

CORPORATE GOVERNANCE

INTRODUCTION

The Company recognises the importance of adhering to sound governance practices and processes to enhance shareholder value and is committed to upholding the standards set out in the revised Code of Corporate Governance 2012 (the “Code”) issued by the Monetary Authority of Singapore on 2 May 2012. This report describes the Company’s corporate governance framework and practices that the Group has adopted with reference to the Code. The Company has complied in all material aspects with the principles and guidelines set out in the Code where applicable, relevant and practical to the Group.

BOARD MATTERS

The Board’s Conduct of Its Affairs (Principle 1)

The Board oversees the business affairs of the Group and is principally responsible for setting the Group’s business direction, approving strategic plans, and monitoring and reviewing its financial performance. The Board also continually monitors and assesses the internal controls which enable risks to be properly assessed and managed. More particularly, the Board maintains oversight and overall control over review of management performance, identification of key stakeholder groups, setting the Group’s values and standards and the sustainability of the Group’s operations. These are recognised as being crucial to the proper long-term governance of the Group as a whole.

Board committees have been constituted in order to assist the Board in the discharge of its oversight function. All Board committees are actively engaged and play an important role in ensuring good corporate governance in the Group.

The Board schedules regular meetings but *ad hoc* meetings are held as and when required. Otherwise, approvals from the Board are sought by way of circular board resolutions. Meetings by telephone and video conferencing are also allowed under the Company’s Constitution (“Company’s Constitution”).

The Company adheres to internal guidelines which set out specific authorisations, materiality thresholds and approval limits for borrowings, acquisitions, disposals, investments and capital or operational expenditure so that Board approval is only required when transactions exceed such limits or where such transactions are otherwise considered material in nature. However, specific matters such as share issues, dividend distribution and share buybacks, always require the Board’s approval, regardless of approval limits or materiality.

Details of the attendance of the Board members at Board meetings and meetings of the various Board committees for the period 1 July 2017 to 30 June 2018 (FY2018) are set out in Table 1.

Table 1

NAME	BOARD	AUDIT AND RISK COMMITTEE	NOMINATING COMMITTEE	REMUNERATION COMMITTEE
Number of Meetings held	4	4	1	3
Number of Meetings attended				
Raymond Lum Kwan Sung	4	N.A.	1	N.A.
David Lum Kok Seng	4	N.A.	N.A.	N.A.
Tony Fong	4	N.A.	N.A.	N.A.
Kelvin Lum Wen Sum	3	N.A.	N.A.	N.A.
Peter Sim Swee Yam	4	4	1	3
Dr Willie Lee Leng Ghee	4	4	1	3
Daniel Soh Chung Hian	4	4	1	N.A.
Andrew Chua Thiam Chwee	4	4	N.A.	3
Clement Leow Wee Kia* ¹	1	1	N.A.	N.A.

Notes: *1 Mr Clement Leow Wee Kia was appointed as an Independent Non-executive Director of the Company on 3 May 2018.

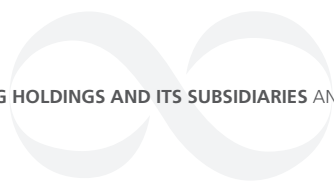
Members of the Board are regularly updated on new developments in the Group's business environment, as well as changing commercial risks and industry developments (as deemed appropriate), and are provided with opportunities (arranged and funded by the Group at the Group's cost and expense) to train and update themselves on corporate governance matters and new developments in regulatory regimes.

New directors undergo a tailored induction programme upon joining the Board, which include, *inter alia*, briefings on the business activities, policies and internal controls of the Group, site visits to the Group's various projects in Singapore and overseas. New directors are also issued a formal letter setting out their duties and obligations as directors in the context of the Code and the Companies Act (Cap. 50) (the "Act"), and the Company's expectations as regards their conduct and contributions in the performance of their functions.

The directors are subject to the requirements of the Code and specific fiduciary duties which are set out in the Act, the key aspects of which may be summarised as follows:

- To act honestly in good faith and in the interests of the Company;
- To avoid conflicts of interest;
- To exercise skill, care and diligence in the performance of their duties; and
- To not misuse power and information for personal gain.

Whilst the Company places great emphasis on the continuity of its serving directors and the vast experience that they provide in their various fields of expertise, the Company nevertheless understands the need for renewal from time to time and therefore has in place a modified induction programme for new directors who, whilst providing a fresh perspective and outlook on their function, may require some guidance in specific areas of expertise such as accounting, legal and industry-specific knowledge so as to better perform their functions as directors. In such cases, the Company will either enlist the assistance of its organic expertise or, if necessary, by external agencies to train the new director in such specific areas of expertise that he or she may require.



BOARD MATTERS (CONTINUED)

Board Composition and Guidance (Principle 2)

The composition of the Board is reviewed regularly and the current composition ensures that the mix of experience and expertise is appropriate as members of the Board collectively possess a wealth and diversity of expertise ranging from legal, financial, management, human resources and industry knowledge. The structure of the Board as well as its size, which currently stands at nine, is suitable given the nature and scope of the Group, ensuring that meetings and decision-making are effective and productive. The size and composition of the Board is reviewed from time to time, taking into account the scope and nature of the Company's operations, to ensure that the size of the Board is adequate to provide for a diversity of views, facilitate effective decision-making, and that the Board has an appropriate balance of executive, non-executive, independent and non-independent members so as to enable it to make decisions in the best interests of the Group.

With nine members, comprising three executive and six non-executive directors, five of whom are independent, the Board maintains its independence as more than half its members are independent from any management and business relationship with the Company. Furthermore, the Lead Independent Director convenes and leads meetings of the independent directors without the presence of the executive directors from time to time as deemed necessary, and acts as the leader of the independent directors at board meetings in raising queries and pursuing matters. This ensures that the Board is able to exercise its powers judiciously and objectively.

The Nominating Committee and the Board determine annually whether a director who has served on the Board for more than nine years from the date of his first appointment, is still independent within the meaning of the Code and can therefore continue to serve on the Board. The Board recognises the contribution of the independent directors who over time have developed deep insights into the Group's business and operations, and who are therefore able to provide invaluable contributions to the Board as a whole.

In determining the independence of directors who have served on the Board for more than nine years, the Nominating Committee and the Board give due consideration to the recommendation under Guideline 2.4 of the Code that the independence of any director who has served on the Board beyond nine years be subject to particularly rigorous review annually. Whilst the annual review of all directors also includes such aspects, the rigorous review that directors who have served on the Board for more than nine years are subject to, focuses particularly on the following:

- Whether the director in question remains independent in character and judgement notwithstanding their long service on the Board;
- Whether there are relationships or circumstances established during their tenure which are likely to affect, or could appear to affect the director's judgement; and
- The content and adequacy of the disclosures made by the directors in respect of any such relationship and/or circumstances as and when they occur.

In determining the continuing independence (or otherwise) of directors who have served on the Board for more than nine years, the Company carefully balances the need for progressive refreshing of the Board to maintain the Group's relevance and competitive edge in a modern, changing business environment with the invaluable experience, viewpoints and knowledge of specific industry standards as applied to the Group, that only long-serving directors can provide. The Board also takes into account the requirements of the Group's business and the need to avoid undue disruptions to the proper functioning of the Board resulting from changes to the composition of the Board and the Board committees.

After carefully considering the foregoing issues in relation to the composition of the Board and the Board committees, the Board observes that the independent directors, and especially the directors who have served on the Board for more than nine years, namely Mr Peter Sim Swee Yam and Dr Willie Lee Leng Ghee, have consistently demonstrated a high level of autonomy and independence in the discharge of their fiduciary duties and have exercised their independent and insightful business judgement in the best interests of the Company and its minority shareholders. In particular, they have expressed their individual viewpoints, debated issues and objectively scrutinised and challenged management as appropriate. Furthermore, each of the independent directors has sought clarification and amplification where needed, including by way of direct access to the Group's employees and external advisors. Therefore, after due and careful rigorous review, the Board is of the view that the independent directors who have served on the Board for more than nine years remain independent and objective in their exercise of judgement in Board matters. It should be noted that the relevant independent directors have abstained themselves respectively in the determination of their own independence.

The Company progressively and staggers refreshing of the Board composition as needed. The Board, after due and careful consideration of his credentials and experience, appointed Mr Clement Leow Wee Kia as its newest member on 3 May 2018, on an independent, non-executive basis.

Chairman and Managing Director (Principle 3)

Mr Raymond Lum Kwan Sung is the Executive Chairman of the Company. Together with the Executive Committee ("EXCO"), the Executive Chairman provides overall leadership and strategic vision for the Group. He strives to promote high standards of corporate governance in the Group by facilitating a culture of openness and debate at the board by ensuring that all directors, and especially the independent and non-executive directors, receive complete, adequate and timely information, so as to ensure that they are able to contribute their experience and expertise to Board proceedings. Thus facilitated by the Executive Chairman, his thoughtful and targeted guidance at Board meetings also allows proper time management of the agenda at meetings and ensures that comprehensive and detailed discussions of strategic issues and other pressing agenda items can take place. The Executive Chairman's role as a member of the EXCO also allows him to act as a bridge with management such that the Board is able to boast an amicable and constructive relationship with management to the Group's mutual benefit. The close working relationship between the Board and management fostered by the Executive Chairman allows him to provide a clear, consistent and cohesive narrative of the Company's activities as part of the Company's constant efforts towards effective communications with its shareholders.

The Executive Chairman and Mr David Lum Kok Seng, the Managing Director, are siblings and their executive roles are not clearly separated as both are closely involved in the day-to-day management and operations of the Group. The Board notes the familial relationship between the Executive Chairman and the Managing Director and the unique circumstances that govern such relationships, and is of the opinion that the Company's best interests are served by taking advantage of the sibling dynamic cultivated over a lifetime of mutual support in the consolidation and expansion of the Group from its modest beginnings in the construction industry. As such, the Board can raise no objections to the overlap in their respective executive roles. However, the Nominating Committee's view is that the Board remains independent since more than half the Board and more than half of its committees (excluding the EXCO) remain independent up to the next AGM. In this respect also, and in accordance with the Code, the Lead Independent Director avails himself to the shareholders who may have concerns, and for which contact through normal channels cannot resolve or is otherwise inappropriate or inadequate.

BOARD MATTERS (CONTINUED)

Board Membership (Principle 4)**Board Performance (Principle 5)**

To assist the Board in the execution of its duties, the Board has established various Board committees, namely, the EXCO, the Audit and Risk Committee, the Nominating Committee and the Remuneration Committee. Apart from the EXCO, the other committees are led by and made up of a majority of independent directors. Notwithstanding the establishment of various Board committees as mentioned, it must be emphasised that the Board nevertheless retains overall authority and control over the activities of the Board committees. The composition of the Board committees and the dates of initial appointment and re-election of the directors to the Board are set out in Table 2.

Table 2

BOARD MEMBERS	EXECUTIVE COMMITTEE	AUDIT AND RISK COMMITTEE	NOMINATING COMMITTEE	REMUNERATION COMMITTEE	DATE OF INITIAL APPOINTMENT TO THE BOARD	DATE OF LAST RE-ELECTION TO THE BOARD
Raymond Lum Kwan Sung	C		M		18.09.1982	27.10.2017
David Lum Kok Seng	M				18.09.1982	27.10.2017
Tony Fong	M				02.07.2012	27.10.2017
Kelvin Lum Wen Sum					10.11.2016	27.10.2017
Peter Sim Swee Yam		M	M	C	30.11.2001	28.10.2016
Dr Willie Lee Leng Ghee		M	C	M	28.02.2006	27.10.2017
Daniel Soh Chung Hian		C	M		09.01.2013	30.10.2015
Andrew Chua Thiam Chwee		M		M	21.12.2015	28.10.2016
Clement Leow Wee Kia		M			03.05.2018	-

C – Chairman
M – Member

Executive Committee

The key responsibilities of the EXCO include the formulation of policies, the determination of business strategy and planning in order to execute and achieve targets and directives set by the Board; the execution of existing businesses and the management of funds and cashflow. The Members of the EXCO are the Executive Chairman, Mr Raymond Lum Kwan Sung; the Managing Director, Mr David Lum Kok Seng; the Executive Director, Mr Tony Fong; and the Property Development Director, Mr Adrian Lum Wen Hong.

Nominating Committee

The Board and the Nominating Committee strive to ensure that directors on the Board possess the experience, knowledge and skills critical to the Group's business so as to enable the Board to make sound and well-considered decisions and as such considers the respective experience, field-specific expertise and industry knowledge of prospective Board candidates.

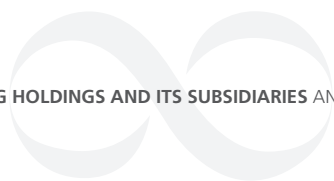
Dr Willie Lee Leng Ghee remains the Chairman of the Nominating Committee which continues to comprise a majority of independent directors. The Nominating Committee's key responsibilities, as defined in its terms of reference, include:

- (a) the review of board succession plans for directors;
- (b) the development of a process for evaluation of the performance of the Board, its committees and directors;
- (c) the review of training and professional development programs for the Board;
- (d) assessing the effectiveness of the Board as a whole and the contribution by each individual director to the effectiveness of the Board;
- (e) making recommendations on appointment and re-nomination of directors, having regard to the relevant director's contribution and performance;
- (f) making recommendations having regard to the changing needs of the Group as regards diversity of experience and expertise so as to maximize the effectiveness of the Board as a whole in the performance of its functions;
- (g) reviewing each of the director's independence annually; and
- (h) considering whether or not a director who has multiple board representations is able to and has been properly carrying out his duties as a director of the Company.

With regard to the selection of new directors, the Nominating Committee evaluates the balance of skills, knowledge and experience on the Board and, arising from such evaluation, determines the role and the desirable competencies for a particular appointment to enhance the existing Board composition. The Nominating Committee meets with the short-listed Board candidates to assess their suitability and availability. The Nominating Committee then makes recommendations to the Board for approval. New directors are appointed by the Board upon the recommendation of the Nominating Committee but they must submit themselves for re-election at the next AGM in accordance with the Company's Constitution.

The Company's Constitution requires that at each AGM, not less than one third of the directors for the time being (being those who have been longest in office since the last re-election) are required to retire from office by rotation and may seek re-appointment. The Company's Constitution also require that every director of the Company shall retire at least once every three years.

Before making its recommendation to the Board for the re-appointment of a retiring director, the Nominating Committee takes into consideration the director's contribution and performance which are determined by factors such as attendance, preparedness, participation and candour (as well as contribution to the effectiveness of the Board). The director is also assessed based on his ability to adequately carry out the duties expected while performing his roles in other companies or in other appointments. Messrs Peter Sim Swee Yam, Daniel Soh Chung Hian and Andrew Chua Thiam Chwee will be seeking re-election as directors pursuant to Article 107(2) of the Company's Constitution, and Mr Clement Leow Wee Kia will be seeking re-election as director pursuant to Article 89 of the Company's Constitution at the FY2018 AGM. The Nominating Committee has reviewed and is satisfied with their contribution as directors, and has therefore endorsed their respective nominations for re-election.



BOARD MATTERS (CONTINUED)

Nominating Committee (continued)

The independence of each director is assessed and reviewed by the Nominating Committee. As part of the review, each independent director is required to complete a checklist to confirm his independence annually. The checklist is drawn up based on the guidelines provided in the Code. The Nominating Committee takes into account, among other things, whether a director has business relationships with the Company, its related companies, its 10% shareholders or its officers; and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Company. Based on the checklists received and reviewed by the Nominating Committee, the independent directors have no such association that would compromise their independence.

On the basis set out above and on the basis of the checklist provided by each independent director, the Nominating Committee examined the different relationships identified by the Code that might impair the independent directors' independence and objectivity, and determined that all the independent directors were independent within the meaning of the Code. In particular, Nominating Committee considered whether each of the independent directors had demonstrated an appropriate level of independence of character and judgement in the discharge of his responsibilities as a director of the Company, and is satisfied that each of them acted with independent judgement. The Board therefore considers that there is nothing to indicate that their ability and willingness to act independently has been compromised in any way. It should be noted that all directors, including independent directors, are required to recuse themselves from any transactions that might give rise to a conflict of interest.

The Nominating Committee also annually assesses the effectiveness of each Board committee and the Board as a whole by evaluating such factors as the adequacy and size of the Board and the Board committees, each individual director's contributions at Board committee level and towards the effectiveness of the Board, the Board's access to information, Board processes and accountability and communication with senior management. The Nominating Committee's assessment confirmed that the Board and the Board committees were generally functioning effectively and performing well, within a highly competitive and challenging environment. In the conduct of its assessment, the Nominating Committee compared the Board's overall performance with its industry peers.

Each member of the Board is also assessed individually according to, *inter alia*, his contributions, knowledge and abilities, teamwork, integrity and effectiveness. The Nominating Committee also reviews the criteria for evaluation annually, making changes where necessary.

The Nominating Committee is of the view that directors who have multiple board representations have devoted sufficient time and attention to the affairs of the Group, and that their multiple board representations do not hinder their abilities to perform their duties as directors of the Company. Such multiple board representations of the directors benefit the Group, as the directors are able to bring with them the experience and knowledge obtained from such board representations in other companies. In view of this, the Nominating Committee has not set any prescribed maximum number of listed company board representations which any Director may hold and is satisfied that the current criteria adopted are adequate and appropriate for the Group. The Nominating Committee will continue to monitor the performance and contributions of directors who have multiple board representations to ensure that their ability to perform their duties as directors of the Company is not hampered.

Key information on the Board; in particular, all the directorships in listed companies held by the directors, both current and those held over the preceding three years is found in pages 6 to 11 of this annual report.



Share Purchase Committee

At the AGM on 27 October 2017, the shareholders of the Company had granted a renewal of the mandate to the Company to carry out share buybacks as permitted by the Companies Act, Cap. 50 (“Share Purchase Mandate”).

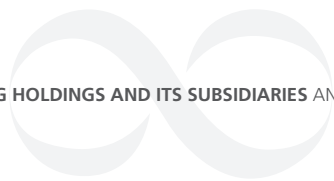
The Share Purchase Committee, comprising Messrs Raymond Lum Kwan Sung, David Lum Kok Seng and Tony Fong, was authorised to purchase shares of the Company at such time as it deems suitable subject to the prescribed conditions in the Share Purchase Mandate. The Company did not purchase any of its own shares during FY2018.

Access to Information (Principle 6)

Prior to each Board Meeting, each director is supplied with relevant information by the management pertaining to matters to be brought before the Board for its decision as well as ongoing reports relating to operational and financial performance of the Group. In view of quarterly reporting requirements, the Company provides the Board with its accounts on a quarterly basis. Financial information, reports and assessments are provided for circular meetings as well to provide sufficient information to the Board to make decisions.

The Board also has separate and independent access to senior management and the Company Secretaries at all times. To assist the Board in fulfilling its responsibilities, the Board is fully aware that they may seek or direct management to seek independent professional advice, where appropriate. The costs of such independent professional advice are borne by the Company. The Company Secretaries ensure that the communication and flow of information between the Board, its committees and management is maintained.

At least one of the Company Secretaries also attends all Board meetings and is responsible, under the Board’s auspices, for taking adequate steps to ensure that Board procedures and relevant legislative and regulatory requirements are complied with.



REMUNERATION MATTERS

Procedures for Developing Remuneration Policies (Principle 7)

Level and Mix of Remuneration (Principle 8)

Disclosure on Remuneration (Principle 9)

Remuneration Committee

The Remuneration Committee is comprised solely of non-executive independent directors. The Chairman of the Remuneration Committee is Mr Peter Sim Swee Yam.

The Remuneration Committee is responsible for reviewing and approving the remuneration packages of the executive directors and key management personnel, as well as recommending to the Board the fees of the non-executive directors. No member of the Remuneration Committee is involved in deciding his own remuneration.

Directors' fees are set in accordance with a general remuneration framework consisting of basic retainer fees and are benchmarked against fees paid by other companies in related industries; this general framework is reviewed and approved by the Remuneration Committee. The framework and packages contain appropriate and meaningful measures to assess and evaluate the performance of the directors and key management. Such appropriate and meaningful measures are arrived at with the assistance of external expertise engaged for that purpose, as deemed necessary and/or appropriate by the Remuneration Committee.

As regards non-executive directors, their remuneration is pegged to their level of contribution, and takes into account factors such as the effort and time spent in the discharge of their functions and their individual scope of responsibilities. Non-executive directors' fees are subject to approval at the coming AGM.

The remuneration of the executive directors and key senior management consists of a basic component, a variable component and other appropriate benefits in kind. The remuneration of the executive directors and key senior management are arrived at having regard to the following:

- Alignment with the interests of shareholders with a view to promoting the long-term success of the Group; and
- Appropriate and meaningful measures for the purpose of assessing the performance of the executive directors and key senior management.

The Board is of the view that, given the highly competitive industry conditions coupled with the sensitivity and confidentiality of remuneration matters, the disclosure of the remuneration packages of the independent directors and key management, including those who are immediate family members of the directors and the disclosure of remuneration of key management personnel on a named basis, as recommended by the Code, would be prejudicial to the Company's interests.

A breakdown showing the level and mix of each individual director's remuneration payable for FY2018, is set out in Table 3.

Table 3

	FEES	SALARY	BONUS	OTHER BENEFITS
	(%)	(%)	(%)	(%)
\$2,326,000				
David Lum Kok Seng	-	38	60	2
\$2,318,000				
Raymond Lum Kwan Sung	-	38	60	2
\$775,000				
Tony Fong	-	36	62	2
Below \$100,000				
Kelvin Lum Wen Sum	100	-	-	-
Peter Sim Swee Yam	100	-	-	-
Dr Willie Lee Leng Ghee	100	-	-	-
Daniel Soh Chung Hian	100	-	-	-
Andrew Chua Thiam Chwee	100	-	-	-
Clement Leow Wee Kia	100	-	-	-

The Remuneration Committee and the Board are of the view that the remuneration of the directors is adequate and not excessive.

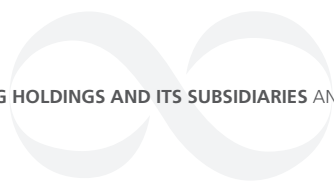
The remuneration of the Group's top 5 key executives for FY2018 is set out in Table 4.

Table 4

	FEES	SALARY	BONUS	OTHER BENEFITS
	(%)	(%)	(%)	(%)
\$1,750,000 to \$2,000,000	-	23	76	1
1				
\$500,000 to \$750,000	-	35	60	5
1				
\$250,000 to \$499,999	-	69	27	4
3				

The two employees who are immediate family members of a director or the Managing Director whose remuneration exceeds \$50,000 during the financial year ended 30 June 2018 are:

1. Ms Emlyn Lum Wen Yan, a daughter of Mr Raymond Lum Kwan Sung (the Executive Chairman) and niece of Mr David Lum Kok Seng (the Managing Director), and who is employed by the Company as Vice President, Finance. She received remuneration comprising salary and annual bonus in the \$100,000 to \$150,000 band during the financial year.
2. Mr Adrian Lum Wen Hong, a son of Mr David Lum Kok Seng (the Managing Director) and nephew of Mr Raymond Lum Kwan Sung (the Executive Chairman), and who is employed by the Company as Director, Property Development. He received remuneration comprising salary, annual bonus and other benefits in the \$250,000 to \$300,000 band during the financial year.



REMUNERATION MATTERS (CONTINUED)

Remuneration Committee (continued)

For FY2018, the aggregate total remuneration paid to key management personnel, excluding the three executive directors, is \$3,646,000.

As the information on the remuneration of directors and key executives has already been disclosed, the Board is of the view that a separate Remuneration Report is not required.

LCH Share Option Scheme 2007

The LCH Share Option Scheme 2007 ("Scheme") was approved by the shareholders on 26 October 2007 and expired on 26 October 2017. During the term of the scheme, 36,632,000 options had been granted and to date, 950,000 options remain outstanding, which same will lapse if not exercised by 20 September 2018. The Scheme will continue to be administered by the Employee Share Option Committee (comprising the standing Remuneration Committee) until the remaining options lapse or are sooner exercised.

The purpose of the Scheme was to provide the opportunity for employees of the Group, who have contributed significantly to its growth and performance, to participate in the equity of the Company and to motivate them to greater dedication, loyalty and better performance. The Scheme also aims to attract the right talent, encourage loyalty and incentivise employees, and to align the interests of the employees with the interests of shareholders.

Employees had to satisfy certain criteria before being allowed to participate in the Scheme. The controlling shareholders, Mr Raymond Lum Kwan Sung (the Executive Chairman), Mr David Lum Kok Seng (the Managing Director) and their associate, Mr Adrian Lum Wen Hong were eligible to participate and the independent shareholders of the Company had approved their participation in the Scheme.

ACCOUNTABILITY AND AUDIT

Accountability (Principle 10)

The Board, through its announcements of quarterly and full-year results, aims to provide shareholders with a balanced and understandable assessment of the Company's performance and prospects. To enable the directors to properly fulfil their duties, management also submits financial and business reports to the Board on a regular and timely basis, whether requested or not. Such reports compare actual performance against the budget and provide explanatory notes on material variances.

For FY2018, the Executive Directors of the Company and the Finance Director provided written representations to the Board on the integrity of the quarterly financial statements announcements covering the Company and its subsidiaries. Pursuant to Rule 705(5) of the Listing Manual issued by Singapore Exchange Securities Trading Limited, the Board provided a negative assurance confirmation on the Group's quarterly financial statements announcements.

Audit and Risk Committee (Principle 11)

The main responsibilities of the Audit and Risk Committee are to assist the Board in discharging its statutory and other responsibilities relating to internal controls, financial and accounting matters, compliance, and business and financial risk management and other relevant legislative and regulatory requirements. The Audit and Risk Committee comprises five independent directors. It has explicit authority to investigate any matter within its terms of reference and full access to and the co-operation of management. It also has direct and independent access to the internal and external auditors.

The Audit and Risk Committee is chaired by Mr Daniel Soh Chung Hian and its members are all non-executive and independent directors. More than half the members of the Audit and Risk Committee, including the Chairman of the Audit and Risk Committee, have recent and relevant experience in the financial or accounting field. The Company believes in taking a holistic approach towards the constitution of its various Board committees and as such does not restrict membership in the Audit and Risk Committee only to directors who have financial and/or accounting experience. The Audit and Risk Committee meets on a regular basis to carry out their role of reviewing the financial reporting process, the systems of internal control, management of financial risks and the audit process.

The Audit and Risk Committee is tasked, under its terms of reference, to perform the following functions:

- (a) Independent review of financial statements;
- (b) Examination of the effectiveness of financial, operating, compliance and information technology controls;
- (c) Review and approval of audit plans of the external and internal auditors of the Company;
- (d) Review of the scope of internal audit reports as well as management's response to the findings;
- (e) Review of interested person transactions;
- (f) Review of the scope and results of the external audit, and the independence and objectivity of the external auditors;
- (g) Review of the nature and extent of non-audit services performed by external auditors; and
- (h) Review of procedures for detecting fraud and receive updates on whistle blowing reports.

The Audit and Risk Committee, having regard to the critical role it plays in business and financial risk management, ensures that each of its members take adequate measures to keep abreast of changes to accounting standards and issues which have a direct impact on the Group's financial statements.

The Audit and Risk Committee also makes a point of meeting the external auditors, PricewaterhouseCoopers LLP ("PwC"), at least once annually without the presence of management.

The Audit and Risk Committee reviewed the independence of the external auditors, PwC, including the non-audit services provided to the Group. The Audit and Risk Committee is satisfied that they have maintained their independence and the nature and extent of their non-audit services did not affect their objectivity. The Audit and Risk Committee has therefore recommended to the Board that PwC be nominated for re-appointment as auditors at the coming AGM of the Company.

ACCOUNTABILITY AND AUDIT (CONTINUED)

Audit and Risk Committee (Principle 11) (continued)

The Group has complied with Rules 712 and Rule 715 or 716 of the Listing Manual issued by Singapore Exchange Securities Trading Limited in relation to its auditors.

The Audit and Risk Committee held 4 meetings during FY2018. During these meetings and in the course of FY2018, the Audit and Risk Committee carried out its functions set out above and in doing so reviewed the whistle-blowing policy, the interested person transactions and material contracts, amongst other activities.

For FY2018, the Board has received assurance from the Managing Director and Executive Director, Finance by way of a representation letter:

- (a) That the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) Regarding the effectiveness of the Company's risk management and internal control systems.

Whistle-Blowing Policy

The Company has in place whistle-blowing arrangements whereby employees may raise concerns about fraudulent activities, financial malpractices, conduct that would be considered as physically dangerous or harmful, unethical behaviour and harassment, sexual or otherwise. To ensure independent investigation of such matters and for appropriate follow up action, all whistle-blowing reports can be sent to any member of the whistle-blowing team. The Company also accepts anonymous reports. The whistle-blowing team reports to the Chairman of the Audit and Risk Committee.

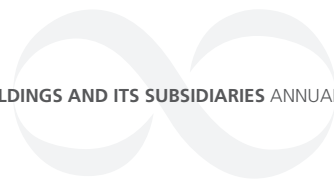
Interested Person Transactions

The Company has established a procedure for the recording and reporting of interested person transactions.

Name of Interested Person	Aggregate value of all IPTs during FY2018 (excluding transactions less than \$100,000 and transactions conducted under Shareholders' Mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under Shareholders' Mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Consultancy service rendered	\$'000	\$'000
Kelvin Lum Wen Sum	\$180	NIL
Interest paid and/or payable for the Company's term notes held		
Raymond Lum Kwan Sung	\$138	NIL
David Lum Kok Seng ⁽¹⁾	\$138	NIL

Notes: (1) held by spouse

The Company does not have a general shareholders' mandate for interested person transactions pursuant to Rule 920 of the Listing Manual.



Material Contracts

Other than disclosed elsewhere in the Annual Report, there were no other material contracts and loans entered into by the Company or any of its subsidiaries involving the interests of any director and/or the controlling shareholders and their associates, either still subsisting at the end of FY2018 or if not subsisting, which were entered into during FY2018.

Internal Controls (Principle 12)

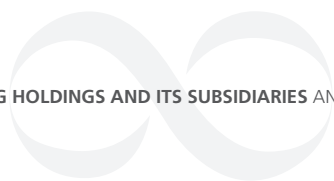
Internal Audit (Principle 13)

The internal controls and systems of the Group have been designed to provide reasonable assurance that its assets are safeguarded, proper accounting records are maintained, and that financial information used within the business and for publication is reliable.

The Group has an internal audit function headed by an Internal Auditor who reports directly, with full and direct access at all times, to all members of the Audit and Risk Committee. The Audit and Risk Committee has the authority to approve the appointment, termination and remuneration of the internal auditor(s). The Internal Auditor is a member of the Singapore Chapter of the Institute of Internal Auditors ("IIA") and adopts the International Standards for the Professional Practice of Internal Auditing ("the IIA Standards") laid down in the International Professional Practices Framework issued by the IIA. The Group identifies and provides training and development opportunities for its internal auditor(s) to ensure that their technical knowledge and skill set remains current and relevant. The functions of internal audit include the reviewing and evaluation of the Group's internal controls as well as financial, operational and compliance controls and risk management and as such has the necessary resources and standing required for full and unfettered access to all the Group's documents, records, properties and personnel. The internal audit function performs regular audits of the Group's individual business units and operations, which include overseas subsidiaries and associates.

The Audit and Risk Committee, together with the internal audit function, ensures the identification of undue business risk and the implementation of effective remedial action through the internal audit process. The internal audit function plans its internal audit schedules, in consultation with, but independent of management and the audit plan is submitted to the Audit and Risk Committee for approval prior to the commencement of the internal audit work. Regular reports on the effectiveness of the systems of internal control are prepared and presented to senior management and the Board.

The Audit and Risk Committee regards the systems of internal control and risk management as necessary components to safeguard the Shareholders' investments and the Company's assets. The Audit and Risk Committee reviews and assesses the internal audit function based on the Group's adoption of the IIA Standards on a regular basis (but in any event not less than annually) and is satisfied with the adequacy and the overall effectiveness of the internal audit function as at 30 June 2018.



ACCOUNTABILITY AND AUDIT (CONTINUED)

Internal Audit (Principle 13) (continued)

Risk Management

The Audit and Risk Committee has the primary task of reviewing the risk controls implemented by the Group and; at suitable intervals, depending on developments in the business environment, conducts appropriate inquiry into the risks faced by the Group.

Internal auditors conduct audits that involve testing the material internal control systems in the Group. Any material non-compliance or lapses in internal controls together with corrective measures recommended by internal auditors are reported to the Audit and Risk Committee. The Audit and Risk Committee also reviews the effectiveness of the measures taken by management in response to the recommendations made by the internal auditors. The system of internal control and risk management is continually refined by the management, the Audit and Risk Committee and the Board.

The Group has reviewed its key risk factors, which include financial, operational, regulatory and strategic risks and formalised them in a risk register, together with practical business and internal controls to manage or mitigate them.

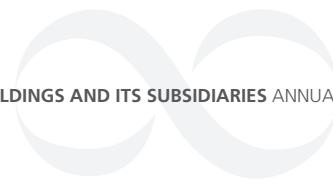
A risk management framework on the Group's ongoing process in identifying, assessing and reporting risks was also formalised. Through the internal audit function under the supervision of the Audit and Risk Committee, the Board had monitored the design and implementation of the risk management and internal control systems to be in line with the risk policies and risk tolerance levels of the Group. These initiatives would enable key business risks to be assessed so as to better manage the exposure of the Group's risks but at the same time allow the Group to leverage on growth and business opportunities when they arise.

The Group is committed to strengthening its risk management policies and procedures to keep abreast of the challenges and developments in the industry and will continue to identify, monitor, manage and mitigate the key risks.

The ongoing process of identifying business risks and implementing suitable preventive or corrective measures continues to be carried out primarily by the Audit and Risk Committee together with the internal audit function, with overall oversight by the Board and with participation by various stakeholders within the Group in their respective specific fields. The system of internal controls is regularly assessed for its effectiveness and the results are presented to senior management and the Board.

The system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group's assets and investments are safeguarded. The Board notes that no system of internal and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by the management, the Board, with the concurrence of the Audit and Risk Committee, are of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology controls, and risk management systems were effective and adequate as at 30 June 2018.



Communication With Shareholders (Principle 14)

The Company updates its shareholders primarily through the SGXNET. Quarterly and full-year results are released within the prescribed periods and material and/or price-sensitive information are released promptly. This ensures that inadvertent disclosures of information made to select groups of shareholders are promptly disseminated to all other shareholders. Summary Financial Reports and/or Annual Reports of the Company and the notices of general meetings are sent directly to shareholders. In addition to the foregoing, the Company's website is an important source of information for shareholders and the investing community. Quarterly results announcements, news releases, annual reports and other key facts and figures about the Group are available on the investor relations section of the Company website. A dedicated investor relations email address is maintained for the investing community to reach out to the Company for queries.

General meetings provide an excellent opportunity for shareholders to query the directors with regard to the Company and their recommendations. The Company values dialogue with its shareholders, and avails the respective chairmen of the Audit and Risk, Nominating and Remuneration Committees, as well as the external auditors, during the general meetings to address, or to assist the directors in addressing, any relevant queries by the shareholders during general meetings.

To accord shareholders their rights proportionate to their shareholdings in voting, the Company implemented electronic voting by poll for each resolution tabled at general meetings from the FY2014 AGM.

Minutes of general meetings are prepared and are available to shareholders for inspection upon their request. The Company's Constitution places no limit on the number of proxies for nominee companies so that shareholders who hold shares through nominees can attend general meetings as proxies.

Voting in absentia is allowed under the Company's Constitution but not implemented due to concerns on the integrity of information transmitted through the available media and concerns over the authenticity of the identity of shareholders.

DEALINGS IN SECURITIES

The Company has adopted an internal compliance code whereby Directors and affected employees are prohibited from dealing in the Company's shares during the "black-out" periods which are as prescribed under the Listing Manual; that is, for a period of two weeks before the announcement of its quarterly financial results and one month before the announcement of its full year results. The Directors and affected employees are also not allowed to deal in the Company's shares prior to the announcement of material price-sensitive information of which they are in possession.

Each year, the Company plans the release of the announcements of its quarterly and full year results and sets out the "black-out" periods. The Company ensures that each of the Directors and affected employees are informed of the "black-out" periods and each Director and affected employee is required to acknowledge and declare that he or she is fully aware of the same. Notwithstanding that the Directors and affected employees are permitted to trade in the Company's shares during the permitted periods, the Company also specifically highlights in its policy that the Directors and affected employees should not deal in the Company's shares on short-term considerations during the permitted periods.

The Company provides regular updates to the Directors and key management personnel on developments in insider trading regulations with particular focus on developments in local case law and changes in the regulatory framework, regularly highlighting the importance of safeguarding confidential information as well as the misuse of insider information.