 Page 91</p> <p>Provision 13.2 Page 91</p> <p>Provision 13.3 Page 91</p>
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